



**CITY OF COEUR D'ALENE,  
IDAHO**

**FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

# City of Coeur d'Alene, Idaho

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City of Coeur d'Alene, Idaho

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
City of Coeur d'Alene  
Coeur d'Alene, Idaho 83814

### **Report on the Financial Statements**

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 Coeur d'Alene, Idaho as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The City of Coeur d'Alene's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Coeur d'Alene, Idaho, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12, and 66 - 67, the Police Retirement Trust Fund information on pages 68 - 69, and the Schedule of Funding Progress for Postemployment Benefit Plan on page 70, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coeur d'Alene, Idaho's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2015, on our consideration of the City of Coeur d'Alene, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Coeur d'Alene's internal control over financial reporting and compliance.

*Magnuson, McHugh & Company, P.A.*

Magnuson, McHugh & Company, P.A.  
March 4, 2015

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF COEUR D'ALENE**  
Kootenai County, Idaho

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2014

As management of the City of Coeur d'Alene, Idaho (the "City"), we have provided readers of the City's financial statements with this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014.

**FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$305,834,031 (net position). Of this amount, \$23,056,463 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$10,689,736. This increase is made up of a 7.66% increase in the business activities and a decrease of 0.42% in the governmental activities.
- At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$13,941,349 an increase of \$1,742,062 in comparison with the prior year.
- Also, at the end of the fiscal year, unassigned fund balance for the General Fund was \$6,142,590, or 18.46% of the amended 2014 budget of general fund expenditures.
- The City's total debt increased by \$6,391,798 during fiscal year 2013-2014, due to the wastewater treatment facility expansion and upgrades.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's 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 supplemental 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's finances, in a manner similar to private sector businesses.

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

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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 (i.e. uncollected taxes and earned, but unused, vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation and interest on long-term debt. The business-type activities of the City include water, wastewater, sanitation, drainage, street lighting and public parking.

The government-wide financial statements include not only the City itself (known as the primary government), but a legally separate urban renewal district, Lake City Development Corporation (LCDC), for which the City is financially accountable. LCDC has been reported as a discreetly presented component unit and does prepare separate financial statements.

**CITY OF COEUR D'ALENE**  
Kootenai County, Idaho

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2014

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Fund Financial Statement** – 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, 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 can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund Balance Sheet and governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 26 individual governmental funds. Information is presented separately in the governmental Fund Balance sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the Insurance Special Revenue Fund and the General Obligation Bonds Debt Service which are considered to be major funds. Data from the other 23 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements or schedules elsewhere in this report.

The City 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.

*Proprietary Funds* – The City maintains one type of proprietary fund which is an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for water, wastewater, drainage, solid waste, public parking and street lighting 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 each of the enterprise funds which are considered to be major funds of the City.

*Fiduciary Funds* – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the Financial Statements** – The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information** – Combining and individual fund statements and schedules for nonmajor funds are presented immediately following the notes to basic financial statements.

**CITY OF COEUR D'ALENE**  
Kootenai County, Idaho

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2014

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Net positions** – The City has 91.08% of its total net positions invested in capital assets (land, buildings, infrastructure, machinery and equipment, and vehicles) less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the City's investment in its 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 1.37% of the City's net positions represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (7.55%) may be used to meet the City's ongoing obligations to citizens and creditors.

A summary of the City's net position follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>						
Current and other assets	\$ 16,736,841	\$ 18,379,145	\$ 18,612,157	\$ 16,368,692	\$ 35,348,998	\$ 34,747,837
Capital assets	131,418,732	134,203,214	182,537,064	166,252,891	313,955,796	300,456,105
Total assets	<u>148,155,573</u>	<u>152,582,359</u>	<u>201,149,221</u>	<u>182,621,583</u>	<u>349,304,794</u>	<u>335,203,942</u>
<b>LIABILITIES</b>						
Other liabilities	3,804,076	6,961,297	977,203	1,310,362	4,781,279	8,271,659
Long-term liabilities	6,471,725	7,080,364	32,217,759	25,217,322	38,689,484	32,297,686
Total liabilities	<u>10,275,801</u>	<u>14,041,661</u>	<u>33,194,962</u>	<u>26,527,684</u>	<u>43,470,763</u>	<u>40,569,345</u>
<b>NET POSITION</b>						
Investment in capital assets, net of related debt	127,850,860	129,925,560	150,736,089	141,374,408	278,586,949	271,299,968
Restricted	4,190,619	3,342,126	-	-	4,190,619	3,342,126
Unrestricted	5,838,293	5,273,012	17,218,170	14,719,491	23,056,463	19,992,503
Total net position	<u>\$ 137,879,772</u>	<u>\$ 138,540,698</u>	<u>\$ 167,954,259</u>	<u>\$ 156,093,899</u>	<u>\$ 305,834,031</u>	<u>\$ 294,634,597</u>

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

**CITY OF COEUR D'ALENE**  
Kootenai County, Idaho

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2014

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

A summary of the City's changes in net positions follows:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 3,888,759	\$ 3,763,826	\$ 17,141,856	\$ 15,587,791	\$ 21,030,615	\$ 19,351,617
Operating grants and contributions	332,095	620,809	-	-	332,095	620,809
Capital grants and contributions	211,996	58,944	12,203,116	4,771,339	12,415,112	4,830,283
General revenues:						
Property taxes	19,406,499	18,932,639	-	-	19,406,499	18,932,639
Sales tax	780,101	727,399	-	-	780,101	727,399
Franchise fees	3,127,341	2,977,976	-	-	3,127,341	2,977,976
Motor fuel taxes	1,511,475	1,483,763	-	-	1,511,475	1,483,763
Alcoholic beverage taxes	1,099,362	1,101,712	-	-	1,099,362	1,101,712
Grants and contributions not restricted to specific purposes	5,876,451	5,118,218	-	-	5,876,451	5,118,218
Interest and investment earnings	(21,292)	62,686	76,360	139,546	55,068	202,232
Miscellaneous	610,467	471,974	-	-	610,467	471,974
Special assessments	16,270	-	-	-	16,270	-
Donated assets	11,785	13,347,709	-	180,025	11,785	13,527,734
Total revenues	<u>36,851,309</u>	<u>48,667,655</u>	<u>29,421,332</u>	<u>20,678,701</u>	<u>66,272,641</u>	<u>69,346,356</u>
<b>EXPENSES</b>						
General government	6,045,222	5,963,529	-	-	6,045,222	5,963,529
Public safety	19,067,331	18,509,680	-	-	19,067,331	18,509,680
Public works	7,434,524	7,879,045	-	-	7,434,524	7,879,045
Culture and recreation	4,801,003	4,659,349	-	-	4,801,003	4,659,349
Administrative expense	258,635	10,851	-	-	258,635	10,851
Interest on long-term debt	165,510	201,660	-	-	165,510	201,660
Change in OPEB obligation	69,128	47,128	-	-	69,128	47,128
Water services	-	-	5,274,167	5,038,416	5,274,167	5,038,416
Wastewater	-	-	7,741,019	7,433,651	7,741,019	7,433,651
Sanitation	-	-	3,103,204	2,967,500	3,103,204	2,967,500
Other enterprise	-	-	1,672,708	992,226	1,672,708	992,226
Loss (Gain) on asset disposal	38,926	-	(88,472)	16,286	(49,546)	16,286
Total expenses	<u>37,880,279</u>	<u>37,271,242</u>	<u>17,702,626</u>	<u>16,448,079</u>	<u>55,582,905</u>	<u>53,719,321</u>
Increase in net positions before transfers	(1,028,970)	11,396,413	11,718,706	4,230,622	10,689,736	15,627,035
Transfers	1,820,023	1,829,299	(1,820,023)	(1,829,299)	-	-
Change in net position	<u>\$ 791,053</u>	<u>\$ 13,225,712</u>	<u>\$ 9,898,683</u>	<u>\$ 2,401,323</u>	<u>\$ 10,689,736</u>	<u>\$ 15,627,035</u>

**CITY OF COEUR D'ALENE**  
**Kootenai County, Idaho**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2014**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

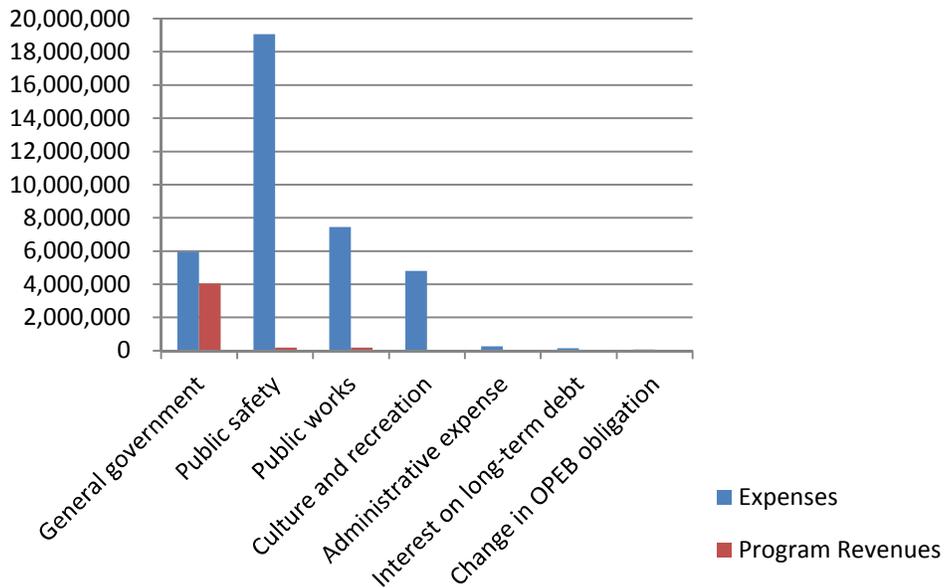
Major changes in governmental activities were as follows:

Governmental activities increased the City's net positions by \$791,053, which impacted the City's Governmental net position by approximately 0.57%. This decrease is primarily the result of a prior period adjustment that moved donated assets from the prior year for the McEuen Park / parking structure project from construction in progress in the parks capital improvements fund to other improvements in the parking fund, a proprietary fund.

Governmental Activities:

The following graph depicts various governmental activities and shows the expenses and program revenues directly related to those activities.

**Expenses and Program Revenues – Government Activities**

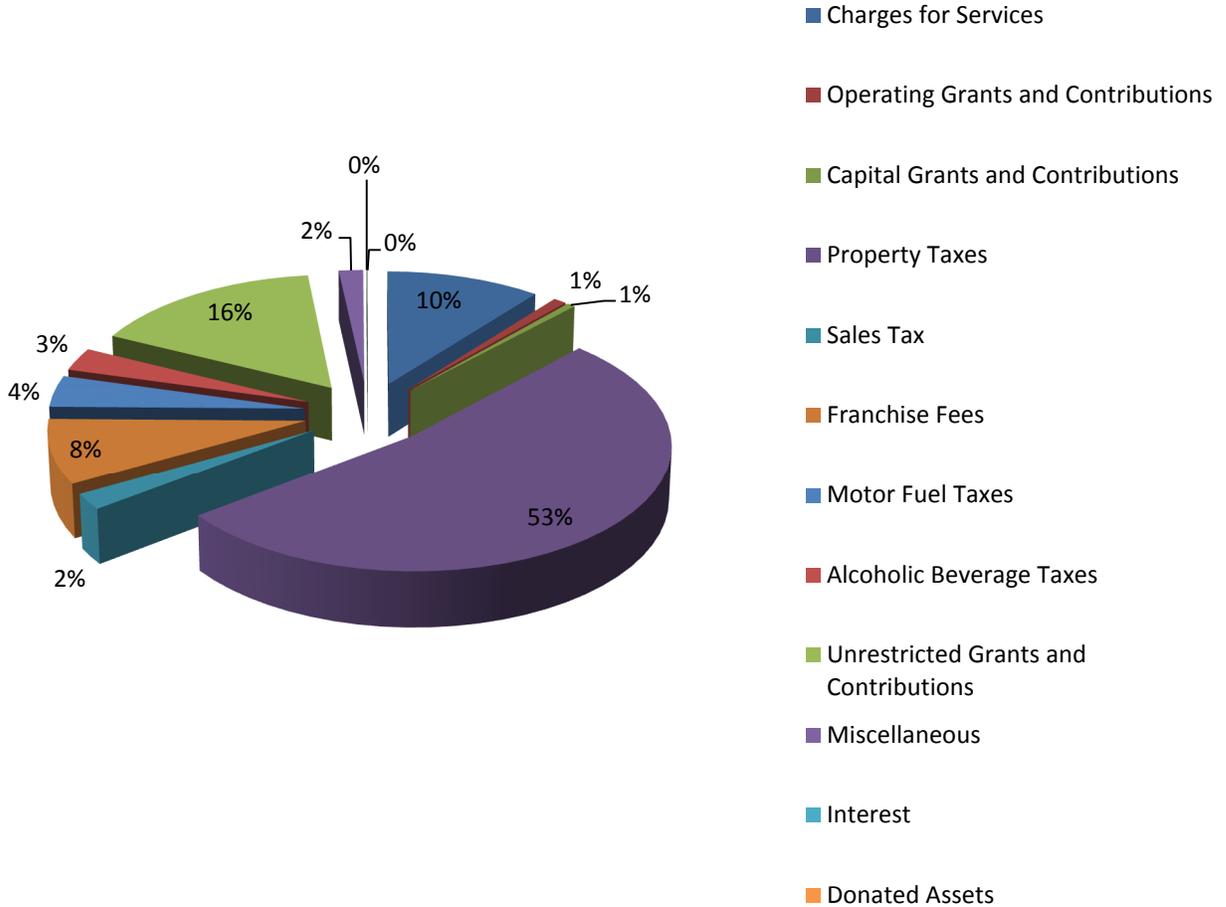


**CITY OF COEUR D'ALENE**  
Kootenai County, Idaho

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2014

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Revenues by Source – Governmental Activities**



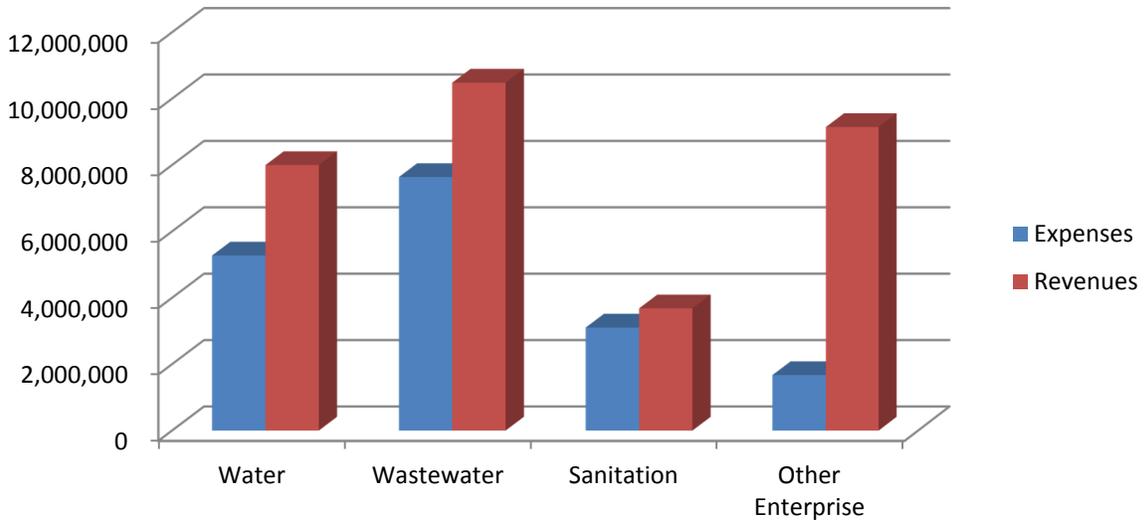
**Business-Type Activities** – Business-type activities increased the City’s net positions by \$9,898,683, which impacted the City’s business-type net positions by 6.33%. This increase was primarily the result of contributed capital from the Lake City Development Corporation for the construction of a parking garage at McEuen Park and a prior period adjustment to adjust donated assets from the prior fiscal year from the parks capital improvements fund to the parking fund. An increase of \$1,953,454 in capitalization fee revenue in the Water and Wastewater Funds also was a significant contributor to this increase.

**CITY OF COEUR D'ALENE**  
Kootenai County, Idaho

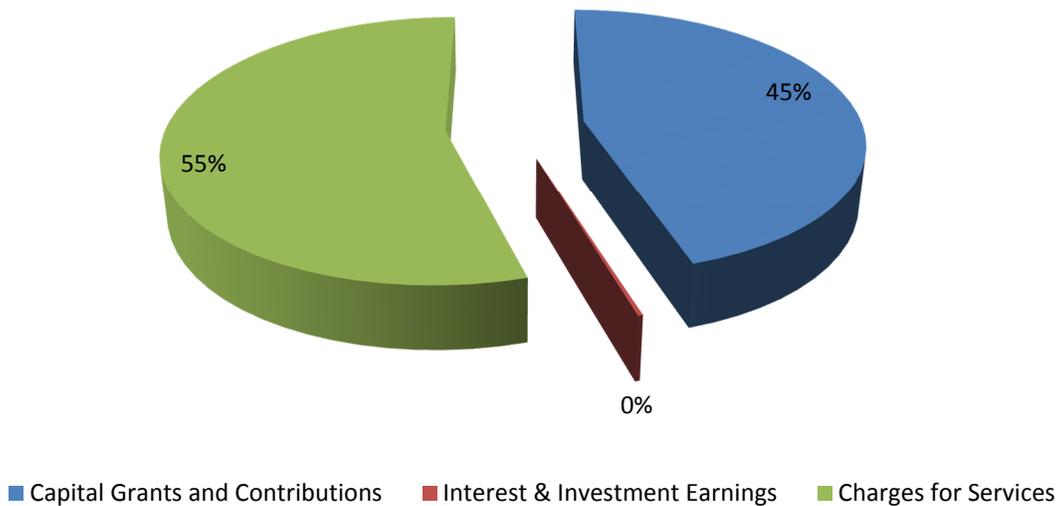
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2014

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Expenses and Program Revenue – Business-Type Activities**



**Revenues by Source – Business-type Activities**



**CITY OF COEUR D'ALENE**  
Kootenai County, Idaho

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2014

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)**

**Financial Analysis of the Government's Funds**

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

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

At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$13,941,349 an increase of \$1,742,062 in comparison with the prior year. Of the \$13,941,349 fund balance \$5,973,879 is unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is restricted, committed or assigned to indicate that it is not available for new spending because it has already been committed to pay debt service, insurance claims, future park, fire, police and street projects, and perpetual care of cemeteries.

The General Fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General Fund was \$6,710,632. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total budgeted expenditures. Fund balance represents 20.30% of 2014 budgeted expenditures and the unassigned fund balance of \$6,142,590 represents 18.59% of 2014 budgeted expenditures. Although the General Fund balance appears to be adequate, it must be stressed that the balance is needed to support operations until funds are received in January 2015 from the first current-year property tax settlement.

General Fund cash balance was increased by \$587,187. Revenues were \$577,502 higher than budgeted and expenses were \$1,034,614 lower than budgeted. Revenues increased \$221,247 from the previous year and expenses increased \$985,291. Transfers out increased by \$615,648 and transfers in decreased by \$25,495.

The fund balance of the City's General Fund increased \$221,414. This slight increase was due to other financing sources being higher than the deficiency of revenues over expenditures.

The Insurance Fund Special Revenue Fund had a fund balance deficit of \$54,894 at September 30, 2014 which is \$290,202 reduction in the fund balance deficit of \$345,096 in the last fiscal year. This reduction in this fund balance deficit can be attributed to an operating transfer in from the General Fund of \$678,909.

