

2012 Annual Financial Highlights



Fiscal Year Ended September 30, 2012

FY 2012 PAFR GREETING

Dear Citizens,

For the fifth consecutive year, the City of Post Falls Financial Services Department is proud to present the “popular” form of the City’s Comprehensive Annual Financial Report, often referred to as the PAFR.

The City’s award-winning Popular Annual Financial Report (or PAFR) is presented in an effort to inform and education our citizens and other interested parties about the financial operations of the City in a simplified and easy-to read-format.

Much of the information in the PAFR comes from the City’s FY 2012 CAFR. Under State law, the CAFR is prepared annually by City staff in accordance with Generally Accepted Accounting Principles, or GAAP. The City’s financial statements are then audited by an independent third-party professional accounting firm (Magnuson, McHugh & company, P.A.). This step provides a level of assurance to the Mayor, the City Council, the financial community, and citizens-at-large that these financial statements are free of material misstatement. Based on the audit, Magnuson, McHugh & company, P.A. concluded, in an unqualified opinion (meaning without reservation of any kind), that the City of Post Falls’ financial statements for the fiscal year ended September 30, 2012 are fairly presented and in conformity with GAAP. This opinion, its accompanying financial statements, and its Management Letter, containing a concise statement of areas where financial management practices could be improved, were presented in depth by officials Magnuson, McHugh & company, P.A. to the City’s Finance Department in late February 2013. Subsequently, the audit report is then presented to the Mayor and City Council as part of a regular Council Work Session agenda item in March 2013.

The PAFR is not intended to supplant the CAFR. It is intended as a supplement for an Executive-Summary-level briefing on City services and the overall financial condition of the City. For a complete review of the City’s financial status for the recently concluded fiscal year, the FY 2012 CAFR and FY2013 budget documents can be found on the City’s website, or copies may be obtained from the Finance and Support Services Department. We will be pleased to respond to any questions on this publication, the CAFR, and current budget documents.



Shelly Enderud
Finance and Support Services Department
Finance Director / Treasurer



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The FY 2012 CAFR can be viewed and downloaded on the City’s website at <http://www.postfallsidaho.org/ftp/CAFR2012PDF.pdf>



Clay Larkin

Clay Larkin, Mayor

Dear Citizens,

It gives me great pleasure to present the 2012 Popular Annual Financial Report (PAFR) for the City of Post Falls on behalf of the Post Falls City Council.

During the past year, City officials, City staff, business leaders and stakeholders have worked together planning for the future by developing long-range a strategic plan. We will continue to promote economic and smart growth for our community.

During FY 2012 City staff continued to provide excellent services to our residents despite growing community needs and shrinking budgets. I am proud of the continuing efforts to increase efficiency in order to reduce costs of government.

With these initiatives and commitment to sound financial management practices and reporting standards, the Post Falls City Council is working for our community to build a legacy that will benefit our city in both the near and distant future.

Photo Right: Mayor and City Council:

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



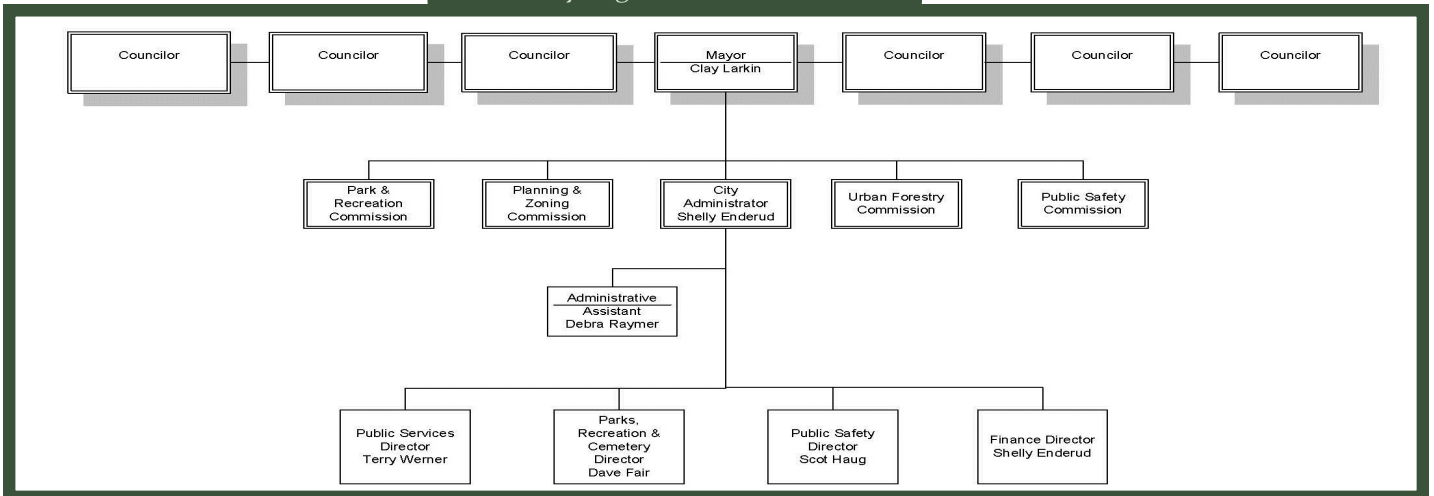
APPOINTED OFFICIALS

Shelly Enderud	City Administrator
Shelly Enderud	Director of Finance
Scot Haug	Chief of Police
David Fair	Parks & Recreation Director
Terry Werner	Public Services Director
Shannon Howard	City Clerk

ELECTED OFFICIALS

NAME	OFFICE	OCCUPATION	TERM
Clay Larkin	Mayor	Retired	2013
Ron Jacobson	Councilor	Senior VP - Inland Northwest Bank	2013
Linda Wilhelm	Councilor	Realtor - Coldwell Banker	2013
Betty Ann Henderson	Councilor	Retired	2013
Skip Hissong	Councilor	Owner - Summit Equipment	2015
Joe Malloy	Councilor	Project Coordinator—Outotech Energy Products	2013
Kerri Thoreson	Councilor	Self Employed	2015

City Organizational Chart



City Departments



ADMINISTRATION DEPARTMENT

The City Administrator's Department is responsible for administrative direction for all departments of the City, providing budgetary and policy advice to the Mayor and City Council, and implementing City Council goals, budgets, policies and strategic plan. The Administrative Department implements City Council policy direction, direct cost-effective and customer service oriented city services, and ensures compliance with local, state, and federal requirements. Also maintains professional and effective relations with external agencies and the citizens.

Administration Divisions:

The Human Resources Department

I.T. Services Department

The Public Information Office / City Cable 13

FINANCE & SUPPORT SERVICES DEPARTMENT

Incorporates all accounting services for the City, prepares the Annual Budget, a financial report for City auditors, the Comprehensive Annual Financial Report (CAFR) and Annual Financial Highlights (PAFR). Other functions include: Payroll ; Billing and Collections/ for local improvement districts, utility customers, and miscellaneous services; Accounts Payables; and full-service accounting function for the City.

Finance Divisions:

The Clerk's Department

The Utilities Department

Prosecuting Attorney

PARKS AND RECREATION DEPARTMENT

The Post Falls Parks, Recreation & Cemetery Department strives to provide the community with

high quality, affordable programs and activities for people of all ages and abilities. The department provides recreational services, facilities and parks to our customers and the citizens of Post Falls.

Parks and Recreation Divisions:

Recreation Division

Parks Division

Cemetery Division

Urban Forestry Division

PUBLIC SERVICES DEPARTMENT

Comprised of two divisions, Public Works Division and the Community Development Division. The Public Works Division incorporates services to ensure safe maintained travel ways, operation of the City's water and water reclamation facilities, protection of the environment, and maintenance of city facilities. The Community Development Division incorporates services for planning growth and development, and engineering infrastructure to ensure a well planned and livable community.

Public Works Division:

Facility Maintenance

Fleet Services .