The General Obligation Bonds Debt Service Fund has a total fund balance of \$482,559 all of which is designated to pay future debt service payments on the City's General Obligation Bonds.

**Proprietary Funds** – The City's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$17,218,170. The total increase in net positions for the funds was \$9,898,683. This increase was primarily the result of an increase in building activity which increased the revenues received in the Water and Wastewater Funds for capitalization fees and increased infrastructure received from developer's contributions. Also an increase in contributed capital occurred in the Parking Fund from Lake City Development Corporation for the parking structure at McEuen Park.

**CITY OF COEUR D'ALENE**  
Kootenai County, Idaho

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2014

**GENERAL FUND BUDGET HIGHLIGHTS**

The City's General Fund budget was amended during the fiscal year. The amendment increased the General Fund budget before transfers out by \$1,445,222. The largest amendment was for \$1,205,953 to the overlay budget in Engineering to account for the Front Street Project that was budgeted in fiscal year 2012-13, however it was finished in fiscal year 2013-14 (two year project),

The budget amendment included the use of \$1,667,475 of General Fund Balance but in actuality the fund balance was increased by \$221,414 due to operating transfers in for the year of \$1,669,958. Actual revenues were 3.16% higher than the City's original budget and actual expenditures were 1.29% higher than the City's original budget.

Overall expenditures before transfers were \$1,034,614 under the final amended budget and \$410,608 over the original budget. Overall revenues before transfers were \$577,502 over the final amended budget of \$30,569,734 and \$955,249 over the original budget of \$30,191,987.

**CAPITAL ASSETS**

The City's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of September 30, 2014, amounts to \$313,955,796. This investment in capital assets includes land, buildings, infrastructure, construction in progress, machinery and equipment and vehicles. This balance represents a net increase of \$13,562,929 from the prior year. Additional details of capital asset activity for the year can be found in Note 5 of the notes to basic financial statements.

The majority of the increase in the capital assets can be attributed to the expansion and upgrade of the City's wastewater treatment facility.

**LONG-TERM DEBT**

The City's long-term bonded debt decreased by \$2,676,343 in 2014; leaving a balance of \$26,058,094 at year-end. Additional details of long-term debt activity for the year can be found in Note 6 in the notes to basic financial statements.

In 2006 Moody's Investor Service assigned a rating of A1 to the City of Coeur d'Alene, General Obligation Funding and Refunding Bonds, Series 2006 in the amount of \$9.5 million. At that time, Moody's also assigned an A1 rating to the City's outstanding general obligation debt in the approximate amount of \$3.2 million. The bonds are secured by the full faith, credit and unlimited tax pledge of the City. The A1 rating primarily reflected the City's moderately sized but rapidly growing tax base, favorable wealth levels, healthy financial position, strong management and modest debt burden.

**CITY OF COEUR D'ALENE**  
Kootenai County, Idaho

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2014

**LONG TERM DEBT (CONCLUDED)**

On May 3, 2010, Moody's Investors Service ("Moody's") changed the rating(s) on the bond issues listed in conjunction with the migration of U.S. public finance ratings to Moody's global rating scale. The rating changes to the Issuer's bonds are shown below:

<u>Issue</u>	<u>Prior Rating</u>	<u>Global Scale Rating</u>
General Obligation Street Improvement Refunding Bonds, Series 2008	A1	Aa2
General Obligation Funding and Refunding Bonds, Series 2006	A1	Aa2

State statutes limit the amount of general obligation debt a government entity may issue to 2% of assessed market value. The current debt limitation for the City is \$57,552,579 which is significantly higher than the City's net outstanding general obligation debt of \$2,757,038.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

City Council chose not to take any of the available dollars through the 3% increase in property taxes last year. There is new single family building growth happening and the number of new construction apartment units being added has been robust. There is pressure on the City to add public safety positions in the police department and in the fire department as Fire Station IV is being planned.

The City is planning to take to the voters in May of 2015 a General Obligation bond renewal. The existing ten year bond is paying off and the public will be asked to vote on another 10 year bond to acquire needed equipment including fire trucks, rolling stock, an incident command vehicle and an office/storage building. The bond cannot be used to fund personnel.

There will be scheduled fee increases that occur in the water and wastewater funds. Any increases in other areas of the City greater than 5% will be carefully studied and brought forward to the Mayor and Council at a public hearing.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Coeur d'Alene, Finance Director, 710 Mullan Avenue, Coeur d'Alene, Idaho 83814.

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

City of Coeur d'Alene, Idaho

STATEMENT OF NET POSITION  
September 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 12,059,504	\$ 16,258,722	\$ 28,318,226
Investments	1,698,756	-	1,698,756
Receivables:			
Taxes delinquent	108,186	-	108,186
Accounts receivable	618,829	2,647,258	3,266,087
Special assessments	137,047	123,681	260,728
Prepays	-	2,496	-
Internal balances	420,000	(420,000)	-
Due from other governments	1,694,519	-	1,694,519
Deposits	-	-	-
Restricted cash - bond reserve	-	-	-
Capital assets:			
Land	14,718,934	2,031,210	16,750,144
Construction in Progress	243,343	-	243,343
Other capital assets, net of accumulated depreciation	116,456,455	180,505,854	296,962,309
Total assets	<u>148,155,573</u>	<u>201,149,221</u>	<u>349,304,794</u>
<b>LIABILITIES</b>			
Accounts payable	2,286,823	856,312	3,143,135
Accrued payroll and related costs	1,241,660	-	1,241,660
Other accrued liabilities	-	100,000	100,000
Due to other governments	-	-	-
Deposits	264,737	-	264,737
Accrued interest payable	10,856	20,891	31,747
Long-term liabilities:			
Due within one year	1,341,422	1,604,015	2,945,437
Due in more than one year	5,130,303	30,613,744	35,744,047
Total liabilities	<u>10,275,801</u>	<u>33,194,962</u>	<u>43,470,763</u>
<b>NET POSITION</b>			
Net investment in capital assets	127,850,860	150,736,089	278,586,949
Restricted	4,190,619	-	4,190,619
Unrestricted	5,838,293	17,218,170	23,056,463
Total net position	<u>\$ 137,879,772</u>	<u>\$ 167,954,259</u>	<u>\$ 305,834,031</u>

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

**City of Coeur d'Alene, Idaho**  
**STATEMENT OF ACTIVITIES**  
For the year ended September 30, 2014

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 6,045,222	\$ 3,888,759	\$ 155,758	\$ -
Public safety	19,067,331	-	172,969	16,600
Public works	7,434,524	-	-	195,396
Culture and recreation	4,801,003	-	3,368	-
Administrative expense	258,635	-	-	-
Interest on long-term debt	165,510	-	-	-
Change in OPEB obligation	69,128	-	-	-
Total governmental activities	37,841,353	3,888,759	332,095	211,996
Business-type activities:				
Water	5,274,167	4,617,679	-	3,380,812
Wastewater	7,741,019	7,137,285	-	3,343,981
Sanitation	3,103,204	3,681,654	-	-
Other Enterprise	1,672,708	1,705,238	-	5,478,323
Total business-type activities	17,791,098	17,141,856	-	12,203,116
Total primary government	\$ 55,632,451	\$ 21,030,615	\$ 332,095	\$ 12,415,112
<b>Component unit:</b>				
Lake City Development Corporation	\$ 6,893,413	\$ 155,124	-	-
Total component unit	\$ 6,893,413	\$ 155,124	\$ -	\$ -

General revenues:  
Property taxes, levied for general purposes  
Sales tax  
Franchise fees  
Motor fuel taxes  
Alcoholic beverage taxes  
Grants and contributions not restricted to specific purposes:  
Interest and investment earnings  
Miscellaneous  
Donated assets  
Special assessments  
(Loss) gain on disposal of assets  
Transfers  
    Total general revenues and transfers  
Change in net position  
Net position - beginning  
Prior period adjustment  
Net position - ending

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

**Net (Expense) Revenue  
and Changes in Net Position**

<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Lake City Development Corporation</b>
\$ (2,000,705)	\$ -	\$ (2,000,705)	\$ -
(18,877,762)	-	(18,877,762)	-
(7,239,128)	-	(7,239,128)	-
(4,797,635)	-	(4,797,635)	-
(258,635)	-	(258,635)	-
(165,510)	-	(165,510)	-
(69,128)	-	(69,128)	-
<u>(33,408,503)</u>		<u>(33,408,503)</u>	
-	2,724,324	2,724,324	-
-	2,740,247	2,740,247	-
-	578,450	578,450	-
-	5,510,853	5,510,853	-
-	11,553,874	11,553,874	-
<u>\$ (33,408,503)</u>	<u>\$ 11,553,874</u>	<u>(21,854,629)</u>	<u>-</u>

\$ (6,738,289)  
\$ (6,738,289)

19,406,499	-	19,406,499	5,844,849
780,101	-	780,101	-
3,127,341	-	3,127,341	-
1,511,475	-	1,511,475	-
1,099,362	-	1,099,362	-
5,876,451	-	5,876,451	-
(21,292)	76,360	55,068	6,299
610,467	-	610,467	43,446
11,785	-	11,785	-
16,270	-	16,270	-
(38,926)	88,472	49,546	-
1,820,023	(1,820,023)	-	-
<u>34,199,556</u>	<u>(1,655,191)</u>	<u>32,544,365</u>	<u>5,894,594</u>
791,053	9,898,683	10,689,736	(843,695)
138,540,698	156,093,899	294,634,597	696,656
(1,451,980)	1,961,677	509,697	-
<u>\$ 137,879,771</u>	<u>\$ 167,954,259</u>	<u>\$ 305,834,030</u>	<u>\$ (147,039)</u>

**City of Coeur d'Alene, Idaho**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2014**

	<u>General</u>	<u>Insurance* Fund Special Revenue</u>	<u>General Obligation Bonds Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6,353,337	\$ 30,148	\$ 476,498	\$ 5,199,521	\$ 12,059,504
Investments	-	-	-	1,698,756	1,698,756
Receivables:					
Taxes delinquent	89,109	6,462	10,075	2,540	108,186
Accounts receivable	607,220	-	-	11,609	618,829
Special assessments	-	-	-	137,047	137,047
Due from other governments	1,617,816	-	6,061	70,642	1,694,519
Due from other funds	540,318	-	-	36,000	576,318
Total assets	<u>\$ 9,207,800</u>	<u>\$ 36,610</u>	<u>\$ 492,634</u>	<u>\$ 7,156,115</u>	<u>\$ 16,893,159</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 2,144,267	\$ 85,042	\$ -	\$ 57,514	\$ 2,286,823
Due to other funds	-	-	-	156,318	156,318
Deposits	263,792	-	-	945	264,737
Total liabilities	<u>2,408,059</u>	<u>85,042</u>	<u>-</u>	<u>214,777</u>	<u>2,707,878</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue- property taxes	89,109	6,462	10,075	2,540	108,186
Unavailable revenue- special assessments	-	-	-	135,746	135,746
Total deferred inflows of resources	<u>89,109</u>	<u>6,462</u>	<u>10,075</u>	<u>138,286</u>	<u>243,932</u>
<b>FUND BALANCES (DEFICITS)</b>					
Restricted	107,564	-	482,559	3,600,496	4,190,619
Committed	212,245	-	-	2,984,556	3,196,801
Assigned	248,233	-	-	331,817	580,050
Unassigned	6,142,590	(54,894)	-	(113,817)	5,973,879
Total fund balances	<u>6,710,632</u>	<u>(54,894)</u>	<u>482,559</u>	<u>6,803,052</u>	<u>13,941,349</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 9,207,800</u>	<u>\$ 36,610</u>	<u>\$ 492,634</u>	<u>\$ 7,156,115</u>	<u>\$ 16,893,159</u>

\* Not a major fund

The accompanying "Notes to the Financial Statements"  
are an integral part of this statement.

**City of Coeur d'Alene, Idaho**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
September 30, 2014**

Total fund balances at September 30, 2014 - Governmental Funds

Cost of capital assets at September 30, 2014	\$ 199,566,795
Less: Accumulated depreciation as of September 30, 2014	
Buildings	(7,350,076)
Equipment	(13,682,432)
Infrastructure	(45,109,187)
Other improvements	<u>(2,006,368)</u>

Elimination of deferred revenue

Accrued interest

OPEB Obligation

Long-term liabilities at September 30, 2014

Leases	(669,929)
Special assessments	(45,000)
General obligation debt	(2,757,038)
Bond premium net of amortization	(85,049)
Compensated absences	<u>(2,914,709)</u>

Net position at September 30, 2014

The accompanying "Notes to the Financial Statements"  
are an integral part of this statement.

**City of Coeur d'Alene, Idaho**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2014**

	<b>General Fund</b>	<b>Insurance* Fund Special Revenue</b>	<b>General Obligation Bonds Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Taxes	\$ 17,140,992	\$ 7	\$ 1,161,372	\$ 1,207,557	\$ 19,509,928
Licenses and permits	5,017,872	-	-	-	5,017,872
Intergovernmental	8,146,490	-	-	221,196	8,367,686
Charges for services	354,090	-	-	1,644,137	1,998,227
Fines and forfeits	348,066	-	-	18,549	366,615
Assessments collected	-	-	-	74,964	74,964
Investment (loss) earnings	(50,640)	331	490	28,527	(21,292)
Contributions	-	-	-	1,077,180	1,077,180
Miscellaneous	190,366	-	-	420,101	610,467
Total revenues	<u>31,147,236</u>	<u>338</u>	<u>1,161,862</u>	<u>4,692,211</u>	<u>37,001,647</u>
<b>EXPENDITURES</b>					
Current:					
General government	5,255,837	389,045	-	304,123	5,949,005
Public safety	18,451,668	-	-	-	18,451,668
Public works	4,083,289	-	-	-	4,083,289
Culture and recreation	2,409,848	-	-	1,362,107	3,771,955
Administrative expense	-	-	-	258,635	258,635
Capital outlay	2,002,102	-	-	1,687,662	3,689,764
Debt service:					
Principal payments	23,841	-	979,374	159,500	1,162,715
Interest and fiscal agent fees	8,364	-	162,863	6,120	177,347
Total expenditures	<u>32,234,949</u>	<u>389,045</u>	<u>1,142,237</u>	<u>3,778,147</u>	<u>37,544,378</u>
(Deficiency) excess of revenues					
(under) over expenditures	<u>(1,087,713)</u>	<u>(388,707)</u>	<u>19,625</u>	<u>914,064</u>	<u>(542,731)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Debt issuance	464,770	-	-	-	464,770
Operating transfers in	1,660,527	678,909	-	867,163	3,206,599
Operating transfers out	(816,170)	-	-	(570,406)	(1,386,576)
Total other financing sources (uses)	<u>1,309,127</u>	<u>678,909</u>	<u>-</u>	<u>296,757</u>	<u>2,284,793</u>
Net change in fund balances	221,414	290,202	19,625	1,210,821	1,742,062
Fund balances (deficits) - beginning of year	6,489,218	(345,096)	462,934	5,592,231	12,199,287
Fund balances - end of year	<u>\$ 6,710,632</u>	<u>\$ (54,894)</u>	<u>\$ 482,559</u>	<u>\$ 6,803,052</u>	<u>\$ 13,941,349</u>

\* Not a major fund

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

## City of Coeur d'Alene, Idaho

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended September 30, 2014

Total net changes in fund balances for year ended September 30, 2014	\$ 1,742,062
Add: Capital outlay which is considered expenditures	3,689,764
Less: Depreciation expense for the year ended September 30, 2014	(4,995,125)
Less: Loss on asset disposal	(38,926)
Elimination of interfund revenues and expenditures:	
Add: Interfund transfers out	1,386,576
Less: Interfund transfers in	(1,386,576)
Less: Change in compensated absence accrual for the year ended September 30, 2014	(97,038)
Add: Debt principal payments considered as an expenditure	1,162,715
Less: Proceeds from capital lease	(464,770)
Add: Donated fixed asset additions	11,785
Add: Change in accrued interest	4,106
Add: Bond Premium Amortization	7,731
Less: Change in OPEB obligation	(69,128)
Less: Difference between revenue earned on property taxes on modified accrual basis versus revenue on property taxes on accrual basis	(103,429)
Less: Difference between revenue earned on special assessments on modified accrual basis versus revenue on special assessments on accrual basis	<u>(58,694)</u>
Change in net position for year ended September 30, 2014	<u><u>\$ 791,053</u></u>

The accompanying "Notes to the Financial Statements"  
are an integral part of this statement.

City of Coeur d'Alene, Idaho

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 September 30, 2014

	<b>Business-type Activities - Enterprise Funds</b>				
	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Sanitation Fund</b>	<b>Other Enterprise</b>	<b>Total Current Year</b>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 3,407,231	\$ 12,474,488	\$ 1,089	\$ 375,914	\$ 16,258,722
Receivables:					
Accounts, net of allowance for uncollectible accounts	1,032,843	939,648	347,926	326,841	2,647,258
Special assessments receivable	123,681	-	-	-	123,681
Prepays	282	2,214	-	-	2,496
Total current assets	<u>4,564,037</u>	<u>13,416,350</u>	<u>349,015</u>	<u>702,755</u>	<u>19,032,157</u>
Non-current assets:					
Capital assets:					
Land	380,926	1,528,020	-	122,264	2,031,210
Other capital assets, net of accumulated depreciation	62,420,664	105,342,951	-	12,742,239	180,505,854
Total capital assets, net	<u>62,801,590</u>	<u>106,870,971</u>	<u>-</u>	<u>12,864,503</u>	<u>182,537,064</u>
Total non-current assets	<u>62,801,590</u>	<u>106,870,971</u>	<u>-</u>	<u>12,864,503</u>	<u>182,537,064</u>
Total assets	<u>67,365,627</u>	<u>120,287,321</u>	<u>349,015</u>	<u>13,567,258</u>	<u>201,569,221</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	177,263	626,693	2,640	49,716	856,312
Claims liability	-	100,000	-	-	100,000
Due to other funds	-	-	275,000	145,000	420,000
Accrued interest	-	20,891	-	-	20,891
Current portion of compensated absences	14,197	8,042	-	-	22,239
Current portion of leases payable	7,541	25,556	-	-	33,097
Current portion of long-term debt	-	1,548,679	-	-	1,548,679
Total current liabilities	<u>199,001</u>	<u>2,329,861</u>	<u>277,640</u>	<u>194,716</u>	<u>3,001,218</u>
Non-current liabilities:					
Compensated absences	167,799	206,083	-	20,663	394,545
Leases payable	139,717	312,121	-	-	451,838
Bonds payable, net of unamortized discounts	-	29,767,361	-	-	29,767,361
Total non-current liabilities	<u>307,516</u>	<u>30,285,565</u>	<u>-</u>	<u>20,663</u>	<u>30,613,744</u>
Total liabilities	<u>506,517</u>	<u>32,615,426</u>	<u>277,640</u>	<u>215,379</u>	<u>33,614,962</u>
<b>NET POSITION</b>					
Net investment in capital assets	62,654,332	75,217,254	-	12,864,503	150,736,089
Unrestricted	4,204,778	12,454,641	71,375	487,376	17,218,170
Total net position	<u>\$ 66,859,110</u>	<u>\$ 87,671,895</u>	<u>\$ 71,375</u>	<u>\$ 13,351,879</u>	<u>\$ 167,954,259</u>

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

**City of Coeur d'Alene, Idaho**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2014**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Sanitation Fund</b>	<b>Other Enterprise</b>
<b>OPERATING REVENUES</b>				
Services	\$ 4,617,679	\$ 7,137,285	\$ 3,681,654	\$ 1,705,238
<b>OPERATING EXPENSES</b>				
Administration	1,873,209	679,375	-	113,023
Maintenance	-	-	-	202,887
Pumping	797,778	-	-	-
Treatment	80,795	1,757,206	-	-
Collection	-	754,291	-	-
Transportation and distribution	108,993	-	-	-
Supplies	21,430	431,469	-	1,562
Contracted services	-	-	3,102,629	641,432
Depreciation	2,387,569	3,504,570	-	712,984
Bad debt	1,605	2,518	575	820
Total operating expenses	<u>5,271,379</u>	<u>7,129,429</u>	<u>3,103,204</u>	<u>1,672,708</u>
Operating (loss) income	(653,700)	7,856	578,450	32,530
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Capitalization fees	1,131,682	2,589,775	-	-
Amortization	-	65,255	-	-
Investment income	4,525	6,382	-	198
Gain on sale of assets	13,372	75,100	-	-
Contingency loss	-	(100,000)	-	-
Interest expense	(2,788)	(511,590)	-	-
Total nonoperating revenues (expenses)	<u>1,146,791</u>	<u>2,124,922</u>	<u>-</u>	<u>198</u>
Income before contributions and transfers	<u>493,091</u>	<u>2,132,778</u>	<u>578,450</u>	<u>32,728</u>
Capital contributions	<u>2,249,130</u>	<u>754,206</u>	<u>-</u>	<u>5,478,323</u>
Operating transfers in		18,800		53,000
Operating transfers out	(529,758)	(777,660)	(436,931)	(147,474)
Change in net position	2,212,463	2,128,124	141,519	5,416,577
Total net position - beginning	64,646,647	85,543,771	(70,144)	5,973,625
Prior period adjustment	-	-	-	1,961,677
Total net position - ending	<u>\$ 66,859,110</u>	<u>\$ 87,671,895</u>	<u>\$ 71,375</u>	<u>\$ 13,351,879</u>

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

City of Coeur d'Alene, Idaho

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 For the Year Ended September 30, 2014

	Water Fund	Wastewater Fund	Sanitation Fund	Other Proprietary Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 4,499,340	\$ 7,437,114	\$ 3,611,997	\$ 1,613,002	\$ 17,161,453
Payments to suppliers	(1,538,146)	(1,133,111)	(3,175,649)	(1,243,411)	(7,090,317)
Payments to employees	(1,630,401)	(2,223,915)	-	(101,250)	(3,955,566)
(Decrease) in due to other funds	-	-	-	(400,000)	(400,000)
Net cash provided by operating activities	1,330,793	4,080,088	436,348	(131,659)	5,715,570
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating transfers in	-	18,800	-	53,000	71,800
Operating transfers out	(529,758)	(777,660)	(436,931)	(147,474)	(1,891,824)
Net cash (used) by noncapital financing activities	(529,758)	(758,860)	(436,931)	(94,474)	(1,820,023)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Bond payments	-	(1,544,846)	-	-	(1,544,846)
Capital lease payments	(7,665)	-	-	-	(7,665)
New debt issuance	154,923	8,508,779	-	-	8,663,702
Interest paid	(2,788)	(510,724)	-	-	(513,512)
Capital asset purchases	(2,134,402)	(10,350,112)	-	(24,685)	(12,509,199)
Capitalization Fees	1,131,682	2,589,775	-	-	3,721,457
Proceeds from the sale of assets	13,372	75,100	-	-	88,472
Net cash (used) by financing activities	(844,878)	(1,232,028)	-	(24,685)	(2,101,591)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment income	4,525	6,382	-	197	11,104
Net cash provided by investing activities	4,525	6,382	-	197	11,104
Net (decrease) increase in cash and cash equivalents	(39,318)	2,095,582	(583)	(250,621)	1,805,061
Cash and cash equivalents, beginning of year	3,446,549	10,378,906	1,672	626,535	14,453,662
Cash and cash equivalents, end of year	\$ 3,407,231	\$ 12,474,488	\$ 1,089	\$ 375,914	\$ 16,258,722
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating (loss) income	\$ (653,700)	\$ 7,856	\$ 578,450	\$ 32,530	\$ (34,864)
Adjustments to reconcile operating (loss) income to net cash provided by (used for) operating activities:					
Depreciation expense	2,387,569	3,504,570	-	712,985	6,605,125
(Increase) decrease in accounts receivable	(143,437)	(104,739)	(69,658)	(92,236)	(410,071)
(Increase) decrease in due from other funds	-	400,000	-	-	400,000
Decrease in due from special assessment receivable	25,098	4,568	-	-	29,666
Increase (decrease) in accounts payable	(292,141)	259,782	2,556	(401,190)	(430,993)
(Decrease) in due to other funds	-	-	(75,000)	(383,000)	(458,000)
(Decrease) increase in compensated absences	7,404	8,051	-	(748)	14,707
Net cash provided by operating activities	\$ 1,330,793	\$ 4,080,088	\$ 436,348	\$ (131,659)	\$ 5,715,570

**Non-cash capital and related financing activities:**

\$2,249,130 of water lines were donated to the water fund by developers.

\$754,206 of sewer lines were donated to the wastewater fund by developers.

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

**City of Coeur d'Alene, Idaho**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
September 30, 2014**

	<b>Police Retirement Pension Trust Funds</b>	<b>Sales Tax Trust Agency Fund</b>	<b>Homeless Trust Agency Fund</b>	<b>Business Improvement District Agency Fund</b>	<b>Kootenai County Solid Waste Agency Fund</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 133,869	\$ 1,332	\$ 328	\$ 166,634	\$ 198,274
Investments	1,245,068	-	-	-	-
Due from other government unit	809	-	-	-	-
Accounts receivable	13,012	-	-	8,643	216,380
Total assets	<u>1,392,758</u>	<u>1,332</u>	<u>328</u>	<u>175,277</u>	<u>414,654</u>
<b>LIABILITIES</b>					
Deferred revenue	13,012	-	-	-	-
Deposits held and due to others	-	-	328	175,277	414,654
Due to other government unit	-	1,332	-	-	-
Total liabilities	<u>13,012</u>	<u>1,332</u>	<u>328</u>	<u>175,277</u>	<u>414,654</u>
<b>NET POSITION</b>					
Held in trust for pension benefits	<u>\$ 1,379,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

**City of Coeur d'Alene, Idaho**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended September 30, 2014**

	<u><b>Police Retirement Pension Trust Fund</b></u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 154,349
	<u>154,349</u>
Investment earnings:	
Interest	39,986
Net decrease in the fair value of investments	<u>(22,858)</u>
Total investment earnings	17,128
Total additions	<u>171,477</u>
<b>DEDUCTIONS</b>	
Benefits	173,145
Trust fees	<u>5,409</u>
Total deductions	<u>178,554</u>
Change in net position	(7,077)
Net position, beginning of year	<u>1,386,823</u>
Net position, end of year	<u><u>\$ 1,379,746</u></u>

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

# City of Coeur d'Alene, Idaho

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2014

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

The City of Coeur d'Alene, Idaho (the "City") was incorporated in 1887. The City is governed by a Mayor and a six-member council, elected by the voters of the City. The Mayor and Council serve as the taxing authority, the contracting body, and the chief administrators of public services for the City.

The services provided by the Mayor and Council, their appointed boards, officials, department heads, division heads and each underlying department, comprise the primary government unit of the City.

The financial statements of the City of Coeur d'Alene have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant of the City's accounting policies are described below:

The accompanying financial statements include all aspects controlled by the City Council of the City of Coeur d'Alene. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Under Idaho Code, in December 1997, the Coeur d'Alene City Council passed an ordinance which created the Coeur d'Alene 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 within the Agency's boundaries. The Agency is governed by a maximum board of nine directors, two of which may be City Council members, who are appointed by the City Council. 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. 61 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. Separate financial statements of the component unit are issued. The Agency adopted the name Lake City Development Corporation (LCDC) in the fiscal year 2001. LCDC is the only component unit of the City.

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 (or revenue allocation in Idaho), 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 the same fiscal year as the City. Complete financial statements of the Agency can be obtained directly from:

Lake City Development Corporation  
P.O. Box 3450  
Coeur d'Alene, Idaho 83816-1379

(Continued)

# City of Coeur d'Alene, Idaho

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2014

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 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 fees, quarterly payments from the State of Idaho, 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.

(Continued)

## City of Coeur d'Alene, Idaho

### NOTES TO THE FINANCIAL STATEMENTS

September 30, 2014

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The government reports the following major governmental funds:

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.

The *insurance fund special revenue fund* accounts for property tax revenues levied for and transfers from other funds to meet the insurance needs of the City.

The *general obligation bonds debt service fund* accounts for the servicing of general obligation bonds.

The government reports the following major proprietary funds:

The *water utility fund* accounts for the provision of water services to individuals and commercial users. All activities necessary to provide such services are accounted for in this fund, including (but not limited to) administration, operations, maintenance and financing and related debt service.

The *wastewater utility fund* accounts for the provision of wastewater services to individuals and commercial users. All activities necessary to provide such services are accounted for in this fund, including (but not limited to) administration, operations, maintenance and financing and related debt service.

The *sanitation utility fund* accounts for the collection of solid wastes from the residents of the City. All activities necessary to provide such services are accounted for in this fund, including (but not limited to) administration, operations and maintenance.

Additionally, the government reports the following fund types:

*Fiduciary fund* financial statements consist of a statement of fiduciary net position and a statement of changes in fiduciary net position. Assets held by the City for other parties (either as a trustee or as an agent) and that cannot be used to finance the City's own operating programs are reported in the fiduciary funds. The City is responsible for ensuring that the activities reported in fiduciary funds are based on their intended purposes.

Fiduciary funds are presented in the fund financial statements but are not reported in the government-wide financial statements.

The City's fiduciary fund financial statements are presented on pages 23 and 24.

The *pension trust fund* is used to account for the payment of benefits to police officers who were hired before April 12, 1967 and to their eligible surviving spouses. Funding for these benefits comes from interest earnings and property taxes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

(Continued)

## City of Coeur d'Alene, Idaho

### NOTES TO THE FINANCIAL STATEMENTS September 30, 2014

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Measurement Focus, Basis of Accounting and Financial Statement Presentation (Concluded)

As a general rule the effect of inter-fund 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 water, wastewater 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 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.

*Proprietary funds* distinguish operating revenues and expenses from non-operating 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 water, wastewater and sanitation funds are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue the portion of cap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

##### Prepaid Items

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

##### Budgetary Accounting - Budgetary Basis

All City departments are required to submit their annual budget requests to the Finance Director.

The Finance Director is the budget officer, and as such, it is the Finance Director's duty to compile and prepare a preliminary budget for consideration by the City Council. On or before the first Tuesday in August, the Finance Director submits the proposed budget to the City Council for their review and approval.

In July or August, the City Council convenes to consider the proposed budget in detail and make any alterations allowable by law and which they deem advisable, and agree upon a tentative amount to be allowed and appropriated for the ensuing fiscal year.

After the City Council agrees on tentative appropriations, the Finance Director, not later than the third Wednesday in August, publishes the tentative budget, establishing the amount proposed to be appropriated to each department, service, or activity for the ensuing fiscal year.

(Continued)

## City of Coeur d'Alene, Idaho

### NOTES TO THE FINANCIAL STATEMENTS September 30, 2014

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Budgetary Accounting - Budgetary Basis (Concluded)

On the first Tuesday in September, the City Council meets to hold a public hearing, at which time any taxpayer may appear and be heard upon any part or parts of the tentative budget. Upon the conclusion of the hearing, the City Council determines the amount of the budget for each department, service, or activity of the City. The combined final budget may not exceed the total of the tentative budget.

The City Council adopts the final budget by resolution, and enters the resolution on the official minutes of the Council. The adopted final budget is filed in the office of the City Clerk, and a copy, certified by the City Clerk, is filed with the County Auditor by the second Tuesday in September.

The City is required by state law to adopt annual budgets for all governmental funds. All adopted budgets for governmental funds and fiduciary funds, with the exception of the pension trust fund, are prepared in accordance with the modified accrual basis of accounting and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The adopted budgets of enterprise funds, internal service funds, and the pension trust fund are prepared in accordance with the accrual basis of accounting, and are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for all funds.

The annual adopted budget covers a period from October 1 to September 30 annually. The level of budgetary control at which expenditures may not exceed appropriations is the total fund level per Idaho statute. 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. Any changes in the total budget of each fund must be approved by a majority vote of the City Council.

The City Council may only increase the total adopted budget during the year for unanticipated revenues, such as state and federal grants, donations to departments, and other unscheduled revenues. The adopted budget may be increased only by the amount of revenues received. Budget revisions must be advertised, discussed in a public hearing, and adopted through a resolution by the City Council. The budget for the fiscal year ending September 30, 2014, was amended by the amount of unscheduled revenues. The financial statements reflect the amended budget.

All appropriations lapse at the end of the fiscal year. Appropriation accounts remain open until the third Tuesday in October for the payment of claims incurred against such appropriations prior to the close of the fiscal year. After the third Tuesday in October, the appropriations, except for the incomplete improvements, become null and void. Any lawful claim presented after that day against any appropriation will be provided for in the ensuing budget. The City of Coeur d'Alene does not utilize encumbrance accounting.

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

(Continued)

# City of Coeur d'Alene, Idaho

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2014

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Cash and Cash Equivalents, and Investments

The City pools all individual fund cash balances in bank accounts, the State Investment Pool, and certificates of deposit, except for the investments of the police retirement fund and the cemetery perpetual care fund which are held separately from those of other City funds.

Cash equivalents are defined as investments with maturities of 90 days or less at the time they are purchased by the City. If maturity is greater than 90 days, some investments are classified as cash equivalents since they are part of the City's cash management activity, and readily convertible to known amounts of cash. Balances in checking accounts, State Pooled Investments, certificates of deposit, and U.S. Government issued investments are stated at fair value.

#### Due To and From Other Funds

Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed.

#### Inventory

The City had no significant inventories on September 30, 2014.

#### 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. The City contracted with an independent appraisal firm to perform a complete inventory of fixed assets in September 2007. Assets were valued at estimated historical costs, when original costs were not available. The City has and will continue to update this inventory. Donated fixed assets are capitalized at fair value on the date donated. Assets valued at \$5,000 or more which have a useful life of more than one year are capitalized.

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

(Continued)

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital Assets (Concluded)

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

<u>Assets</u>	<u>Years</u>
Buildings	30-35
Equipment	5-25
Infrastructure	20-30
Other improvements	20-30
Reservoir	20
Wells and booster stations	20-100
Distribution system	50
Collections	40-50
Plant	40
Street lights	20

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of applicable bond premium or discount.

Bond Discounts and Bond Premiums

In government-wide financial statements and proprietary fund types in the fund financial statements, bond premiums and discounts are deferred and amortized over the corresponding term of the bonds.

Amortization is computed on the straight-line method as follows:

	<u>Years</u>
Bond premium and discounts:	
2012D Sewer Revenue Refunding Bonds	15

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures and expensed in the period incurred.

(Continued)

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Compensated Absences

The Government Accounting Standards Board Codification section C60 specifies that a liability should be accrued for leave benefits that meet the following conditions:

1. The employer's obligation relating to employees' rights to receive compensation for future absences is attributed to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

For governmental and proprietary funds, the City records a liability for accumulated unused vacation time when earned for all employees with more than 6 months of service. Accumulated unused comp time is recorded as a liability up to 240 hours. Accumulated unpaid sick leave in excess of 720 hours (1,440 for firefighters) is paid out to employees yearly at 33.3%. The only other time accumulated unpaid sick leave is paid by the City is upon retirement. Unpaid sick leave is recorded as a liability at 65% of all employees who have worked for the City for ten years or more.

The liability for vacation, comp time, and sick leave is recorded in the statement of net position for all governmental activities and business-type activities. In proprietary funds, compensated absences are expensed when earned. The entire amount of compensated absences is reported as a fund liability. The City has implemented GASB Statement No. 16, "Accounting for Compensated Absences" which requires the accrual to include related payroll tax and retirement costs. At September 30, 2014, the total compensated absences payable by the City was \$3,331,493.

Compensated absences are reported as follows in the financial statements:

Governmental activities	\$2,914,709
Business-type activities	<u>416,784</u>
	<u>\$3,331,493</u>

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

(Continued)

# City of Coeur d'Alene, Idaho

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2014

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Fund Equity

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, or unassigned.

When both restricted and unrestricted fund balances are available for use, it is the City's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those restricted fund balance classifications can be used.

#### **Fund Balance Flow Assumptions**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### **Net Position Flow Assumptions**

Net position represents the difference between assets and liabilities. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### Contributed Capital

Contributed capital represents donations by developers, grants restricted for capital construction, and assets whose construction was financed by special assessments. Tap-in fees that exceed the cost of physical connection to the system are recorded as cash in the water fund and the wastewater fund until the fees are spent. Capitalization fees may be used only for expansion of the system, storm sewer separation, improvement or expansion of the present plant, or the construction of additional water and wastewater facilities. When the cash received for capitalization fees is spent, the assets purchased are recorded as plant and equipment.

(Continued)

# City of Coeur d'Alene, Idaho

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2014

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

#### Maximum Property Tax Rates

State statute sets maximum property tax rates for the City of Coeur d'Alene. The City cannot certify a budget request to finance the ad valorem portion of its annual budget that has a dollar amount that exceeds 3% of the dollar amount of ad valorem taxes certified for its annual budget during the last year in which a levy was made. The levy rate for the City of Coeur d'Alene for the 2013-14 Fiscal year were as follows: police retirement - .000053, library fund - .000416, general obligation bonds .000400 and general fund -.005869.

#### Property Tax Calendar

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.

#### Deficit Fund Balances

Deficit fund balances as of September 30, 2014 included debt service funds LID #145 for (\$53,956) and LID #149 for (\$59,864), self-insurance fund for (\$54,894), and capital projects fund Levee Certification for (\$12,088).

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### NOTE 2: CASH AND INVESTMENTS

#### **General:**

State statutes authorize the City's investments and deposits. The City is authorized to invest in demand deposits, savings accounts, U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, bonds, debentures or notes of any corporation organized, controlled and operating within the U.S. which have at their purchase an "A" rating or higher, government pool and money market funds consisting of any of these securities listed. No violations of these categories have occurred during the year.

#### **Custodial credit risk:**

Custodial credit risk is the risk that in the event of a failure of a financial institution, the City's deposits and investments may not be returned to it. The City does not have a deposit policy for custodial credit risk. The carrying amount of the City's deposits and investments is \$31,762,488 and the bank balance is \$32,999,801 As of September 30, 2014, the City's deposits and investments were exposed to custodial credit risk as follows:

(Continued)

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2014

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**Deposits and investments without exposure to custodial credit risk:**

***Deposits:***

Amounts insured by FDIC	\$ 3,626,470
Amounts collateralized	15,984,919
	19,611,389

***Investments:***

Amount registered in the name of the City	2,943,824
Total deposits and investments without exposure to custodial credit risk	22,555,213

**Deposits and investments with exposure to custodial credit risk:**

***Deposits:***

Amounts uninsured	10,264,804
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***Investments:***

Amount registered in the name of the City	179,784
Total deposits and investments without exposure to custodial credit risk	10,444,588

Total deposits and investments	\$ 32,999,801
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**Cash and cash equivalents at September 30, 2014**

**consist of the following:**

Deposits (checks in excess of deposits)	\$ 9,680,975
Cash on hand	2,175
Short-term certificate of deposit	202,797
Repurchase agreements	2,925,213
Idaho State Investment Pool	16,007,503
Total	\$ 28,818,663

**Cash and cash equivalents are presented in the**

**Financial Statements as follows:**

Governmental activities	\$ 12,059,504
Business-type activities	16,258,722
Police retirement pension trust funds	133,869
Sales tax agency fund	1,332
Business improvement district agency fund	166,634
Homeless trust agency fund	328
Kootenai county solid waste agency fund	198,274
Total	\$ 28,818,663

**Investments are presented in the Financial Statements as follows:**

Governmental activities	\$ 1,698,756
Police retirement pension trust funds	1,245,068
Total	\$ 2,943,824

(Continued)

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**Credit risk:**

Credit risk is the risk that a debtor will not fulfill its obligations. All of the above securities registered in the City's name carry a rating of AAA from Moody's, and Standard and Poor's. The Idaho State Investment Pool does not have an established credit rating, but invests in entities with a minimum credit rating of "A" as stipulated by Idaho code.