The Street Department

Water Department

Storm Water Department

Water Reclamation Department / Facility

Community Development Division:

Building Department

Engineering Department

Planning Department

POST FALLS POLICE DEPARTMENT

The Post Falls Police Department is committed to provide a safe, secure environment for the Community and our employees. The Department is dedicated to the prevention of crime, the protection of life and property, the maintenance of law and order, the enforcement of laws and ordinances, and upholding the constitutional rights of all those within our jurisdiction. The department has three primary divisions and 14 programs.

Police Divisions:

Patrol

Investigations

Communications

Programs: Administration, Patrol, Motorcycle Patrol Unit, Communications, Animal Safety, Investigations, Community Services, Records, Juvenile Investigations/School Resource officers, Crime Victims Advocates, Information Technology, Chaplaincy, Volunteers in Police Service and Volunteers on Patrol

Demographics & Economics

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.



Population

The City of Post Falls has grown from 7,350 residents in 1990 to an estimated 29,700 in 2012. This influx of new residents has resulted in a strong construction industry until the last four years. Currently, the level has decreased over the last five years, with a small increase in FY 12, and is anticipated to be about the same in FY 13.

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

Traditionally Kootenai County's economy was a timber-based, but it has become more diverse, with an increase in manufacturing, retail, health care and tourism. Jobs Plus, Inc., the area economic development organization has recruited small to medium sized firms to the county. Joint efforts by Jobs Plus, Inc., Post Falls Urban Renewal Agency, Panhandle Area Council and the City brought a number of new businesses to Post Falls, including Center Partners, Buck Knives, two Wal-Mart stores, Cabela's, ALK Source Materials/Biopol, Ground Force Manufacturing, Ednetics, C&S Glass, Love's Travel Center, Carl's Jr., Burger King, Subway, the State of Idaho Department of Labor, and the infrastructure was completed within the City Center on the first phase of the Post Falls Landing Commercial project designed to accommodate a hospitality element and several retail and professional buildings when developed. A community development block grant for \$500,000 helped fund a water tower (approximately \$1,500,000 total cost) needed on the west side for development in that area.

Despite a sluggish economy, Post Falls experienced additional commercial and industrial development and growth in 2012. Among the businesses constructing new facilities or expanding were Blue Dog RV, Raycap Industries, Underground Force, Cooper Fabrication, Phones Plus and Summit Molds. An emerging medical community continues to grow with the addition of Rehabilitation Hospital of the Northwest and Pleasantview Surgery. More than one hundred licensed businesses include medium and small businesses that fill a special market niche, such as Selkirk Abbey Brewing, Stacy's Cupcakes, and Fuki Japanese Steak House. Aided by generous community support, the Boys and Girls Club of Kootenai County opened a new 10,000 square foot facility for area youth. The building industry benefited from 167 new single family homes and six multi-family structures with 43 units and is anticipated to continue growth through next year. A new freeway interchange on Interstate 90 at Beck Road was completed in November of 2012. This interchange was a design build project that is expected to encourage development opportunities within the Pointe at Post Falls' shopping center.

Additional commercial and industrial development and growth is anticipated as the economy continues to recover in 2013.



City History

The City of Post Falls was incorporated in 1891. It is named for Frederick Post, a German immigrant who constructed a lumber mill along the Spokane River in 1871 on land he purchased from Andrew Seltice, Chief of the Coeur d'Alene Tribe. The purchase of the land is preserved in a pictograph on a granite cliff in Treaty Rock park. Post Falls Associate City is Herborn, Germany. (birthplace of City Founder Frederick Post)



POST FALLS AT A GLANCE

Fiscal Year	2003	2012
City Assessed Valuation	\$1,074,115,199	\$1,905,961,040
Total Tax Levy	\$4,430,009	\$8,475,541
Total Budget	\$25,688,843	\$35,496,311
Outstanding Debt	\$8,541,594	\$12,585,973
Population	19,500	29,700
Employees	153.37	184.13
Park Acreage	354.74	442.7
Sanitary Sewers (miles)	93	163.3
Police Units	40	66
Street Miles	115	156