**Interest rate risk and concentration of credit risk:**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Concentration of credit risk as defined by GASB exists when more than 5% of an investment portfolio is allocated to one security. As of September 30, 2014, the City had the following investments (and associated maturities) in its internal investment portfolio:

Investment		Fair Value & Carrying Amount	Less than 1 year	1-2 years	2-5 years	6-10 years
FHLMCMTN	3%	\$ 99,697	\$ -	\$ -	\$ 99,697.00	\$ -
US Treasury Note	6%	163,828	-	-	163,828	-
FNMA	2%	50,144	-	-	50,144	-
FHLMCMTN	2%	51,667	-	51,667	-	-
FNMA MTN	6%	164,547	-	-	164,547	-
FNMA MTN	3%	101,505	-	101,505	-	-
FHLMCMTN	3%	100,977	100,977	-	-	-
Federal Home Loan Bks	2%	50,098	-	-	-	50,098
US Treasury Note	2%	53,629	-	-	53,629	-
Federal Home Loan Bks	2%	49,607	-	-	-	49,607
US Treasury Note	3%	100,266	-	-	100,266	-
FHLMCDEB	2%	49,148	-	-	49,148	-
FFCBDEB	4%	105,742	-	-	105,742	-
US Treasury Note	2%	49,609	-	-	49,609	-
Federal Home Loan Bks	4%	110,078	-	-	110,078	-
Federal Home Loan Bks	2%	52,783	-	-	52,783	-
US Treasury Note	2%	50,266	-	-	-	50,266
US Treasury Inflation Protection Security	6%	173,965	-	173,965	-	-
US Treasury Note	3%	102,523	102,523	-	-	-
FNMA MTN	8%	241,336	-	-	241,336	-
US Treasury Note	4%	105,758	-	105,758	-	-
Federal Home Loan Bks	2%	49,608	-	-	-	49,608
FHLBDEB	3%	101,153	-	-	-	101,153
FHLMCMTN	4%	112,343	-	-	112,343	-
FHLMCMTN	3%	100,976	100,976	-	-	-
US Treasury Note	4%	108,969	-	-	108,969	-
US Treasury Note	3%	99,500	-	-	-	99,500
US Treasury Note	3%	98,219	-	-	-	98,219
US Treasury Note	2%	48,078	-	-	48,078	-
US Treasury Note	3%	97,274	-	-	-	97,274
US Treasury Note	3%	100,531	-	-	-	100,531
	0 0%	-	-	-	-	-
		\$ 2,943,824	\$ 304,476	\$ 432,895	\$ 1,510,197	\$ 696,256

(Continued)

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE 2: CASH AND INVESTMENTS (CONCLUDED)**

Investment	Fair Value & Carrying Amount	Maturity			
		Less than 1 year	1-2 years	2 - 5 years	6-10 years
U.S. Treasuries	\$ 1,352,415	\$ 102,523	\$ 279,723	\$ 524,379	\$ 445,790
U.S. Agencies	1,591,409	201,953	153,172	985,818	250,466
Total	\$ 2,943,824	\$ 304,476	\$ 432,895	\$ 1,510,197	\$ 696,256

**Investments are presented in the Financial Statements as follows:**

Governmental activities	\$ 1,698,756
Police retirement pension trust fund	1,245,068
Total	\$ 2,943,824

The City does not have a policy for interest rate risk or concentration of credit risk, but does manage the portfolio to preserve the principal value.

Since all the City's cash needs cannot be anticipated, the above securities are traded in active and secondary or resale markets.

**Fair value:**

The securities registered in the City's name were purchased at a cost of \$3,008,510. The gain of \$91,098 (the difference between cost and fair value) has been recognized in the financial statements as investment income. The current year gain was \$115,098.

The City's investments in 2a-7-like pools are valued based upon the value of pool shares. The City invests in one 2a-7-like pool, the Idaho State Investment Pool. The advisory board of the Idaho State Investment Pool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act. The State Investment Pool is duly chartered and administered by the State Treasurer's office and consists of US Treasury bills and notes, collateralized certificates of deposit and repurchase agreements.

The balances that the City has in the State Investment Pool are carried at its fair market value of \$16,007,503. The City's portion of the State Investment Pool had an unrealized gain of \$20,783 as of September 30, 2014, which has been recognized in the financial statements.

The City considers funds held in the State Investment Pool to be cash equivalents, as the average maturity of the underlying securities is less than 90 days, and the City can liquidate the account at any time.

(Continued)

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2014**

**NOTE 3: ACCOUNTS RECEIVABLE**

**Governmental activities:**

Accounts receivable consist of the following as of September 30, 2014:

Franchise and utility receivables	\$604,928
Miscellaneous receivable	<u>13,901</u>
	<u>\$618,829</u>

**Business-type activities:**

Accounts receivable consist of the following as of September 30, 2014:

Amounts due from customers	\$2,655,548
Less allowance for uncollectible accounts	<u>(8,290)</u>
	<u>\$2,647,258</u>

**NOTE 4: SPECIAL ASSESSMENTS RECEIVABLE**

Special assessments receivable from benefited property owners of public improvements consist of the following as of September 30, 2014 and are recorded in the debt service fund and wastewater fund:

**Governmental activities:**

Deferred principal amounts not currently due, but due at a future date	<u>\$137,047</u>
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**Business-type activities:**

Deferred principal amounts not currently due, but due at a future date	<u>\$123,681</u>
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Installment payments of principal and interest due from property owners are billed annually.

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE 5: CAPITAL ASSETS**

Capital assets activity for the year ended September 30, 2014 is as follows:

Plant and equipment and accumulated depreciation are as follows:

	<u>September 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Adjustments</u>	<u>September 30, 2014</u>
Governmental activities:						
Land	\$ 14,718,934	\$ -	\$ -	\$ -	\$ -	\$ 14,718,934
Construction in progress	10,196,965	210,867	-	(8,202,812)	(1,961,677)	243,343
Total capital assets, not being depreciated'	<u>24,915,899</u>	<u>210,867</u>	<u>-</u>	<u>(8,202,812)</u>	<u>(1,961,677)</u>	<u>14,962,277</u>
Buildings	19,192,471	-	-	-	-	19,192,471
Other Improvements	5,941,385	198,085	-	8,184,800	509,697	14,833,967
Equipment	19,577,001	1,137,249	781,180	18,012	29,964	19,981,046
Infrastructure	128,441,686	2,155,348	-	-	-	130,597,034
	<u>173,152,543</u>	<u>3,490,682</u>	<u>781,180</u>	<u>8,202,812</u>	<u>539,661</u>	<u>184,604,518</u>
Less: accumulated depreciation						
Buildings	6,794,142	555,934	-	-	-	7,350,076
Other Improvements	1,513,522	492,846	-	-	-	2,006,368
Equipment	13,504,111	890,611	742,254	-	29,964	13,682,432
Infrastructure	42,053,453	3,055,734	-	-	-	45,109,187
	<u>63,865,228</u>	<u>4,995,125</u>	<u>742,254</u>	<u>-</u>	<u>29,964</u>	<u>68,148,063</u>
Total capital assets being depreciated, net	<u>109,287,315</u>	<u>(1,504,443)</u>	<u>1,523,434</u>	<u>8,202,812</u>	<u>509,697</u>	<u>116,456,455</u>
Governmental activities capital assets net	<u><u>134,203,214</u></u>	<u><u>(1,293,576)</u></u>	<u><u>1,523,434</u></u>	<u><u>-</u></u>	<u><u>(1,451,980)</u></u>	<u><u>131,418,732</u></u>

Depreciation expense was charged to functions/programs for the governmental activities as follows:

<b>Governmental activities:</b>	
General government	\$ 129,584
Public Works	3,333,916
Culture and Recreation	1,019,494
Public Safety	512,131
	<u>\$ 4,995,125</u>

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE 5: CAPITAL ASSETS (CONCLUDED)**

	<u>September 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Adjustments</u>	<u>September 30, 2014</u>
<b>Business-type activities:</b>						
Land	\$ 2,031,210	\$ -	\$ -	\$ -	\$ -	\$ 2,031,210
Construction in progress	947,197	9,744,066	-	(947,197)	-	9,744,066
Total capital assets, not being depreciated'	<u>2,978,407</u>	<u>9,744,066</u>	<u>-</u>	<u>(947,197)</u>	<u>-</u>	<u>11,775,276</u>
Reservoir	6,069,282	-	-	-	-	6,069,282
Wells and booster stations	8,408,973	191,522	-	-	-	8,600,495
Distribution system	78,306,761	3,141,916	-	-	-	81,448,677
Collection	40,872,323	1,444,768	-	-	-	42,317,091
Plant	104,175,397	172,773	-	-	-	104,348,170
Street lights	790,986	-	-	-	-	790,986
Equipment	9,198,653	792,805	99,104	-	(29,964)	9,862,390
Improvements	7,808,176	5,503,008	-	947,197	1,961,677	16,220,058
	<u>255,630,551</u>	<u>11,246,792</u>	<u>99,104</u>	<u>947,197</u>	<u>1,931,713</u>	<u>269,657,149</u>
Less: accumulated depreciation						
Reservoir	3,091,711	263,059	-	-	-	3,354,770
Wells and booster stations	3,756,832	167,716	-	-	-	3,924,548
Distribution system	29,533,997	1,693,623	-	-	-	31,227,620
Collection	9,650,369	710,923	-	-	-	10,361,292
Plant	38,395,749	2,554,750	-	-	-	40,950,499
Street lights	547,554	26,571	-	-	-	574,125
Equipment	4,299,472	559,514	99,104	-	29,964	4,729,918
Improvements	3,143,621	628,964	-	-	-	3,772,585
	<u>92,419,305</u>	<u>6,605,120</u>	<u>99,104</u>	<u>-</u>	<u>29,964</u>	<u>98,895,357</u>
Total capital assets being depreciated, net	<u>163,211,246</u>	<u>4,641,672</u>	<u>-</u>	<u>947,197</u>	<u>1,961,677</u>	<u>170,761,792</u>
Business-type activities capital assets net	<u>\$ 166,189,653</u>	<u>\$ 14,385,738</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,961,677)</u>	<u>\$ 182,537,068</u>

Depreciation expense was charged to business-type activities as follows:

Business-type activities:	
Water	\$ 2,387,568
Wastewater	3,504,570
Street Lighting	26,571
Drainage	235,762
Public Parking	450,649
	<u>\$ 6,605,120</u>

(Continued)

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE 6: CHANGES IN LONG-TERM DEBT**

Long-term liability activity for the year ended September 30, 2014, was as follows:

	<b>Balance 10/1/2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Adjustments</b>	<b>Balance 9/30/2014</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>						
General obligation bonds payable	\$ 3,736,412	\$ -	\$ 979,374	\$ -	\$ 2,757,038	\$ 1,022,038
Special assessment bonds payable	90,000	-	45,000	-	45,000	45,000
Deferred amounts:						
For issuance premium	92,780	-	7,731	-	85,049	-
Total bonds payable	3,919,192	-	1,032,105	-	2,887,087	1,067,038
Capital leases	343,500	464,770	138,341	-	669,929	137,078
Compensated absences	2,817,672	97,037	-	-	2,914,709	137,306
<b>Governmental activities     Long-term liabilities</b>	<b>\$ 7,080,364</b>	<b>\$ 561,807</b>	<b>\$ 1,170,446</b>	<b>\$ -</b>	<b>\$ 6,471,725</b>	<b>\$ 1,341,422</b>
<b>Business-type activities:</b>						
Revenue bonds payable	\$ 23,016,336	\$ -	\$ 1,515,745	\$ -	\$ 21,500,591	\$ 1,548,679
Deferred amounts:						
For issuance premium	1,798,909	-	128,493	-	1,670,416	
Total bonds payable	24,815,245	-	1,644,238	-	23,171,007	1,548,679
State loan payable	-	8,145,033	-	-	8,145,033	-
Capital leases	-	518,670	33,735	-	484,935	33,097
Compensated absences	402,077	14,707	-	-	416,784	22,239
<b>Business-type activities     Long-term liabilities</b>	<b>\$ 25,217,322</b>	<b>\$ 8,678,410</b>	<b>\$ 1,677,973</b>	<b>\$ -</b>	<b>\$ 32,217,759</b>	<b>\$ 1,604,015</b>

**NOTE 7: BONDS AND LEASES PAYABLE**

The City's long-term obligations at year-end consist of the following:

Revenue bonds payable from the wastewater fund at September 30, 2014, are composed of the following issues:

In December of 2004, the City issued \$3,560,000 of revenue bonds for a current refunding of a 1995 Sewer revenue bond in the amount of \$3,679,369. The refunding was undertaken to reduce total future debt service payments. The total debt service cash flow requirements, including interest of the refunding bonds exceeds that of the old bonds in the amount of \$7,727. This would assume that all payments were made as scheduled to maturity. In addition, the "economic gain" resulting from the transaction amounted to \$50,074. The "economic gain" is defined as the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate of the new debt taking into account amounts of additional cash paid at the time of the refunding.

(Continued)

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE 7: BONDS AND LEASES PAYABLE (CONTINUED)**

<u>Issue</u>	<u>FY End 30-Sep</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004 Sewer Revenue Refunding Bonds	2015	5.00%	\$ 400,000	\$ 20,000	\$ 420,000
Total 2004 Sewer Revenue Refunding Bonds			<u>\$ 400,000</u>	<u>\$ 20,000</u>	<u>\$ 420,000</u>

In December of 2007, the City of Coeur d'Alene issued \$15,000,000 of sewer revenue bonds. This obligation was issued for the purpose of paying a portion of the cost of construction and installation of additions and betterments to the sewer system of the City. The Series 2007 Bonds were sold to the State of Idaho Department of Environmental Quality at an aggregate price plus accrued interest. On December 20, 2012, the City of Coeur d'Alene entered into an agreement with the Idaho Bond Bank for an Authority loan to be used to refund the City's 2007 revenue bonds.

<u>Issue</u>	<u>FY End 30-Sep</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012D 2007 Refunding Bonds	2015	2.00%	\$ 560,000	\$ 400,200	\$ 960,200
	2016	4.00%	615,000	389,000	1,004,000
	2017	4.00%	640,000	364,400	1,004,400
	2018	2.00%	665,000	338,800	1,003,800
	2019	4.00%	680,000	325,500	1,005,500
	2020	4.00%	705,000	298,300	1,003,300
	2021	4.00%	735,000	270,100	1,005,100
	2022	3.00%	765,000	240,700	1,005,700
	2023	5.00%	790,000	217,750	1,007,750
	2024	5.00%	825,000	178,250	1,003,250
	2025	5.00%	870,000	137,000	1,007,000
	2026	5.00%	910,000	93,500	1,003,500
	2027	5.00%	960,000	48,000	1,008,000
Total 2012D Sewer Revenue Refunding Bonds			<u>\$ 9,720,000</u>	<u>\$ 3,301,500</u>	<u>\$ 13,021,500</u>

On December 15, 2009, the City entered into a loan agreement with the State of Idaho, Department of Environmental Quality for an amount not to exceed \$13,000,000 at a .5% interest rate to be repaid in biannual installments over 20 years. The State of Idaho is authorized by Title 39, Chapter 36, Idaho Code, to make loans from the Wastewater Treatment Facility Loan Account to assist municipalities in the construction of wastewater treatment facilities. The loan to the City of Coeur d'Alene is for a wastewater treatment plant upgrade. The upgrade is being driven by the necessity to meet changing National Pollutant Discharge Elimination System discharge limits. The upgrade will add a new sludge digester, a digester control building, a digester handling building, an administration/lab building and a maintenance shop building. On March 13, 2013, this loan was closed out and converted to Sewer Revenue Bond, Series 2013, with a principal amount owing of \$12,257,859. The City pledges income derived on the acquired or constructed assets to pay debt service.

(Continued)

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE 7: BONDS AND LEASES PAYABLE (CONTINUED)**

<u>Issue</u>	<u>FY End 30-Sep</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013 IDEQ Sewer Revenue Bond	2015	0.50%	\$ 588,679	\$ 56,162	\$ 644,841
	2016	0.50%	591,478	53,363	644,841
	2017	0.50%	594,587	50,254	644,841
	2018	0.50%	597,564	47,277	644,841
	2019	0.50%	600,556	44,285	644,841
	2020	0.50%	603,447	41,394	644,841
	2021	0.50%	606,583	38,258	644,841
	2022	0.50%	609,620	35,221	644,841
	2023	0.50%	612,672	32,169	644,841
	2024	0.50%	615,657	29,184	644,841
	2025	0.50%	618,821	26,020	644,841
	2026	0.50%	621,919	22,922	644,841
	2027	0.50%	625,033	19,808	644,841
	2028	0.50%	628,114	16,727	644,841
	2029	0.50%	631,306	13,535	644,841
	2030	0.50%	634,467	10,374	644,841
	2031	0.50%	637,643	7,198	644,841
	2032	0.50%	640,822	4,019	644,841
	2033	0.50%	321,623	797	322,420
Total 2012D Sewer Revenue Refunding Bonds			<u>\$ 11,380,591</u>	<u>\$ 548,967</u>	<u>\$ 11,929,558</u>
<b>Total revenue refunding bonds payable</b>			<u>\$ 21,500,591</u>	<u>\$ 3,870,467</u>	<u>\$ 25,371,058</u>

On May 30, 2013, the City entered into a loan agreement with the State of Idaho, Department of Environmental Quality for an amount not to exceed \$8,670,367 at a 2% interest rate to be repaid in biannual installments over 20 years. The State of Idaho is authorized by Title 30, Chapter 36, Idaho Code, to make loans from the Wastewater Treatment Facility Loan Account to assist municipalities in the construction of wastewater treatment facilities. The loan to the City of Coeur d'Alene is for a new membrane filtration equipment building. The upgrade will add new mixing aeration and membrane tanks, new secondary effluent transfer pumping station, modifications to chemical systems center and installation of owner-purchased submerged membrane filtration system. At September 30, 2014, the City had drawn down \$8,145,033 from this loan. The loan is in the process of being closed out; therefore an amortization schedule has not yet been provided to the City. The City has estimated the current-portion of long-term debt on this obligation at September 30, 2014.

The City pledges income derived on the acquired or constructed assets to pay debt service.

(Continued)

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE 7: BONDS AND LEASES PAYABLE (CONTINUED)**

General Obligation Bonds payable for the governmental activities at September 30, 2014, consist of the following issue:

<u>Issue</u>	<u>FY End 30-Sep</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008 Public Safety Bonds:	2015	3.93%	137,038	4,039	141,077
Total 2008 Public Safety Bonds			<u>\$ 137,038</u>	<u>\$ 4,039</u>	<u>\$ 141,077</u>
<u>Issue</u>	<u>FY End 30-Sep</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006 Public Safety and Library Bonds:	2015	4.25%	885,000	117,263	1,002,263
	2016	4.50%	140,000	79,650	219,650
	2017	4.50%	145,000	73,350	218,350
	2018-2022	4.5% - 5.0%	845,000	255,951	1,100,951
	2023-2025	4.50%	605,000	55,125	660,125
Total 2006 Public Safety and Library Bonds			<u>\$ 2,620,000</u>	<u>\$ 581,339</u>	<u>\$ 3,201,339</u>
Total General Obligation Bonds			<u>\$ 2,757,038</u>	<u>\$ 585,378</u>	<u>\$ 3,342,416</u>

General Obligation Bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 10-year serial bonds with equal amounts of principal maturing each year.

Special assessment bonds payable at September 30, 2014 from benefited property owners and, in the event of default, from the LID Guarantee fund is composed of the following issues:

<u>Issue</u>	<u>FY End 30-Sep</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
#130, 135 & 136	2015	6.10%	45,000	2,745	47,745
Total Special Assessment Bonds Payable			<u>\$ 45,000</u>	<u>\$ 2,745</u>	<u>\$ 47,745</u>

Capital Leases – The City of Coeur d'Alene entered into a real estate purchase and sale agreement with Fernan Lake Preservation, LLC on March 10, 2011 to purchase real estate to be used as parkland. The total purchase price of the real property was \$462,500. The City paid \$150,000 at closing. The balance of the purchase price, \$312,500 is to be paid in five annual payments of \$62,500. Annual payments are payable on or before October 15, beginning with the first payment on October 15, 2011.

The City of Coeur d'Alene also entered into a real estate purchase and sale agreement with the Coeur d'Alene Aerie No.486, Fraternal Order of Eagles Inc. on March 20, 2012, to purchase real estate to be used as parkland. The total purchase price of the real property was \$440,000. The City paid \$180,000 at closing. The balance of the purchase price, \$260,000 is to be paid in five annual payments of \$52,000. The annual payments are due on or before July 6, beginning with the first payment that was made on July 6, 2012.

Neither lease has a stated interest cost, the imputed interest rate is immaterial to the financial statements and has not been recognized.

(Continued)

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE 7: BONDS AND LEASES PAYABLE (CONTINUED)**

The City of Coeur d'Alene entered into a master-lease purchase agreement with John Deere Financial on November 25, 2013 for the purchase of six loaders and a snow blower. Two of the loaders and the snow blower will be used for business-type activities in the wastewater fund, one of the loaders will be used for business-type activities in the water fund and three will be used for governmental activities. The total purchase price for the business-type loaders and snow blower was \$518,670. Annual payments of \$10,735 for the wastewater loaders are due February 10<sup>th</sup> of each year for five years beginning on February 10, 2014 with a balloon payment of \$116,250 due on February 10, 2019. Annual payments for the water fund loader of \$10,735 are due each year on November 14<sup>th</sup> for five years beginning on November 14, 2013 with a balloon payment of \$116,250 on November 14, 2018. The total purchase price for the governmental loaders was \$464,770. Annual payments of \$32,205 are due November 14<sup>th</sup> of each year for five years beginning on November 14, 2013. A balloon payment of \$348,750 is due on November 14, 2018. The interest rate is 2.3%.

Capital leases payable from governmental activities at September 30, 2014 consist of the following:

<u>Issue</u>	<u>FY End 30-Sep</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
General Fund- John Deere Financial Lease for three 2014 Wheel Loaders	2015	2.3%	\$ 22,578	\$ 9,627	\$ 32,205
	2016	2.3%	23,102	9,103	32,205
	2017	2.3%	23,640	8,565	32,205
	2018	2.3%	24,189	8,016	32,205
	2019	2.3%	347,420	1,332	348,752
			<u>\$ 440,929</u>	<u>\$ 36,643</u>	<u>\$ 477,572</u>

<u>Issue</u>	<u>FY End 30-Sep</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Leases for real estate with Fernan Lake Preservation and the Fraternal Order of Eagles	2015	0.0%	\$ 114,500	\$ -	\$ 114,500
	2016	0.0%	114,500	-	114,500
			<u>\$ 229,000</u>	<u>\$ -</u>	<u>\$ 229,000</u>

Minimum lease payments under capital leases for governmental activities are as follows:

<u>Year ending September 30</u>	<u>Governmental Activities</u>
2015	\$ 146,705
2016	146,705
2017	32,205
2018	32,205
2019	348,752
Total minimum lease payments	706,572
Less: amount representing interest	(36,643)
Present value of minimum lease payments	<u>\$ 669,929</u>

(Continued)

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE 7: BONDS AND LEASES PAYABLE (CONTINUED)**

Capital leases payable from business-type activities at September 30, 2014 consist of the following issues:

<u>Issue</u>	<u>FY End 30-Sep</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Wastewater Fund- John Deere Financial Lease for one 2014 Wheel Loader	2015	2.3%	\$ 7,541	\$ 3,194	\$ 10,735
	2016	2.3%	7,716	3,019	10,735
	2017	2.3%	7,895	2,840	10,735
	2018	2.3%	8,078	2,656	10,734
	2019	2.3%	116,028	223	116,251
			<u>\$ 147,258</u>	<u>\$ 11,932</u>	<u>\$ 159,190</u>

<u>Issue</u>	<u>FY End 30-Sep</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Wastewater Fund- John Deere Financial Lease for one 2014 Wheel Loader and Snow blower	2015	2.3%	\$ 18,015	\$ 4,001	\$ 22,016
	2016	2.3%	18,434	3,582	22,016
	2017	2.3%	18,863	3,153	22,016
	2018	2.3%	19,079	2,937	22,016
	2019	2.3%	116,028	224	116,252
			<u>\$ 190,419</u>	<u>\$ 13,897</u>	<u>\$ 204,316</u>

<u>Issue</u>	<u>FY End 30-Sep</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Water Fund- John Deere Financial Lease for one 2014 Wheel Loaders	2015	2.3%	\$ 7,541	\$ 3,194	\$ 10,735
	2016	2.3%	7,716	3,019	10,735
	2017	2.3%	7,895	2,840	10,735
	2018	2.3%	8,078	2,656	10,734
	2019	2.3%	116,028	223	116,251
			<u>\$ 147,258</u>	<u>\$ 11,932</u>	<u>\$ 159,190</u>

Minimum lease payments under capital leases for business-type activities are as follows:

<u>Year ending September 30</u>	<u>Business-Type Activities</u>
2015	\$ 43,486
2016	43,486
2017	43,486
2018	43,484
2019	348,754
Total minimum lease payments	<u>522,696</u>
Less: amount representing interest	<u>(37,761)</u>
Present value of minimum lease payments	<u>\$ 484,935</u>

(Continued)

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2014

**NOTE 7: BONDS AND LEASES PAYABLE (CONCLUDED)**

The following is a schedule of maturities of bonds, lease and loan obligations for all governmental activities:

**Governmental Activities**

<u>Year</u>	<u>General Obligation Bonds</u>	<u>Special Assessment Bonds</u>	<u>Certificates of Participation and Leases</u>	<u>Compensated Absences</u>	<u>Total (Memo Only)</u>
Unknown	\$ -	\$ -	\$ -	\$ 2,777,403	\$ 2,777,403
2015	1,022,038	45,000	137,078	137,306	1,341,422
2016	140,000	-	137,602	-	277,602
2017	145,000	-	23,640	-	168,640
Thereafter	1,450,000	-	371,609	-	1,821,609
	<u>2,757,038</u>	<u>45,000</u>	<u>669,929</u>	<u>2,914,709</u>	<u>6,386,676</u>
Plus issuance premium- net	85,049	-	-	-	85,049
	<u>\$ 2,842,087</u>	<u>\$ 45,000</u>	<u>\$ 669,929</u>	<u>\$ 2,914,709</u>	<u>\$ 6,471,725</u>

The following is a schedule of maturities of bonds, lease and loan obligations for all business-type activities:

**Business-type Activities**

<u>Year</u>	<u>Wastewater 2004 Revenue Bonds</u>	<u>Wastewater 2012 Revenue Bonds</u>	<u>2013 IDEQ Revenue Bonds</u>	<u>State Loan Payable</u>	<u>Capital Leases</u>	<u>Compensated Absences</u>	<u>Total (Memo Only)</u>
Unknown	\$ -	\$ -	\$ -	\$ 8,145,033	\$ -	\$ 394,545	\$ 8,539,578
2015	400,000	560,000	588,679	-	33,097	22,239	1,604,015
2016	-	615,000	591,478	-	33,866	-	1,240,344
2017	-	640,000	594,587	-	34,653	-	1,269,240
2018	-	665,000	597,564	-	35,235	-	1,297,799
Thereafter	-	7,240,000	9,008,283	-	348,084	-	16,596,367
	<u>400,000</u>	<u>9,720,000</u>	<u>11,380,591</u>	<u>8,145,033</u>	<u>484,935</u>	<u>416,784</u>	<u>30,547,343</u>
Plus issuance premium- net	-	1,670,416	-	-	-	-	1,670,416
	<u>\$ 400,000</u>	<u>\$ 11,390,416</u>	<u>\$ 11,380,591</u>	<u>\$ 8,145,033</u>	<u>\$ 484,935</u>	<u>\$ 416,784</u>	<u>\$ 32,217,759</u>

There are a number of covenants, limitations and other requirements contained in the various bond indentures. The City is in substantial compliance with these requirements at September 30, 2014.

(Continued)

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE 8: INTERFUND TRANSACTIONS**

Due to/from other funds as of September 30, 2014:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Debt service funds-LID 145	\$ 53,994
General fund	Debt service funds-LID 149	61,124
General fund	Sanitation fund	275,000
General fund	Public Parking fund	145,000
General fund	Reforestation fund	5,200
Capital project fund – 15 <sup>th</sup> Street	Capital project fund – Government Way	23,000
Capital project fund – Front Street	Capital project fund – Levee Certification	<u>400,000</u>
Total all funds		<u>\$576,318</u>

Interfund transfers as of September 30, 2014:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$1,660,527	\$ 816,170
Insurance fund	678,909	-
Non-major governmental funds	867,163	570,406
Water fund	-	529,758
Wastewater fund	18,800	777,660
Sanitation fund	-	436,931
Non-major enterprise funds	<u>53,000</u>	<u>147,474</u>
Total	<u>\$3,278,399</u>	<u>\$3,278,399</u>

The principal purposes for the transfer of funds from the enterprise funds to the general fund are to cover the administration costs of operating the City's utility division.

**NOTE 9: SELF-INSURANCE**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors or omissions. During the fiscal year ended September 30, 1988, the City established a self-insurance program. An insurance fund (special revenue fund) has been set up to account for property tax revenues levied for this purpose and to record transfers from other funds to meet the insurance needs of the City. The insurance fund is responsible for paying claim settlements for all funds of the City, except for the enterprise funds. In addition, it pays insurance premiums for certain insurance policies which the City has chosen to continue. Under the program, the City has chosen to self-insure for all potential claims with the exception of auto liability and property insurance.

In September of 2014 the City Council voted to discontinue the City's self-insurance program and to purchase insurance from the Idaho Counties Reciprocal Management Program (ICRMP). ICRMP is an insurance pool which serves all public entities in Idaho through provision of property, general liability (employee torts), auto liability and physical damages, and public officials' insurance (errors and omissions). ICRMP provides loss prevention training to enable its subscribers to minimize their exposure to loss through funds to pay premiums and settlements.

(Continued)

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE 9: SELF-INSURANCE (CONCLUDED)**

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 increases 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.

The insurance fund's revenues come from charges to other funds, property tax revenues and interest earned. Expenditures made from the insurance fund include direct costs and related costs for risk management, direct costs and related costs for the preparation, investigation, adjusting, defending, and settling of claims and/or lawsuits filed against the City.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

	September 30 <u>2014</u>	September 30 <u>2013</u>
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Incurred claims	195,859	34,865
Claim payments	<u>(195,859)</u>	<u>(34,865)</u>
Unpaid claims, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>

Health Insurance

Eligible employees of the City of Coeur d'Alene are insured for health care through Group Health - Options Health Care. The risks associated with employees on the Options Health Care are covered by commercial insurance purchased from independent third parties. The amounts of settlements did not exceed insurance coverage for each of the past three fiscal years.

There were no significant reductions in insurance coverage from coverage in the prior year.

**NOTE 10: CONTINGENCIES**

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

Litigation – The City is a defendant in various legal proceedings arising in connection with its operations. Several legal matters exist at September 30, 2014, which are in various stages of discovery and proceedings. Certain of these matters involve claimed amounts, which are material to the City's basic financial statements. Claims subject to Idaho law are limited to a statutory maximum of \$500,000. Claims subject to federal law are not limited. The City intends to vigorously defend itself in these pending actions. In accordance with the applicable accounting guidelines, management has recognized an estimated loss only for those matters which it has deemed an unfavorable outcome is probable and the amount of loss is reasonably estimable.

(Continued)

## City of Coeur d'Alene, Idaho

### NOTES TO THE FINANCIAL STATEMENTS

September 30, 2014

#### NOTE 11: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The government issued revenue bonds to finance its wastewater department. Investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment.

#### CONDENSED STATEMENT OF NET POSITION

	<b>Water Funds</b>	<b>Wastewater Funds</b>
Assets:		
Current assets	\$ 4,564,037	\$ 13,416,350
Capital assets	62,801,590	106,870,971
Total assets	67,365,627	120,287,321
Liabilities:		
Current liabilities	199,001	2,329,861
Noncurrent liabilities	307,516	30,285,565
Total liabilities	506,517	32,615,426
Net position:		
Net investment in capital assets	62,654,332	75,217,254
Unrestricted	4,204,778	12,454,641
Total net position	\$ 66,859,110	\$ 87,671,895

#### CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<b>Water Funds</b>	<b>Wastewater Funds</b>
Charges for services	\$ 4,617,679	\$ 7,137,285
Depreciation expense	(2,387,569)	(3,504,570)
Other operating expenses	(2,883,810)	(3,624,859)
Operating income	(653,700)	7,856
Nonoperating revenues (expenses):		
Capitalization fees	1,131,682	2,589,775
Investment earnings	4,525	6,382
Interest expense	(2,788)	(511,590)
Amortization	-	65,255
Gain on sale of assets	13,372	75,100
Capital contributions	2,249,130	754,206
Operating transfer out	(529,758)	(758,860)
Change in net position	2,212,463	2,228,124
Beginning net position	64,646,647	85,543,771
Ending net position	\$ 66,859,110	\$ 87,771,895

(Continued)

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2014**

**NOTE 11: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (CONCLUDED)**

**CONDENSED STATEMENT OF CASH FLOWS**

	<b>Water Funds</b>	<b>Wastewater Funds</b>
Net cash provided (used) by:		
Operating activities	\$ 1,330,793	\$ 4,080,088
Noncapital financing activities	(529,758)	(758,860)
Capital and related financing activities	(844,878)	(1,232,028)
Investing activities	4,525	6,382
Net increase (decrease)	(39,318)	2,095,582
Beginning cash and cash equivalents	3,446,549	10,378,906
Ending cash and cash equivalents	\$ 3,407,231	\$ 12,474,488

**NOTE 12: FUND BALANCE CLASSIFICATIONS**

The City has adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires the City to classify and report amounts in the appropriate fund balance classifications. The City's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of non-spendable, restricted, committed, assigned, or unassigned.

The City reports the following classifications:

Restricted Fund Balance — Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions are placed on fund balances when legally enforceable legislation establishes a specific purpose for the funds. Legal enforceability means that the City can be compelled by an external party (e.g., citizens, public interest groups, the judiciary) to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed Fund Balance — Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the City Council. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the City Council. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance — Assigned fund balances are amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances do not have to be made by the City Council, they are more easily imposed and removed and they may be assigned for specific purposes even after the City's year end.

(Continued)

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE 12: FUND BALANCE CLASSIFICATIONS (CONCLUDED)**

Amounts for specific purposes by fund and fund balance classifications for the year ended September 30, 2014, are as follows:

<b><u>General Fund</u></b>	
<b>Restricted</b>	
KCJA drug task force	\$ 84,518
Bellerive subdivision agreement	23,046
	<u>\$ 107,564</u>
<b>Committed</b>	
Sick leave option 2	\$ 212,245
<b>Assigned</b>	
Recreation department - Avista waterfront improvements	\$ 7,198
Recreation department - equipment reserve	12,035
Fernan property lease	125,000
Cherry Hill property lease	104,000
	<u>\$ 248,233</u>
<b><u>General Obligation Bonds</u></b>	
<b>Restricted</b>	
Debt service	\$ 482,559
<b><u>Other Governmental Funds</u></b>	
<b>Restricted</b>	
Special revenue funds - Impact fees	\$ 3,485,272
Special revenue funds - Jewett House	57,026
Debt service funds - LID #130/135/136	444
Debt service funds - LID #151	1,641
Debt service funds - LID guarantee fund	56,113
	<u>\$ 3,600,496</u>
<b>Committed</b>	
Special revenue funds - Library	\$ 119,416
Special revenue funds - Cemetery	39,806
Special revenue funds - Parks capital improvements	265,675
Special revenue funds - Cemetery perpetual care	1,753,602
Special revenue funds - Reforestation	201,652
Special revenue funds - Public art	604,405
	<u>\$ 2,984,556</u>
<b>Assigned</b>	
Special revenue funds - Annexation fees	\$ 117,316
Special revenue funds - Art commission	1,542
Capital projects funds - 15th Street at Cherry Hill	68,370
Capital projects funds - 15th Street - Harrison to Best	24,009
Capital projects funds - Govt Way - Hanley to Prairie	4,581
Capital projects funds - Front Street Project	62,699
Capital projects funds - Kathleen Avenue Rewidening	50,000
Capital projects funds - Levee Certification	(12,088)
Capital projects funds - Miscellaneous projects	15,388
	<u>\$ 331,817</u>

(Continued)

## City of Coeur d'Alene, Idaho

### NOTES TO THE FINANCIAL STATEMENTS September 30, 2014

#### NOTE 13: DEFINED BENEFIT PENSION PLAN

The Public Employee Retirement System of Idaho (PERSI) is the administrator of a cost sharing multiple-employer public retirement system that 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. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available from PERSI upon request. That report may be obtained by writing to PERSI, 607 North 8th Street, Boise, Idaho 83702.

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. Effective June 30, 2000, the annual service retirement allowance for each month of credited service is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive forty-two months.

For the period October 1, 2013, through September 30, 2014, the required contribution rate for general employees was 11.32% and 6.79% of covered payroll for the City of Coeur d'Alene and its employees, respectively, and 11.66% and 8.36% for police/firefighter employees. The City of Coeur d'Alene's contributions required and paid were \$3,132,777, \$2,949,812 and \$2,884,713 for the three years ended September 30, 2014, 2013, and 2012 respectively.

#### Single-Employer Defined Benefit Pension Plan

Plan Description: The City of Coeur d'Alene maintains a single-employer defined benefit pension plan, the police retirement fund. Title 50, Chapter 15, of the Idaho Code allowed the City of Coeur d'Alene to create a policemen's retirement fund. Title 2, Chapter 2.80, of the City of Coeur d'Alene Code, created the police retirement fund. A Board of police retirement Commissioners consisting of the Council and three members of the Police Department is the administrator of the fund and has the authority to establish and amend benefits and contributions. The police retirement fund is responsible for the payment of benefits to police officers who were hired before April 12, 1967 and their eligible surviving spouses. Funding for these benefits come from two sources:

- (1) Investment earnings on the fund
- (2) Property taxes

The City's police retirement fund is a closed group. No new members are permitted and no active members remained in the fund as of May 31, 1991. All members have retired and all benefit obligations except for future cost-of-living increases have been determined. There are three members and four spouses currently receiving benefits. There are no terminated members entitled to but not yet receiving benefits. Separate financial statements are not issued for the police retirement fund.