MISCELLANEOUS STATISTICS

Date of Incorporation	1891
Form of Government	Mayor & Council
Population	29,700
Number of Employees	184
Miles of Streets	156
Police:	
Calls for service	31,543
Burglary	185
Phone harassment	9
Motor Vehicle Theft	42
Municipal Utilities:	
Water Customers	9,990
Wastewater Customers	9,766
Public School Enrollment	5,700

Major Initiatives

This is a summary of the City's Major Initiatives, a full detailed list of Major Initiatives and department accomplishments are available in the CAFR.

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

The City reviewed and updated the Future Land Use Map and continues work on the Area of City Impact (ACI) Agreement between Post Falls and Kootenai County. Staff will be reviewing the "Smart Code" to improve its implementation and ensure quality development.

The City and the Post Falls Urban Renewal Agency (URA) continue efforts to provide for growth and business attraction in the City Center area. Design improvements are under way for Spokane Street south of I-90. Design has begun to reduce congestion and provide for increased traffic flow to the Seltice Way/Spokane Street/ Mullan Avenue area .

A block grant from the Idaho Commerce Department was received and implemented to assist with the construction of Underground Force Manufacturing, anticipated to bring 75 to 150 jobs.

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

The goal of effective and timely maintenance of facilities and equipment is a high priority. We continue to work towards better treatment of all pollutants. Equally important is assuring that 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 dust-control program of bi-weekly sweeping citywide through the summer. Began a program to pave or replace deteriorated chip sealed streets in residential districts, with over \$1,000,000 invested 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, with pumping capacity of 14 million gallons a day and reservoir capacity of 6.5 million gallons. In 2012, the City drilled Well 2A with a higher capacity well that will also provide redundant pumping capacity.

The Water Reclamation Division facility expanded to 4.1 million gallons a day, adding 1 million gallons of daily capacity. Additional equipment can add another million gallons a day to bring the facility capacity to 5.1 million gallons a day. The City now has 32 lift stations. Bio-solids continue to be processed off-site by Barr Tech. The Water Reclamation Division has 628 acres for future land application for reclaimed water. A Master Plan was completed for the collection and lift station system and began a Master Facility Plan for the Water Reclamation facilities. Work continues 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. The second year under the NPDES permit for storm water has been completed.

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 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.

The department improvements: 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. 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 operations with service partners and volunteers than in previous years. Increased numbers of special projects and community events is another area that has had an impact upon the staff and budget for the department.



Strategic Plan 2013-2017

"Post Falls, Idaho is a vibrant city with a balance of community and economic vitality that is distinguished by its engaged citizens, diverse businesses, progressive leaders, responsible management of fiscal and environmental resources, superior service, and a full range of opportunities for education and healthy lifestyles."

Financial Highlights Award



Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

**City of Post Falls
Idaho**

**for the Fiscal Year Ended
September 30, 2011**



Christopher P. Morill
President

Jeffrey L. Essex
Executive Director

The Popular Annual Financial Report (PAFR), sometimes called the Annual Report to Citizens, is a summary of the financial activities of the City's governmental funds and is drawn from information found in the CAFR. Unlike the CAFR, the PAFR is unaudited and presented on a non-GAAP basis.

The City of Post Falls received the Award for Outstanding Achievement in Popular Annual Financial Reporting from the GFOA for the 2011 PAFR. This was the fourth consecutive year that the city has achieved this award. The award is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government popular reports. In order to receive this award, a government unit must publish a report, with contents that conform to standards of creativity, presentation, understandability, and reader appeal.

General Financial

The following charts are derived from the City's Governmental Activities statements included in the CAFR. This report provides a detailed account of the revenues (sources of income) and expenses (the use of money) for City operations. It reflects changes in net assets that occurred during the fiscal year.