Police officers may retire after 25 years of service or at attainment of age 60. The amount of annual pension is 50% of the average annual salary in the five highest salary years out of the ten years of service preceding retirement.

(Continued)

## City of Coeur d'Alene, Idaho

### NOTES TO THE FINANCIAL STATEMENTS September 30, 2014

#### NOTE 13: DEFINED BENEFIT PENSION PLAN (CONTINUED)

##### Single-Employer Defined Benefit Pension Plan (Continued)

There is no age and service requirement for disability retirement. Disabled members are paid an annual pension equal to 50% of the annual salary attached to the rank held by the disabled member, payable if the disablement was wholly attributable to service. If the disablement was only partially attributable to service, the benefit is proportionately reduced.

If a retired member has been married for at least five years prior to death, a pension of 75% of the retirement benefit to which he was entitled at the time of his death is payable to his widow until her death or remarriage. This benefit is increased to the full retirement benefit if there are minor children.

The police retirement fund is accounted for on a flow of economic resources measurement focus and uses the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The fair value of investments is determined by the trust department of the bank that administers the funds investment portfolio. Publicly traded assets are valued in accordance with market quotations. Assets which are not publicly traded may reflect values from other external sources or special valuations prepared by the trust department.

Funding Policy: The funding policy and cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Board of police retirement fund Commissioners. The costs of administering the plan are financed by investment earnings. The City's latest actuarial valuation was dated September 30, 2013. The City's contributions to the fund are set to amortize the fund's benefit liabilities over the period ending September 30, 2027. This represents a 30 year amortization of the fund's unfunded actuarial liability. The actuary recommends a minimum yearly contribution of \$152,000 to adequately satisfy future expected cash flow requirements. The fund's asset balance is not expected to decrease for at least the next ten years. These calculations are based on the actuarial assumptions, including annual post-retirement benefits increases of 3% and investment returns of 4.75%. Any adverse future experience of the fund will require an increase in the minimum recommended contribution of \$152,000.

There are no long-term contracts for contributions to the plan or any legally required reserves. Investments at year end included cash equivalents of \$133,869 and U.S. Government issues of \$1,245,068. The actuarial value of assets is fair market value.

For fiscal years beginning after June 15, 1996, new GASB reporting standards are required for defined benefit pension plans reporting and disclosures (Statement No. 25). The requirements for Statement No. 25 include certain supplementary information to the financial statements. These include:

- (1) A Schedule of Funding Progress, and
- (2) A Schedule of Employer Contributions

The Schedule of Funding Progress compares the amount of unfunded actuarial liability (UAL) from year to year and measures the progress of the employer's contributions in reducing the amount. Under most acceptable funding methods there is a UAAL. The required schedule of employer contributions compares the employer contributions required based on the actuarial required contribution, or ARC, with those employer contributions actually made.

(Continued)

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE 13: DEFINED BENEFIT PENSION PLAN (CONCLUDED)**

Funding Policy (Continued)

GASB Statement No. 27 is effective for fiscal years beginning after June 15, 1997, and is required for pension accounting by state and local government employers. The disclosures include the measurement of an annual pension cost (APC). For the fund, the APC is equal to the employer's annual required contributions (ARC), as actuarially determined by the funding methods and assumptions for pension benefits used for GASB purposes. If the City is required to make a contribution (APC) and does not make a contribution equal to the ARC, then a Net Pension Obligation (NPO) account must be established and the APC will reflect adjustments made to the NPO account, as well as the ARC. Since the City's actual contribution will almost always be slightly different from its target contribution, there will always be a small NPO and a small difference between the ARC and the APC.

For GASB purposes, the ARC must be calculated based on certain parameters required for disclosure purposes. The actuarial has computed the ARC using the entry age normal cost method. Under this method the projected benefits are allocated on a level basis as a percentage of salary over the earnings of each individual between entry age and assumed exit age. The amount allocated to each year is called the normal cost and the portion of the actuarial present value of all benefits not provided for by future normal cost payments is called the actuarial accrued liability. Since all members have already retired, the amount of the annual normal cost is zero. The unfunded actuarial accrued liability (UAAL) is the actuarial accrued liability minus the actuarial value of the fund's assets.

For GASB reporting purposes, Table 1 presents the ARC as of the valuation date, assuming the UAL is amortized as a level dollar amount over 14.2 years. This is within the maximum period allowed under the GASB reporting rules. The amortization period is open.

The UAL and the percentage funded by assets are shown in the required supplementary information, the schedule of funding progress. Table 1 discloses the annual pension costs; percentage of annual pension cost contributed and NPO for the year ended September 30, 2013. Only one year of information is available.

**Table 1  
Annual Pension Cost and Net Pension Obligation**

Annual Required Contribution (ARC)	
Annual Normal Cost (BOY)	\$ -
Amortization of UAL (BOY)	145,107
Interest to EOY*	<u>6,893</u>
ARC at EOY	152,000
Interest on NPO	(208)
Adjustment to NPO	<u>326</u>
Annual Pension Cost (APC)	152,118
Employer Contributions	<u>152,000</u>
Change in NPO	118
NPO at BOY	<u>(4,372)</u>
NPO at EOY	<u>\$ (4,254)</u>

\*Interest computation assumes end-of-year payment although actual payments will take place during the year. The ARC was calculated taking the timing of the actual payment schedule into account.

(Continued)

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE 14: POST EMPLOYMENT HEALTH PLANS**

*Plan Description* – City of Coeur d'Alene operates a single – employer retiree benefit plan that provides post-employment medical plans upon retirement from active service. To be eligible for the City's retiree group medical plan, a retiree must exceed 90; calculated as their age plus service. Public Safety officers covered under PERSI are eligible for retirement when their age plus service exceeds 80. Retirees are covered until they are eligible for Medicare or Medicaid; Death; or the employee or spouse becomes employed elsewhere and medical benefits are available.

*Funding Policy* – The City has not established a fund to supplement the costs for the net OPEB obligation. Current year's premiums are capped at \$500 per month. The City's funding policy is based on a pay-as-you-go method.

*Annual OPEB Cost and Net OPEB Obligation* – The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 155,180
Interest on net OPEB obligation	46,901
Adjustment to annual required contribution	<u>(73,283)</u>
Annual OPEB cost (expense)	128,798
Contributions made	<u>(59,670)</u>
Increase in net OPEB obligation	69,128
Net OPEB obligation – beginning of year	<u>1,172,532</u>
Net OPEB obligation – end of year	<u>\$1,241,660</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, and the four preceding years were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Contribution as Percentage of OPEB Cost</b>	<b>Net OPEB Obligation</b>
9/30/2010	528,802	3.69%	509,309
9/30/2011	558,194	5.58%	1,036,330
9/30/2012	113,074	15.38%	1,132,008
9/30/2013	115,349	64.87%	1,172,532
9/30/2014	128,798	46.33%	1,241,660

*Funded Status and Funding Progress* – As of September 30, 2013, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$1,027,489 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,027,489.

(Continued)

## City of Coeur d'Alene, Idaho

### NOTES TO THE FINANCIAL STATEMENTS September 30, 2014

#### NOTE 14: POST EMPLOYMENT HEALTH PLANS (CONCLUDED)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 30, 2013, actuarial valuation, the most recent actuarial valuation date, the Projected Unit Credit (PUC) actuarial cost method was used. The actuarial assumptions used to calculate the funding results are as follows:

Investment Return (Interest Rate) – Pre- and post-retirement interest rates were assumed at 5.25% per year.

- Medical Inflation Rate – Medical cap of \$500 per month will increase at a rate of 10% reduced by .5% per year until a level 5%.
- Expenses – No assumption of asset expenses were made.
- Mortality Rates – RP2000 Unisex Mortality Table.
- Turnover Rates – T2 Turnover Table.
- Disability Rates – None assumed.
- Retirement Rates – Retirement date will occur when an employee becomes eligible under the rule of 80 or 90 but not before age 55.
- Spouse – Assume same age as employee and married at time of retirement.
- Utilization Probability – 20% of retired employees will be eligible for the plan's benefits upon the City Council's discretion.
- Probability of re-employment after retirement – None.
- Actuarial Value of Assets – Same as market value of assets.

Gains/losses are amortized using a closed level dollar method over a period of 15 years.

(Continued)

## City of Coeur d'Alene, Idaho

### NOTES TO THE FINANCIAL STATEMENTS September 30, 2014

#### NOTE 15: LAWSUIT

In October 2011, a judgment was entered in a lawsuit that arose from the City's discipline and termination of a police lieutenant. The case went to trial in federal court and resulted in a jury verdict of \$3.7 million against the City. The City recorded the \$3,515,674 liability as an expense in fiscal year 2011-12. The City made two payments of \$1,850,000 on December 12, 2013 and January 2, 2014 to settle this judgment.

#### NOTE 16: FIREFIGHTER'S SOCIAL SECURITY REFUNDS

State Controller, Donna Jones, serving as the State Social Security Administrator issued a Notice of Referendum for all eligible firefighter members of the Public Employee Retirement System of Idaho (PERSI). In July of 2012, a vote took place which allowed the members of the City's Fire Union to opt out of the Social Security system. The City received social security taxes paid by the members of the union and the portion paid by the City by filing 941X forms back to 2007. The City disbursed the employee portion to the employee and entered into an agreement to place the refunded employer's portion into individual employee's PERSI Choice 401K accounts.

#### NOTE 17: PRIOR PERIOD ADJUSTMENT

Beginning net position for the primary government was increased by a net \$509,697 for the following items:

In fiscal 2012-2013, the City recorded approximately \$9.8 million in donated construction costs to the City related to the McEuen Park project. As of September 30, 2013, the project was ongoing and therefore, the City recorded the donated assets as construction in progress in its governmental funds. In fiscal 2014, the project was completed and the City allocated a net \$1,961,677 of these costs to the non-major enterprise funds, resulting in a prior period adjustment reducing governmental activities net position with a corresponding increase to enterprise funds net position.

In addition, the City identified \$509,697 in capital costs which were expensed in the prior year and should have been capitalized for GASB 34 purposes in the prior year. The effect of the prior period adjustment on net position in the governmental activities was to increase net position by \$509,697.

The combined net effect of these prior period adjustments is an increase in net position for the primary government of \$509,697.

#### NOTE 18: COMPONENT UNIT DISCLOSURES

As disclosed in Note 1, the Lake City Development Corporation 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.

(Continued)

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE 18: COMPONENT UNIT DISCLOSURES (CONTINUED)**

Agency Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency does not have a written policy for custodial credit risk, but has charged management with ensuring the Agency's exposure to custodial credit risk is minimal. The

carrying amount of the Agency's deposits is \$7,923,479 and the bank balance is \$7,925,201. As of September 30, 2014, the Agency's bank balance was not exposed to custodial credit risk. Details are as follows:

Amount insured by FDIC \$7,925,201

The Agency maintains cash deposits with four local banks in order to mitigate the financial impact of potential bank failure.

State statutes authorize the Agency's investments. The Agency is authorized to invest in U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, and government pool and money market funds consisting of any of these securities.

Capital Assets

Activity for Lake City Development Corporation's capital assets for the fiscal year ended September 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	<u>\$ 2,946,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,946,918</u>
Total Capital assets not being depreciated	<u>2,946,918</u>	<u>-</u>	<u>-</u>	<u>2,946,918</u>
Capital assets being depreciated:				
Buildings and sites	<u>2,184,718</u>	<u>-</u>	<u>-</u>	<u>2,184,718</u>
Total capital assets being depreciated	<u>2,184,718</u>	<u>-</u>	<u>-</u>	<u>2,184,718</u>
Less accumulated depreciation for:				
Buildings and sites	<u>500,786</u>	<u>55,030</u>	<u>-</u>	<u>555,816</u>
Total accumulated depreciation	<u>500,786</u>	<u>55,030</u>	<u>-</u>	<u>555,816</u>
Total capital assets being depreciated, net	<u>1,683,932</u>	<u>(55,030)</u>	<u>-</u>	<u>1,628,902</u>
Governmental activities capital assets, net	<u>\$ 4,630,850</u>	<u>\$ (55,030)</u>	<u>\$ -</u>	<u>\$ 4,575,820</u>

During the fiscal year, \$55,030 in depreciation expense was charged to the property rental function.

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE 18: COMPONENT UNIT DISCLOSURES (CONTINUED)**

Agency Notes Payable

Library Site:

On April 23, 2001, the Agency entered into an agreement with the Coeur d'Alene Public Library Foundation, Inc., regarding property purchased by the Foundation from Ed D. and Susan T. Jameson, and Ray C. and Doris M. Mobberley, for the purpose of constructing a new library facility. The Library Foundation made a down payment of \$250,000 and entered into two separate promissory notes with the Jamesons and the Mobberleys in the amounts of \$346,500 and \$553,500, respectively, as consideration for the property.

On March 31, 2003, the Agency refinanced these notes payable through Washington Trust Bank. The principal amount refinanced was \$910,719. Repayment terms were monthly payments due the first of each month, bearing interest at the rate of 4.15%. A balloon payment in the amount of \$754,863 was due April 1, 2008.

On April 1, 2008, in lieu of remitting the balloon payment due, the Agency refinanced the balance through Washington Trust Bank. The total amount refinanced was \$752,047. Repayment terms are monthly payments due the first of each month, bearing interest at the rate of 4.00%. A balloon payment in the amount of \$555,676 is due April 1, 2013.

On April 1, 2013, in lieu of remitting the balloon payment due, the Agency refinanced the balance through Washington Trust Bank. The total amount refinanced was \$555,676. Repayment terms are monthly payments due the first of each month, bearing interest at the rate of 2.65%. The annual requirement to retire the debt is as follows:

<u>Fiscal year ending</u> <u>September 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	2.65%	\$ 50,821	\$ 12,302	\$ 63,123
2016	2.65%	52,205	10,918	63,123
2017	2.65%	53,627	9,496	63,123
2018	2.65%	323,895	3,528	327,423
		<u>\$ 480,548</u>	<u>\$ 36,244</u>	<u>\$ 516,792</u>

515 W. Garden Avenue:

On May 21, 2004, the Agency entered into a contract to purchase property at 515 W. Garden Avenue. The total purchase price was \$342,569, of which \$53,569 was paid at closing. Repayment terms are monthly payments of \$1,662, including interest at 3.58%. The debt was retired in the current fiscal year.

(Continued)

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE 18: COMPONENT UNIT DISCLOSURES (CONTINUED)**

Agency Notes Payable (Continued)

626 N. Park Drive:

On October 24, 2003, the Agency entered into a contract to purchase property at 626 N. Park Dr. The total purchase price was \$105,000, of which \$21,000 was paid at closing. Repayment terms are: 60 monthly payments including interest at 4.12%; 59 monthly payments including interest at 4.06%; and a final payment on November 15, 2013. The debt was retired in the current fiscal year.

516 N. Park Drive:

On March 30, 2005, the Agency entered into a contract to purchase property at 516 Park Dr. The total purchase price was \$170,000, of which \$25,500 was paid at closing. Repayment terms are: 60 monthly payments of \$812, including interest at 4.58%; 59 monthly payments of \$812, including interest at 3.88%; and a final payment on April 15, 2015. The annual requirements to retire the debt are as follows:

<u>Fiscal year ending September 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	3.88%	\$ 104,747	\$ 2,318	\$ 107,065
		\$ 104,747	\$ 2,318	\$ 107,065

518 N. Park Drive:

On July 14, 2005, the Agency entered into a contract to purchase property at 518 N. Park Dr. The total purchase price was \$220,000, of which \$33,000 was paid at closing. Repayment terms are: monthly payments of \$922, including interest at 3.07% and a final payment on July 14, 2015. The remaining principal balance was retired ahead of schedule in the current fiscal year.

211 N. 4<sup>th</sup> Street:

On April 1, 2005, the Agency entered into a contract to purchase property at 211 N. 4th Street. The total purchase price was \$275,000, of which \$41,250 was paid at closing. Repayment terms are: 60 monthly payments of \$1,323, including interest at 4.58%; 59 monthly payments of \$1,684, including interest at 3.88%; and a final payment on April 15, 2015. The annual requirements to retire the debt are as follows:

<u>Fiscal year ending September 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	3.88%	\$ 177,322	\$ 7,902	\$ 185,224
		\$ 177,322	\$ 7,902	\$ 185,224

(Continued)

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE 18: COMPONENT UNIT DISCLOSURES (CONTINUED)**

Agency Notes Payable (Continued)

301 E. Lakeside Avenue:

On April 21, 2006, the Agency entered into a contract to purchase property at 301 E. Lakeside Ave. The total purchase price was \$625,000, of which \$62,500 was paid at closing. Repayment terms are: 60 monthly payments of \$3,277, including interest at 4.88%; 59 monthly payments of \$3,277, including interest at 1.74%; and a final payment on May 5, 2016. The annual requirements to retire the debt are as follows:

<u>Fiscal year ending September 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	1.74%	\$ 22,382	\$ 7,256	\$ 29,638
2016	1.74%	<u>413,408</u>	<u>4,620</u>	<u>418,028</u>
		<u>\$ 435,790</u>	<u>\$ 11,876</u>	<u>\$ 447,666</u>

712 E. Young Avenue:

On October 14, 2005, the Agency entered into a contract to purchase property at 712 E. Young Ave. The total purchase price was \$415,000, of which \$62,250 was paid at closing. Repayment terms are: 60 monthly payments of \$1,981, including interest at 4.55%; 59 monthly payments of \$1,984, including interest at 1.64%; and a final payment on October 10, 2015. The annual requirements to retire the debt are as follows:

<u>Fiscal year ending September 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	1.64%	\$ 20,034	\$ 3,771	\$ 23,805
2016	1.64%	<u>219,056</u>	<u>300</u>	<u>219,356</u>
		<u>\$ 239,090</u>	<u>\$ 4,071</u>	<u>\$ 243,161</u>

(Continued)

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE 18: COMPONENT UNIT DISCLOSURES (CONTINUED)**

Agency Notes Payable (Continued) 839 N. 3rd Street & 845 N. 4th Street:

On June 16, 2008, the Agency purchased property at 839 N. 3rd street, and at 845 N. 4th street using 100% loan financing for \$360,783. Repayment terms are monthly payments due the 16th of each month bearing interest at the rate of 4.50% for the first five years and 4.64% for the second five years of the loan. A balloon payment in the amount of \$263,112 is due June 16, 2018. The annual requirements to retire the debt are as follows:

Fiscal year ending September 30,	Rate	Principal	Interest	Total
2015	4.64%	\$ 10,498	\$ 14,042	\$ 24,540
2016	4.64%	11,006	13,534	24,540
2017	4.64%	11,539	13,001	24,540
2018	4.64%	270,066	9,406	279,472
		<u>\$ 303,109</u>	<u>\$ 49,983</u>	<u>\$ 353,092</u>

Mill River Project fixed rate bond:

On April 22, 2005, the Agency received a Taxable Revenue Allocation Area Bond. The Agency was approved to borrow up to \$4,000,000. This financing was used on the Mill River Development project. The bond had a maturity date of March 1, 2017. Unscheduled principal payments were being made with any tax increment revenue not required for the scheduled interest payments for the year of income. The initial effective interest rate at closing was equal to 30-day LIBOR rate plus 250 basis points. The interest rate was reset as of the first business day of each month at a rate equal to the 30-day LIBOR rate plus 250 basis points. Interest was calculated on an actual/360-day basis. Interest was due semiannually beginning September 1, 2005. As of September 30, 2007, the Agency had taken out \$3,799,931 of the available \$4,000,000.