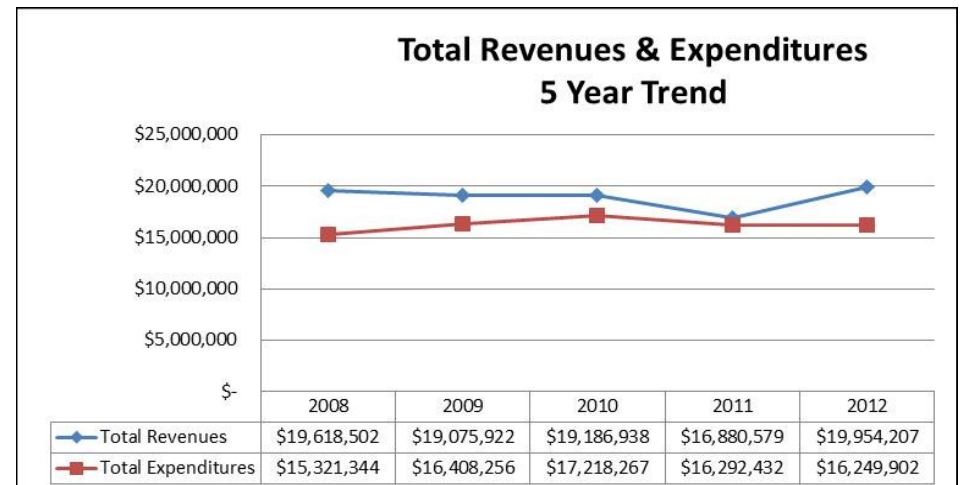
The City's direct charges to users of governmental services made up \$2,777,134 or 13.9 percent of total governmental revenue. These charges are for park rentals, recreation classes, building permits and other fees related to public safety and administration.

Public safety which includes police, domestic violence assistance, animal control and dispatch services accounts for \$5,480,365 in expenditures, or 33.7 percent of the total. Highway and public works accounts for \$3,795,333 in expenditures, or 23.3 percent of the total. Culture and recreation accounts for \$1,717,205 in expenditures, or 10.5 percent of the total. General government accounts for \$4,934,403 in expenditures, or 30.3 percent of the total.

The majority of the City of Post Falls' governmental activities' revenue is received from taxes (57 percent) with charges for services following at (13 percent).

When revenues are compared to expenditures over the last five years, it demonstrates revenues surpass expenditures annually. While expenditures have trended slightly up through 2010 and then stabilized, there is an anomaly in revenues for FY 11. This was created from a reduction in developer contributions during FY 11, along with two very large capital grants received by the City in FY 10 and FY 12. As the City has seen increased activity in FY 13, it is anticipated the capital contributions will remain at FY 10 levels, but the operating contributions will trend similar to FY 11. As with the prior five years, the City's Net Assets increased at the end of FY 12.

	Changes in Net Assets Governmental Activities		
	2012	2011	Change
REVENUES			
Program revenues:			
Charges for services	\$2,777,134	\$2,627,460	-\$149,674
Operating grants and contributions	2,473,455	1,100,014	-\$1,373,441
Capital grants and contributions	2,375,607	1,198,937	-\$1,176,670
General revenues:			
Property taxes	8,609,294	8,459,938	-\$149,356
Other taxes	3,384,489	3,205,182	-\$179,307
Other	334,228	289,048	-\$45,180
Total revenues	<u>\$19,954,207</u>	<u>\$16,880,579</u>	<u>-\$3,073,628</u>
EXPENSES			
General government	\$4,934,403	\$5,162,556	\$228,153
Public safety	5,480,365	5,269,056	-\$211,309
Highway and public works	3,795,333	3,544,205	-\$251,128
Culture and recreation	1,717,205	1,897,509	\$180,304
Interest on long-term debt	322,596	419,106	\$96,510
Total expenses	<u>\$16,249,902</u>	<u>\$16,292,432</u>	<u>\$42,530</u>
INCREASE IN NET ASSETS BEFORE TRANSFERS	<u>3,704,305</u>	<u>588,147</u>	<u>-\$3,116,158</u>
TRANSFERS IN (OUT)	<u>1,078,899</u>	<u>1,078,899</u>	
INCREASE IN NET ASSETS	<u>4,783,204</u>	<u>1,667,046</u>	<u>-\$3,116,158</u>
NET ASSETS beginning	<u>66,288,264</u>	<u>64,621,218</u>	<u>-\$1,667,046</u>
NET ASSETS ending	<u>\$71,071,468</u>	<u>\$66,288,264</u>	<u>-\$4,783,204</u>



Statement of Net Assets

The Statement of Net Assets for Governmental Activities reflects the City's net assets at the end of the fiscal year. It 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 71,071,468 at the close of the most recent fiscal year.

By far the largest portion of the City of Post Falls' net assets (69.5 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, other improvements, infrastructure, and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City of Post Falls uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Post Falls' investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital

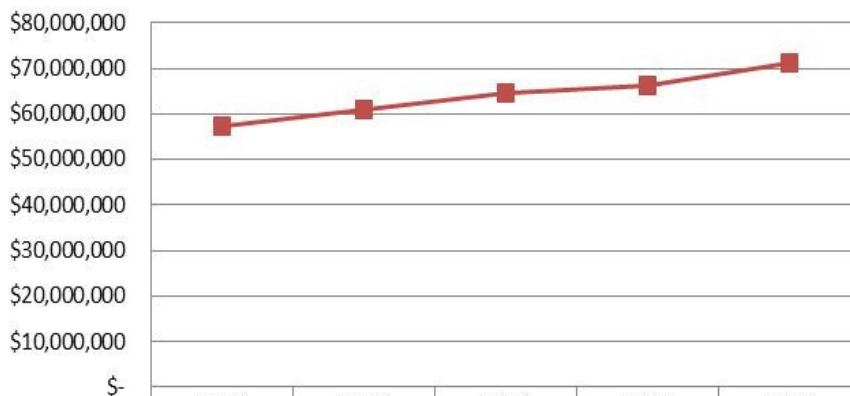
assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Post Falls' net assets (6.4 percent) represents recourses that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (20.9 percent) 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.

At the end of the current fiscal year, 68 percent of the liabilities are made up of noncurrent liabilities. This primarily represents bonds and leases.

Total Net Assets 5 Year Trend



	2008	2009	2010	2011	2012
Total net assets	\$57,143,747	\$60,855,172	\$64,621,218	\$66,288,264	\$71,071,468

Statement of Net Assets Governmental Activities

	2012	2011	Change
ASSETS			
Current and other assets	\$22,659,407	\$19,101,403	\$3,558,004
Capital assets	56,226,401	55,288,099	-938,302
Total assets	78,885,808	74,389,502	2,619,702
LIABILITIES			
Long-term liabilities outstanding	5,317,136	5,881,082	563,946
Other liabilities	2,497,204	2,220,156	277,048
Total liabilities	7,814,340	8,101,238	840,994
NET ASSETS			
Invested in capital assets, net of related debt	51,656,401	50,259,164	1,397,237
Restricted	4,581,294	7,451,981	-2,870,687
Unrestricted	14,833,773	8,577,119	6,256,654
Total net assets	\$71,071,468	\$66,288,264	\$4,783,204

General Fund

The City of Post Falls, like all other governmental entities in Idaho, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The general fund is the chief operating fund of the City of Post Falls.

Fund balance is the difference between fund assets and fund liabilities in a governmental fund. Unassigned fund balance is the portion of total fund balance available for appropriation that is not constrained for any particular purpose at year end. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$7,099,892, with a total fund balance of \$14,002,188. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 50.8 percent of total general fund expenditures, while total fund balance represents 100.1 percent of that same amount.

Key functional areas and their percentage of general fund expenditure are listed below. Public safety expenditures, the largest at 35%, include such departments as patrol, animal safety, and emergency communications. General government, the next largest includes departments as planning and zoning, administration, mayor and council, finance, and personnel benefits.