On June 26, 2008, the Agency refinanced the Taxable Revenue Allocation Area Bond with Washington Trust Bank. The principal amount of the refinancing was \$3,750,000, for the term of ten years, at a fixed interest rate of 4.35%. The first payment was due on August 15, 2008, and subsequent semi-annual payments due equal to the greater of: 1) at least 75% of the incremental portion of taxes exceeding the amount of taxes collected in the base year from the Mill River Revenue Allocation Area; or 2) the payment based on a 15 year amortization of semiannual payments of the original principal balance and interest rate of the bond. The debt was retired in the current fiscal year.

(Continued)

**City of Coeur d'Alene, Idaho**

**NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE 18: COMPONENT UNIT DISCLOSURES (CONTINUED)**

Agency Notes Payable (Continued)

Midtown:

On July 28, 2009, the Agency entered into a \$712,435 debt obligation with Mountain West Bank to assist in financing the \$1,654,000 of Agency approved public improvements related to the Midtown Placemaking project. The \$712,435 Mountain West Bank Midtown debt obligation is amortized over ten years with a 4.80% interest rate. Tax increment proceeds generated from the Lake District will be utilized to repay both principal and interest associated with the Mountain West Bank Midtown obligation. The Agency's Midtown Placemaking project has been a long-term strategic goal designed to refurbish the existing public-realm infrastructure, as well as create a "place" to spark private sector investment. The City of Coeur d'Alene administered Midtown Placemaking project was completed on time and under budget and was officially dedicated on October 22, 2009. The annual requirements to retire the debt are as follows:

<u>Fiscal year ending</u> <u>September 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	4.80%	\$ 72,740	\$ 17,311	\$ 90,051
2016	4.80%	76,310	13,741	90,051
2017	4.80%	80,054	9,997	90,051
2018	4.80%	83,983	6,068	90,051
2019	4.80%	80,599	1,947	82,546
		<u>\$ 393,686</u>	<u>\$ 49,064</u>	<u>\$ 442,750</u>

Bond Payable – Washington Trust:

On August 25, 2011, the Agency received a Revenue Allocation Bond. The Agency was approved to borrow up to \$16,700,000. This financing is being used on Lake District Redevelopment Projects. Maturity was set for August 1, 2021 and the interest rate was set at 3.26% per annum for the first five years. The interest rate is to reset after five years subject to an approved formula as included in the agreement. Outstanding balances and accrued interest are due in semi-annual payments of \$1,040,000 commencing February 1, 2012. Bond security is provided in the form of a subordinate interest in Lake District Revenue. The future annual debt service requirements are at this point unknown, as the Agency has not yet fully drawn down all available proceeds from this debt. The Agency must however make two semiannual payments totaling \$2,080,000 annually, until any outstanding balance and accrued interest is paid off.

(Continued)

## City of Coeur d'Alene, Idaho

### NOTES TO THE FINANCIAL STATEMENTS September 30, 2014

**NOTE 18: COMPONENT UNIT DISCLOSURES (CONCLUDED)**

Agency Notes Payable (Concluded)

The following is a summary of debt activity for the year ended September 30, 2014:

	Beginning Balance	Principal Additions	Principal Payments	Ending Balance	Due in One Year
Library Site	\$ 530,021	\$ -	\$ 49,473	\$ 480,548	\$ 50,821
515 W. Garden Ave.	210,894	-	210,894	-	-
626 N. Park Dr.	51,191	-	51,191	-	-
516 N. Park Dr.	110,323	-	5,576	104,747	104,747
518 N. Park Dr.	144,905	-	144,905	-	-
211 N. 4th Street	183,544	-	6,222	177,322	177,322
301 E. Lakeside Ave.	457,966	-	22,176	435,790	435,790
712 E. Young Ave.	258,798	-	19,708	239,090	20,034
839 N. 3rd St. & 845 N. 4th St.	313,122	-	10,013	303,109	10,498
Mill River Project fixed rate bond	63,964	-	63,964	-	-
Midtown	463,024	-	69,338	393,686	72,740
Bond Payable- Washington Trust	6,075,606	6,537,600	1,775,662	10,837,544	1,700,000
	<u>\$ 8,863,358</u>	<u>\$ 6,537,600</u>	<u>\$ 2,429,122</u>	<u>\$ 12,971,836</u>	<u>\$ 2,571,952</u>

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

**City of Coeur d'Alene, Idaho**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND**

**For the Year Ended September 30, 2014**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 16,773,620	\$ 16,895,620	\$ 17,140,992	\$ 245,372
Licenses and permits	4,395,895	4,759,650	5,017,872	258,222
Intergovernmental	8,065,297	8,072,264	8,146,490	74,226
Charges for services	227,775	319,450	354,090	34,640
Fines and forfeits	551,400	317,400	348,066	30,666
Interest	43,000	43,000	(50,640)	(93,640)
Miscellaneous	135,000	162,350	190,366	28,016
Total revenues	<u>30,191,987</u>	<u>30,569,734</u>	<u>31,147,236</u>	<u>577,502</u>
<b>EXPENDITURES</b>				
Current:				
General government	6,466,920	6,466,920	5,255,837	1,211,083
Public safety	17,709,967	17,902,236	18,451,668	(549,432)
Public works	4,866,030	6,071,983	4,091,653	1,980,330
Culture and recreation	2,597,896	2,618,896	2,409,848	209,048
Capital outlay	183,528	209,528	2,002,102	(1,792,574)
Debt service:				
Principal payments			23,841	(23,841)
Total expenditures	<u>31,824,341</u>	<u>33,269,563</u>	<u>32,234,949</u>	<u>1,034,614</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(1,632,354)</u>	<u>(2,699,829)</u>	<u>(1,087,713)</u>	<u>1,612,116</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt Issuance			464,770	
Operating transfers in	1,669,958	1,669,958	1,660,527	(9,431)
Operating transfers out	<u>(216,170)</u>	<u>(816,170)</u>	<u>(816,170)</u>	
Total other financing sources (uses)	<u>1,453,788</u>	<u>853,788</u>	<u>1,309,127</u>	<u>(9,431)</u>
Net change in fund balances before extraordinary item	<u>(178,566)</u>	<u>(1,846,041)</u>	<u>221,414</u>	<u>1,602,685</u>
Fund balances - beginning of year	178,566	1,846,041	6,489,218	4,643,177
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,710,632</u>	<u>\$ 6,245,862</u>

**City of Coeur d'Alene, Idaho**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
INSURANCE SPECIAL REVENUE FUND  
For the Year Ended September 30, 2014**

	<b>Budget Amounts</b>		<b>Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ 7
Interest	1,500	1,500	331
Total revenues	1,500	1,500	338
<b>EXPENDITURES</b>			
Current:			
General government	280,000	430,000	389,045
Total expenditures	280,000	430,000	389,045
(Deficiency) excess of revenues (under) over expenditures	(278,500)	(428,500)	(388,707)
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	78,909	228,909	678,909
Total other financing sources (uses)	78,909	228,909	678,909
Net change in fund balances	(199,591)	(199,591)	290,202
Fund balances - beginning of year	3,000,000	3,000,000	(345,096)
Fund balances - end of year	\$ 2,800,409	\$ 2,800,409	\$ (54,894)

## City of Coeur d'Alene, Idaho

### REQUIRED SUPPLEMENTARY INFORMATION POLICE RETIREMENT TRUST FUND

#### SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Fiscal Year Ending</u>	<u>Actual Employer Contribution</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Of ARC Contribution</u>
9/30/05	153,354	152,000	100.89%
9/30/06	152,076	152,000	100.05%
9/30/07	150,639	152,000	99.10%
9/30/08	151,414	152,000	99.61%
9/30/09	150,261	152,000	98.86%
9/30/10	150,113	152,000	98.76%
9/30/11	156,501	152,000	102.96%
9/30/12	155,718	152,000	102.45%
9/30/13	155,087	152,000	102.03%
9/30/14	154,349	152,000	101.55%

#### SCHEDULE OF FUNDING PROGRESS

<u>Valuation Date</u>	<u>Actuarial Value Of Assets</u>	<u>Actuarial Accrued Liabilities Entry Age</u>	<u>Unfunded Actuarial Accrued Liabilities (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAL as a Percentage Of Covered Payroll</u>
9/30/2004	1,444,393	3,309,100	1,864,707	43.65%	\$0*	N/A
9/30/2005	1,392,263	3,103,307	1,711,044	44.86%	\$0*	N/A
9/30/2006	1,362,500	2,959,310	1,596,810	46.04%	\$0*	N/A
9/30/2007	1,349,423	2,789,756	1,440,333	48.37%	\$0*	N/A
9/30/2008	1,339,090	2,680,981	1,341,891	49.95%	\$0*	N/A
9/30/2009	1,369,447	2,337,405	967,958	58.59%	\$0*	N/A
9/30/2010	1,390,088	2,140,260	750,172	64.95%	\$0*	N/A
9/30/2011	1,397,640	2,196,862	799,222	63.62%	\$0*	N/A
9/30/2012	1,410,501	1,775,450	364,949	79.44%	\$0*	N/A
9/30/2013 **	1,383,636	1,729,671	346,035	79.99%	\$0*	N/A

\* All members are retired

\*\*Last year of valuation. Subsequent valuations will be accumulated over time.

REQUIRED SUPPLEMENTARY INFORMATION  
POLICE RETIREMENT TRUST FUND

FIVE-YEAR TREND INFORMATION\*

Fiscal Year Ending	Annual Pension Cost (APC)	Contribution as A Percentage of APC	Net Pension Obligation (NPO)
09/30/09	152,017	98.84%	986
09/30/10	151,974	98.78%	2,847
09/30/11	151,929	100.24%	2,477
09/30/12	151,925	102.50%	-1,316
09/30/13	152,031	102.01%	-4,372
09/30/14	152,118	99.92%	-4,254

ANNUAL DEVELOPMENT OF PENSION COSTS\*

Fiscal Year Ending	ARC at EOY	Interest on NPO	ARC Adjust	Annual Pension Cost (APC)	Total Employer Contributions	Change in NPO	NPO Balance	Gain/Loss	Amort. Factor	Amort. of Gain/Loss	Ending Balance
9/30/02	152,000	(50)	(60)	152,010	151,656	354	(391)	344	12.51	(60)	(391)
9/30/03	152,000	(26)	(34)	152,008	152,395	(387)	(778)	(395)	11.50	(34)	(778)
9/30/04	152,000	(53)	(63)	152,010	152,606	(596)	(1,374)	(606)	12.40	(63)	(1,374)
9/30/05	152,000	(93)	(107)	152,014	152,354	(1,340)	(2,714)	(1,354)	12.80	(107)	(2,714)
9/30/06	152,000	(183)	(207)	152,024	152,076	(52)	(2,766)	(76)	13.10	(207)	(2,766)
9/30/07	152,000	(187)	(211)	152,024	15,639	1,385	(1,381)	1,361	13.10	(211)	(1,381)
9/30/08	152,000	(83)	(108)	152,025	151,414	611	(770)	586	12.80	(108)	(770)
9/30/09	152,000	(44)	(61)	152,017	150,261	1,756	986	1,739	12.60	(61)	986
9/30/10	152,000	57	83	151,974	150,113	1,861	2,847	1,887	11.90	83	2,847
9/30/11	152,000	164	235	151,929	156,501	(370)	2,477	(299)	12.10	235	2,477
9/30/12	152,000	130	205	151,925	155,718	(75)	2,402	-	12.10	205	2,402
9/30/13	152,000	(63)	(94)	152,031	155,087	(3,056)	(4,372)	(3,087)	14.00	(94)	(4,372)
9/30/14	152,000	(208)	(326)	152,118	154,349	118	(4,254)	-	13.40	(326)	(4,254)

## City of Coeur d'Alene

### SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLANS For the Year Ended September 30, 2014

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll ( c )</b>
September 30, 2009	\$ -	\$ 3,329,330	\$ 3,329,330	0%	\$ -
September 30, 2010	\$ -	\$ 3,642,711	\$ 3,642,711	0%	\$ -
September 30, 2011	\$ -	\$ 739,874	\$ 739,874	0%	\$ -
September 30, 2012	\$ -	\$ 775,830	\$ 775,830	0%	\$ -
September 30, 2013	\$ -	\$ 977,982	\$ 977,982	0%	\$ -
September 30, 2014	\$ -	\$ 1,027,489	\$ 1,027,489	0%	\$ -

FINANCIAL SECTION

OTHER SUPPLEMENTARY INFORMATION

**City of Coeur d'Alene, Idaho**

**COMBINING BALANCE SHEET - BY FUND TYPE  
NONMAJOR GOVERNMENTAL FUNDS  
September 30, 2014**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,954,217	\$ 59,143	\$ 186,161	\$ 5,199,521
Investments	1,698,756	-	-	1,698,756
Receivables:				
Taxes delinquent	2,540	-	-	2,540
Accounts	11,609	-	-	11,609
Assessments:				
Delinquent	-	1,301	-	1,301
Deferred	-	135,746	-	135,746
Due from other governments	28,376	-	42,266	70,642
Due from other funds	-	-	36,000	36,000
Total assets	<u>\$ 6,695,498</u>	<u>\$ 196,190</u>	<u>\$ 264,427</u>	<u>\$ 7,156,115</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 42,046	\$ -	\$ 15,468	\$ 57,514
Due to other funds	5,200	115,118	36,000	156,318
Deposits	-	945	-	945
Total liabilities	<u>47,246</u>	<u>116,063</u>	<u>51,468</u>	<u>214,777</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue- property taxes	2,540	-	-	2,540
Unavailable revenue- special assessments	-	135,746	-	135,746
Total deferred inflows of resources	<u>2,540</u>	<u>135,746</u>	<u>-</u>	<u>138,286</u>
<b>FUND BALANCES (DEFICITS)</b>				
Restricted	3,542,298	58,198	-	3,600,496
Committed	2,984,556	-	-	2,984,556
Assigned	118,858	-	212,959	331,817
Unassigned	-	(113,817)	-	(113,817)
Total fund balances	<u>6,645,712</u>	<u>(55,619)</u>	<u>212,959</u>	<u>6,803,052</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 6,695,498</u>	<u>\$ 196,190</u>	<u>\$ 264,427</u>	<u>\$ 7,156,115</u>

**City of Coeur d'Alene, Idaho**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2014**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>REVENUES</b>			
Taxes	\$ 1,207,557	\$ -	\$ -
Intergovernmental	25,799	-	195,397
Charges for services	1,644,137	-	-
Fines and forfeits	18,549	-	-
Assessments collected	-	74,964	-
Unrealized gain (loss) on investments	(25,669)	-	-
Interest	53,986	-	210
Contributions	-	-	1,077,180
Miscellaneous	419,304	-	-
Penalty and interest	-	797	-
Total revenues	<u>3,343,663</u>	<u>75,761</u>	<u>1,272,787</u>
<b>EXPENDITURES</b>			
Current:			
General government	304,123	-	-
Culture and recreation	1,362,107	-	-
Administrative expenses	-	-	258,635
Capital outlay	371,075	-	1,316,587
Debt service:			
Principal payments	114,500	45,000	-
Interest, fees and other	-	6,120	-
Total expenditures	<u>2,151,805</u>	<u>51,120</u>	<u>1,575,222</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,191,858</u>	<u>24,641</u>	<u>(302,435)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	380,900	105,649	380,614
Operating transfers out	<u>(498,202)</u>	<u>(60,649)</u>	<u>(11,555)</u>
Total other financing sources (uses)	<u>(117,302)</u>	<u>45,000</u>	<u>369,059</u>
Net change in fund balances	1,074,556	69,641	66,624
Fund balances (deficits) - beginning of year	<u>5,571,156</u>	<u>(125,260)</u>	<u>146,335</u>
Fund balances (deficits) - end of year	<u>\$ 6,645,712</u>	<u>\$ (55,619)</u>	<u>\$ 212,959</u>

# City of Coeur d'Alene, Idaho

## Explanation of Nonmajor Governmental Funds Special Revenue Funds

*Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The following are the City's special revenue funds:*

**Library Fund:** To administer expenditures for the purpose of providing a library to the citizens of the City of Coeur d'Alene. The primary revenue source for this fund is property taxes.

**Cemetery Fund:** To administer expenditures for the purpose of providing cemetery lots, niches, and openings and closings. The primary revenue sources for this fund are sales of cemetery lots and niches, and a transfer of interest from the cemetery perpetual care trust fund.

**Annexation Fees Fund:** To administer specific capital expenditures approved by the City Council. The only revenue sources of this fund are annexation fees charged when a new subdivision is annexed into the City and interest earnings.

**Impact Fees Fund:** Developmental impact fees are charged on new construction. The revenue generated from these fees will be used for capital improvements for Parks, Police, Fire and Streets.

**Parks Capital Improvements Fund:** To administer expenditures for the purpose of developing new parkland for the citizens of the City of Coeur d'Alene. The primary revenue source for this fund is grants, impact fees, park fees, parking and boat launch user fees and transfers from the general fund.

**Cemetery Perpetual Care Fund:** To account for funds set aside to be used to maintain the City's cemeteries into perpetuity. Funding for this fund comes from interest earnings and 30% of the funds generated from cemetery lot sales.

**Reforestation Fund:** To account for funds collected for the purpose of replacing trees in the right of ways and planting trees in the right of ways of new subdivisions or new construction.

**Art Commission Fund:** To account for revenues and expenditures of the Arts Commission for providing summer art programs and various community art awards.

**Jewett House Fund:** To account for donations received for the operation and maintenance of the Jewett House, an estate donated to the City to be used for senior citizen activities.

**Public Art Fund:** To account for funds received from construction projects of the City of Coeur d'Alene and contributions from Lake City Development Corporation to be used for the purchase and maintenance of public art.