General Fund Expenditures by Function



Capital Asset Additions



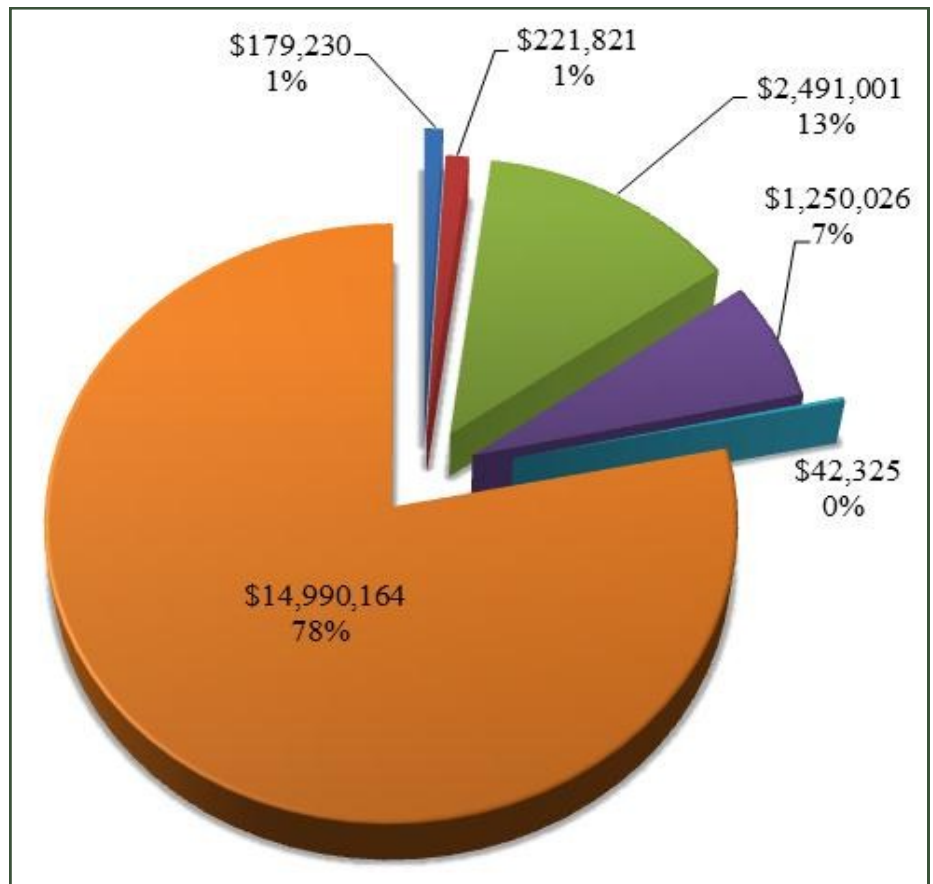
The Sewer system is the largest asset group of the City . This would include items such as buildings, lift stations, sewer lines, equipment and vehicles. The largest asset group of the Governmental funds is Infrastructure. This would include items like sidewalks, roads and curbs.

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 across the City 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.

Capital Asset Additions

- Buildings and improvements
- Infrastructure
- Water System
- Equipment
- Construction in Progress
- Sewer System



Enterprise

One of the major sources of the City of Post Falls' business-type activities' revenue is received from charges for services (83 percent). Currently, the City of Post Falls' business-type activities do not use property taxes for any type of funding.

The second major source of revenue is capital construction (14 percent). These contributions are received by water and 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.

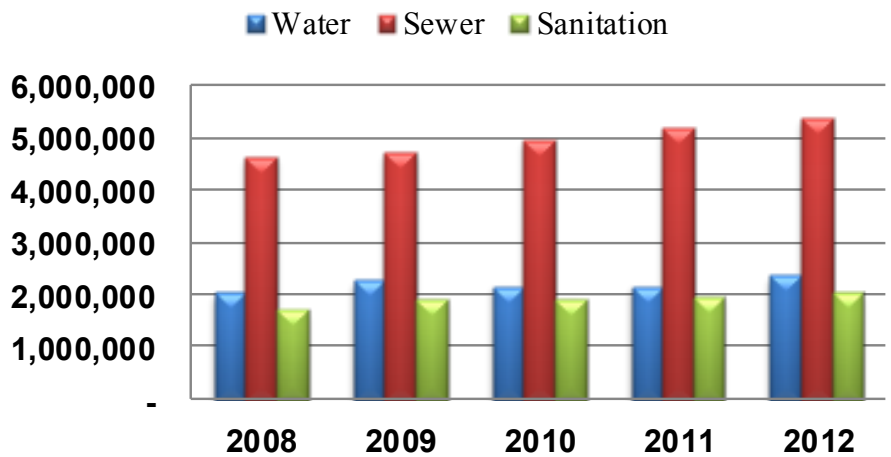
Investment earnings have continued to be low in FY12 as interest rates continue at all time lows in the current economy.

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 couple of years. The City is the

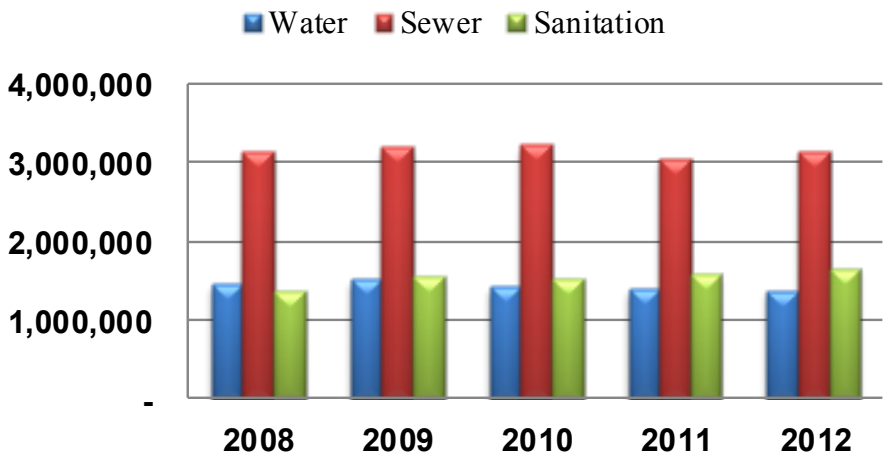
only sewer provider within the City limits and is one of three providers of water within the City limits. All sanitation services are provided through the City.

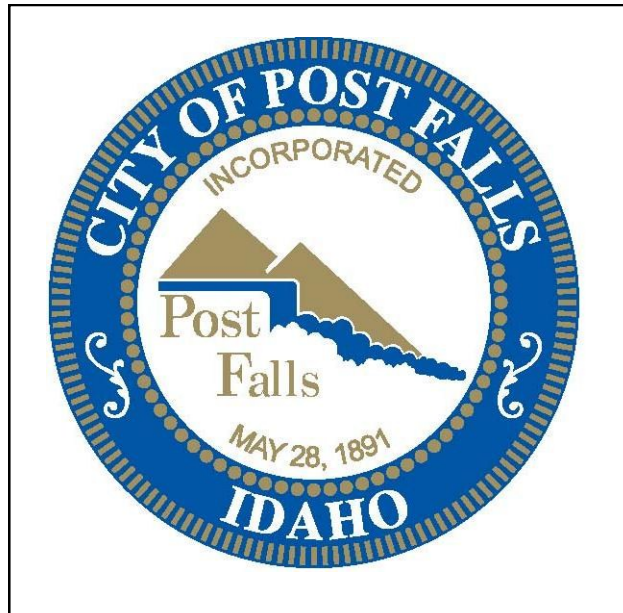
Unrestricted net assets of the water, sewer and sanitation funds at the end of the year amounted to \$16,862,151 (water \$4,130,076; sewer \$11,592,318; and sanitation \$1,139,757). Restricted net assets at the end of the year amounted to \$16,889,219 (water \$6,424,286 and sewer \$10,464,933).

Enterprise Operating Revenue



Enterprise Operating Expense





City of Post Falls Finance and Support Services

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