**City of Coeur d'Alene, Idaho**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
September 30, 2014**

	<u>Library</u>	<u>Cemetery</u>	<u>Annexation Fees</u>	<u>Impact Fees</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 128,943	\$ 35,619	\$ 117,316	\$ 3,485,272
Investments	-	-	-	-
Receivables:				
Taxes delinquent	2,540	-	-	-
Accounts	-	11,609	-	-
Due from other governments	6,323	-	-	-
Total assets	<u>\$ 137,806</u>	<u>\$ 47,228</u>	<u>\$ 117,316</u>	<u>\$ 3,485,272</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 15,850	\$ 7,422	\$ -	\$ -
Due to other Funds	-	-	-	-
Total liabilities	<u>15,850</u>	<u>7,422</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue- property taxes	2,540	-	-	-
Total deferred inflows of resources	<u>2,540</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted	-	-	-	3,485,272
Committed	119,416	39,806	-	-
Assigned	-	-	117,316	-
Total fund balances	<u>119,416</u>	<u>39,806</u>	<u>117,316</u>	<u>3,485,272</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 137,806</u>	<u>\$ 47,228</u>	<u>\$ 117,316</u>	<u>\$ 3,485,272</u>

<b>Parks Capital Improvements</b>	<b>Cemetery Perpetual Care</b>	<b>Reforestation</b>	<b>Art Commission</b>	<b>Jewett House</b>	<b>Public Art</b>	<b>Total Nonmajor Special Revenue Funds</b>
\$ 274,706	\$ 56,669	\$ 188,504	\$ 1,724	\$ 58,056	\$ 607,408	\$ 4,954,217
-	1,698,756	-	-	-	-	1,698,756
-	-	-	-	-	-	2,540
-	-	-	-	-	-	11,609
-	-	22,053	-	-	-	28,376
<u>\$ 274,706</u>	<u>\$ 1,755,425</u>	<u>\$ 210,557</u>	<u>\$ 1,724</u>	<u>\$ 58,056</u>	<u>\$ 607,408</u>	<u>\$ 6,695,498</u>
\$ 9,031	\$ 1,823	\$ 3,705	\$ 182	\$ 1,030	\$ 3,003	\$ 42,046
-	-	5,200	-	-	-	5,200
<u>9,031</u>	<u>1,823</u>	<u>8,905</u>	<u>182</u>	<u>1,030</u>	<u>3,003</u>	<u>47,246</u>
-	-	-	-	-	-	2,540
-	-	-	-	-	-	2,540
-	-	-	-	57,026	-	3,542,298
265,675	1,753,602	201,652	-	-	604,405	2,984,556
-	-	-	1,542	-	-	118,858
<u>265,675</u>	<u>1,753,602</u>	<u>201,652</u>	<u>1,542</u>	<u>57,026</u>	<u>604,405</u>	<u>6,645,712</u>
<u>\$ 274,706</u>	<u>\$ 1,755,425</u>	<u>\$ 210,557</u>	<u>\$ 1,724</u>	<u>\$ 58,056</u>	<u>\$ 607,408</u>	<u>\$ 6,695,498</u>

**City of Coeur d'Alene, Idaho**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
For the Year Ended September 30, 2014**

	<u>Library</u>	<u>Cemetery</u>	<u>Annexation Fees</u>	<u>Impact Fees</u>	<u>Parks Capital Improvements</u>
<b>REVENUES</b>					
Taxes	\$ 1,207,557	\$ -	\$ -	\$ -	\$ -
Intergovernmental	3,746	-	-	-	-
Charges for services	12,186	120,069	116,500	1,291,096	98,858
Fines and forfeits	18,549	-	-	-	-
Unrealized gain (loss) on investments	-	-	-	-	-
Interest	107	36	42	1,746	120
Miscellaneous	4,732	13,035	-	-	155,000
Total revenues	<u>1,246,877</u>	<u>133,140</u>	<u>116,542</u>	<u>1,292,842</u>	<u>253,978</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	207,813	-	10,815	-
Culture and recreation	1,180,131	-	-	-	65,201
Capital outlay	107,348	35,344	-	-	43,083
Debt Service					
Principal payments	-	-	-	-	114,500
Total expenditures	<u>1,287,479</u>	<u>243,157</u>	<u>-</u>	<u>10,815</u>	<u>222,784</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(40,602)</u>	<u>(110,017)</u>	<u>116,542</u>	<u>1,282,027</u>	<u>31,194</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	-	90,000	-	-	219,017
Operating transfers out	-	(18,352)	(14,000)	(375,850)	-
Total other financing sources (uses)	<u>-</u>	<u>71,648</u>	<u>(14,000)</u>	<u>(375,850)</u>	<u>219,017</u>
Net change in fund balances	(40,602)	(38,369)	102,542	906,177	250,211
Fund balances - beginning of year	160,018	78,175	14,774	2,579,095	15,464
Fund balances - end of year	<u>\$ 119,416</u>	<u>\$ 39,806</u>	<u>\$ 117,316</u>	<u>\$ 3,485,272</u>	<u>\$ 265,675</u>

<b>Cemetery Perpetual Care</b>	<b>Reforestation</b>	<b>Art Commission</b>	<b>Jewett House</b>	<b>Public Art</b>	<b>Total Nonmajor Special Revenue Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,207,557
-	22,053	-	-	-	25,799
-	-	5,428	-	-	1,644,137
-	-	-	-	-	18,549
(25,669)	-	-	-	-	(25,669)
51,455	117	3	30	330	53,986
-	98,663	100	25,848	121,926	419,304
<u>25,786</u>	<u>120,833</u>	<u>5,531</u>	<u>25,878</u>	<u>122,256</u>	<u>3,343,663</u>
7,102	-	5,810	31,205	41,378	304,123
-	116,775	-	-	-	1,362,107
-	-	-	-	185,300	371,075
-	-	-	-	-	114,500
<u>7,102</u>	<u>116,775</u>	<u>5,810</u>	<u>31,205</u>	<u>226,678</u>	<u>2,151,805</u>
18,684	4,058	(279)	(5,327)	(104,422)	1,191,858
38,352	-	-	11,000	22,531	380,900
(90,000)	-	-	-	-	(498,202)
<u>(51,648)</u>	<u>-</u>	<u>-</u>	<u>11,000</u>	<u>22,531</u>	<u>(117,302)</u>
(32,964)	4,058	(279)	5,673	(81,891)	1,074,556
1,786,566	197,594	1,821	51,353	686,296	5,571,156
<u>\$ 1,753,602</u>	<u>\$ 201,652</u>	<u>\$ 1,542</u>	<u>\$ 57,026</u>	<u>\$ 604,405</u>	<u>\$ 6,645,712</u>

## City of Coeur d'Alene, Idaho

### Explanation of Debt Service Funds

***Debt service funds are established to finance and account for the payments of interest and principal on outstanding bonded debt of the City, exclusive of the bonded debt in the enterprise funds. These bonds relate to special assessment funds created to service the related debt to finance past construction of local improvement districts (LIDs).***

**LID #129/132:** Accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies created for the purpose of installing sanitary sewers in Hoffman, Sleepy Hollow, Forest Park, Pinegrove Park and Sunrise Terrace Subdivisions in 1998.

**LID #130/135/136:** Accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies created for the purpose of paving, installing curbs, sidewalks and for beautification of Lakeside Avenue and Ramsey Road in 1996. LID #136 was created for the purchase of the Industrial Park Water System in 1996.

**LID #145:** Accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies created for the purpose of widening, paving, and installing curbs and sidewalks on Government Way from Appleway Avenue to Dalton Avenue.

**LID #149:** Accounts for the accumulation of resources and payments of special assessment bond principal and interest from special assessment levies created for the purpose of making major street improvements and beautification to 4<sup>th</sup> Street Midtown.

**LID #150:** Accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies created for the purpose of acquisition, construction and installation of improvements to water and sewer mains on Government Way.

**LID Guarantee:** Accounts for the additional security for the LID Bonds. This is established by ordinance.

**City of Coeur d'Alene, Idaho**

**COMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUNDS  
September 30, 2014**

	<u>LID</u> <u>#129/132</u>	<u>LID</u> <u>#130/135/136</u>	<u>LID</u> <u>#145</u>	<u>LID</u> <u>#149</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 444	\$ -	\$ -
Receivables:				
Assessments	-			
Delinquent	3	-	38	1,260
Deferred	20,628		53,994	61,124
Total assets	<u>\$ 20,631</u>	<u>\$ 444</u>	<u>\$ 54,032</u>	<u>\$ 62,384</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Deposits	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	53,994	61,124
Total liabilities	<u>-</u>	<u>-</u>	<u>53,994</u>	<u>61,124</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-special assessments	20,628	-	53,994	61,124
Total deferred inflows of resources	<u>20,628</u>	<u>-</u>	<u>53,994</u>	<u>61,124</u>
<b>FUND BALANCES (DEFICITS)</b>				
Restricted	-	444	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	3	-	(53,956)	(59,864)
Total fund balances (deficits)	<u>3</u>	<u>444</u>	<u>(53,956)</u>	<u>(59,864)</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 20,631</u>	<u>\$ 444</u>	<u>\$ 54,032</u>	<u>\$ 62,384</u>

<u>LID #150</u>	<u>LID Guarantee Fund</u>	<u>Total Nonmajor Debt Service Funds</u>
\$ 1,641	\$ 57,058	\$ 59,143
-	-	1,301
-	-	135,746
<u>\$ 1,641</u>	<u>\$ 57,058</u>	<u>\$ 196,190</u>

\$ -	\$ 945	\$ 945
-	-	115,118
<u>-</u>	<u>945</u>	<u>116,063</u>

<u>-</u>	<u>-</u>	<u>135,746</u>
<u>-</u>	<u>-</u>	<u>135,746</u>

1,641	56,113	58,198
-	-	-
-	-	-
-	-	(113,817)
<u>1,641</u>	<u>56,113</u>	<u>(55,619)</u>
<u>\$ 1,641</u>	<u>\$ 57,058</u>	<u>\$ 196,190</u>

**City of Coeur d'Alene, Idaho**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR DEBT SERVICE FUNDS  
For the Year Ended September 30, 2014**

	<u>LID</u> <u>#129/132</u>	<u>LID</u> <u>#130/135/136</u>
<b>REVENUES</b>		
Assessments collected	\$ 8,750	\$ -
Penalty and interest	775	-
Total revenues	<u>9,525</u>	<u>-</u>
<b>EXPENDITURES</b>		
Bond principal	-	45,000
Interest, fees and other	-	6,120
Total expenditures	<u>-</u>	<u>51,120</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,525</u>	<u>(51,120)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating transfers in	-	51,120
Operating transfers out	(9,529)	-
Total other financing sources (uses)	<u>(9,529)</u>	<u>51,120</u>
Net change in fund balances	(4)	-
Fund balances (deficits) - beginning of year	7	444
Fund balances (deficits) - end of year	<u>\$ 3</u>	<u>\$ 444</u>

<b>LID #145</b>	<b>LID #149</b>	<b>LID #150</b>	<b>Guarantee Fund</b>	<b>Total Nonmajor Debt Service Funds</b>
\$ 35,356	\$ 15,293	\$ 1,641	\$ 13,924	\$ 74,964
-	-	-	22	797
<u>35,356</u>	<u>15,293</u>	<u>1,641</u>	<u>13,946</u>	<u>75,761</u>
-	-	-	-	45,000
-	-	-	-	6,120
-	-	-	-	<u>51,120</u>
<u>35,356</u>	<u>15,293</u>	<u>1,641</u>	<u>13,946</u>	<u>24,641</u>
-	-	-	54,529	105,649
-	-	-	(51,120)	(60,649)
-	-	-	3,409	45,000
<u>35,356</u>	<u>15,293</u>	<u>1,641</u>	<u>17,355</u>	<u>69,641</u>
<u>(89,312)</u>	<u>(75,157)</u>		<u>38,758</u>	<u>(125,260)</u>
<u>\$ (53,956)</u>	<u>\$ (59,864)</u>	<u>\$ 1,641</u>	<u>\$ 56,113</u>	<u>\$ (55,619)</u>

## City of Coeur d'Alene, Idaho

### Explanation of Capital Project Funds

***Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.***

**15<sup>th</sup> Street at Cherry Hill:** To administer expenditures for the purpose of providing utilities and access to City owned property at Cherry Hill Park.

**Government Way – Dalton to Hanley:** To administer expenditures for the purpose of reconstructing and widening of Government Way from Dalton Avenue to Hanley Ave.

**Government Way – Hanley to Prairie:** To administer expenditures for the purpose of reconstructing and widening of Government Way from Hanley Ave. to Prairie.

**15<sup>th</sup> Street – Lunceford to Dalton:** To administer expenditures for the purpose of widening 15<sup>th</sup> Street including a bike lane, curbs and gutters.

**15th Harrison to Best:** To administer expenditures for the purpose of reconstruction and widening of 15th Street from Harrison Avenue to Best Avenue.

**Signal at 3rd and Harrison:** To administer expenditures for the purpose of reconstruction of the intersection at 3rd Street and Harrison and replacing the traffic light.

**Front Street Project:** To administer expenditures for the purpose of modifications to the City's right of way, previously Front Street, from 2nd to 3<sup>rd</sup> Street.

**Kathleen Avenue Widening:** To administer expenditures for the purpose of property acquisition and widening Kathleen Avenue to 5 lanes from Government Way to Highway 95.

**Levee Certification:** To administer the expenditures for the purpose of making required improvements to the City of Coeur d'Alene floodworks certification.

**City of Coeur d'Alene, Idaho**

**COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
September 30, 2014**

	<b>Miscellaneous Capital Projects</b>	<b>15th Street at Cherry Hill</b>	<b>Govt Way Hanley to Prairie</b>
	<hr/>	<hr/>	<hr/>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,388	\$ 68,370	\$ 783
Due from other governments	-	-	42,266
Due from other funds	-	-	-
Total assets	<hr/> <b>\$ 15,388</b>	<hr/> <b>\$ 68,370</b>	<hr/> <b>\$ 43,049</b>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ 15,468
Due to other funds			23,000
Total liabilities	<hr/> -	<hr/> -	<hr/> <b>38,468</b>
<b>FUND BALANCES (DEFICITS)</b>			
Assigned	<hr/> 15,388	<hr/> 68,370	<hr/> 4,581
Total fund balances (deficits)	<hr/> <b>15,388</b>	<hr/> <b>68,370</b>	<hr/> <b>4,581</b>
Total liabilities and fund balances (deficits)	<hr/> <b>\$ 15,388</b>	<hr/> <b>\$ 68,370</b>	<hr/> <b>\$ 43,049</b>

15th St Harrison to Best	Front Street Project	Kathleen Avenue Rewidening	Levee Certification	Total Capital Projects Funds
\$ 1,009	\$ 49,699	\$ 50,000	\$ 912	\$ 186,161
-	-	-	-	42,266
23,000	13,000	-	-	36,000
<u>\$ 24,009</u>	<u>\$ 62,699</u>	<u>\$ 50,000</u>	<u>\$ 912</u>	<u>\$ 264,427</u>
\$ -	\$ -	\$ -	\$ -	\$ 15,468
			13,000	36,000
			13,000	51,468
24,009	62,699	50,000	(12,088)	212,959
24,009	62,699	50,000	(12,088)	212,959
<u>\$ 24,009</u>	<u>\$ 62,699</u>	<u>\$ 50,000</u>	<u>\$ 912</u>	<u>\$ 264,427</u>

**City of Coeur d'Alene, Idaho**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NONMAJOR CAPITAL PROJECTS FUNDS  
For the Year Ended September 30, 2014**

	<b>Miscellaneous Capital Projects</b>	<b>15th Street at Cherry Hill</b>	<b>Govt Way Dalton to Hanley</b>	<b>Govt Way Hanley to Prairie</b>
<b>REVENUES</b>				
Contributions	\$ -	\$ -	\$ 574	\$ 12,365
Intergovernmental	-	-	-	195,397
Investment income	-	-	41	169
Total revenues	<u>-</u>	<u>-</u>	<u>615</u>	<u>207,931</u>
<b>EXPENDITURES</b>				
Services and supplies	-	-	50	363
Capital outlay	-	-	-	210,867
Total expenditures	<u>-</u>	<u>-</u>	<u>50</u>	<u>211,230</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>565</u>	<u>(3,299)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	68,370	-	-
Operating transfers out	-	-	-	(161)
Total other financing sources (uses)	<u>-</u>	<u>68,370</u>	<u>-</u>	<u>(161)</u>
Net change in fund balances	-	68,370	565	(3,460)
Fund balance (deficit) - beginning of year	15,388	-	(565)	8,041
Fund balance (deficit) - end of year	<u>\$ 15,388</u>	<u>\$ 68,370</u>	<u>\$ -</u>	<u>\$ 4,581</u>

<b>15th St Lunceford to Dalton</b>	<b>15th St Harrison to Best</b>	<b>Signal at 3rd and Harrison</b>	<b>Front Street Project</b>	<b>Kathleen Avenue Rewidening</b>	<b>Levee Certification</b>	<b>Total Nonmajor Capital Projects Funds</b>
\$ -	\$ -	\$ -	\$ 940,179	\$ -	\$ 124,062	\$ 1,077,180
-	-	-	-	-	-	195,397
-	-	-	-	-	-	210
-	-	-	940,179	-	124,062	\$ 1,272,787
-	-	-	-	-	258,222	258,635
-	-	228,240	877,480	-	-	1,316,587
-	-	228,240	877,480	-	258,222	1,575,222
-	-	(228,240)	62,699	-	(134,160)	(302,435)
-	11,394	120,850	-	50,000	130,000	380,614
(11,394)	-	-	-	-	-	(11,555)
(11,394)	11,394	120,850	-	50,000	130,000	369,059
(11,394)	11,394	(107,390)	62,699	50,000	(4,160)	66,624
11,394	12,615	107,390	-	-	(7,928)	146,335
\$ -	\$ 24,009	\$ -	\$ 62,699	\$ 50,000	\$ (12,088)	\$ 212,959

## City of Coeur d'Alene, Idaho

### Explanation of Nonmajor Business-Type Activities

*The enterprise funds are used to account for the City's wastewater property management, street lighting, public parking operations and stormwater management. These operations are financed and operated in a manner similar to a private business enterprise. The intent of the City is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The following are descriptions of each nonmajor enterprise fund.*

**Wastewater Property Management Fund:** To account for funds being held for building maintenance expenses for the Harbor Center building, which is currently being leased by the University of Idaho.

**Street Lighting Utility Fund:** To account for the provision of street lighting services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including (but not limited to) administration, operations and maintenance.

**Public Parking Lot Fund:** To account for the provision of downtown parking to the residents and visitors of the City. All activities necessary to provide such services are accounted for in this fund, including (but not limited to) operations and maintenance.

**Stormwater Management:** To account for the provision of drainage management. All activities necessary to provide such services are accounted for in this fund including (but not limited to) administration, operations and maintenance.

**City of Coeur d'Alene, Idaho**

**COMBINING STATEMENT OF NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
September 30, 2014**

	<b>Business-type Activities - Nonmajor Enterprise Funds</b>				<b>Total</b>
	<b>Wastewater Property Management</b>	<b>Street Lighting</b>	<b>Public Parking Lot</b>	<b>Stormwater Management</b>	<b>Nonmajor Enterprise Funds</b>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 60,668	\$ 72,581	\$ 689	\$ 241,976	\$ 375,914
Receivables:					
Accounts, net of allowance for uncollectible accounts	-	46,453	185,000	95,388	326,841
Total current assets	<u>60,668</u>	<u>119,034</u>	<u>185,689</u>	<u>337,364</u>	<u>702,755</u>
Non-current assets:					
Capital assets:					
Land	-	-	122,264	-	122,264
Construction in Progress	-	-	-	-	-
Other capital assets, net of accumulated depreciation	-	216,861	8,057,336	4,468,042	12,742,239
Total non-current assets	<u>-</u>	<u>216,861</u>	<u>8,179,600</u>	<u>4,468,042</u>	<u>12,864,503</u>
Total assets	<u>60,668</u>	<u>335,895</u>	<u>8,365,289</u>	<u>4,805,406</u>	<u>13,567,258</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	-	39,689	37	9,990	49,716
Due to other Funds	-	-	145,000	-	145,000
Total current liabilities	<u>-</u>	<u>39,689</u>	<u>145,037</u>	<u>9,990</u>	<u>194,716</u>
Non-current liabilities:					
Compensated absences	-	-	-	20,663	20,663
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,663</u>	<u>20,663</u>
Total liabilities	<u>-</u>	<u>39,689</u>	<u>145,037</u>	<u>30,653</u>	<u>215,379</u>
<b>NET POSITION</b>					
Net investment in capital assets	-	216,861	8,179,600	4,468,042	12,864,503
Unrestricted	60,668	79,345	40,652	306,711	487,376
Total net assets	<u>\$ 60,668</u>	<u>\$ 296,206</u>	<u>\$ 8,220,252</u>	<u>\$ 4,774,753</u>	<u>\$ 13,351,879</u>

**City of Coeur d'Alene, Idaho**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
For the Year Ended September 30, 2014**

	<b>Business-type Activities - Nonmajor Enterprise Funds</b>				
	<b>Wastewater Property Management</b>	<b>Street Lighting</b>	<b>Public Parking Lot</b>	<b>Stormwater Management</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>OPERATING REVENUES</b>					
Services	\$ -	\$ 505,713	\$ 185,000	\$ 1,014,525	\$ 1,705,238
<b>OPERATING EXPENSES</b>					
Administration	-	-	-	113,023	113,023
Maintenance	-	8,662	6,286	187,939	202,887
Supplies	-			1,562	1,562
Contracted services	-	591,894	49,538		641,432
Depreciation	-	26,571	450,649	235,764	712,984
Bad debt expense	-	374	-	446	820
Total operating expenses	-	627,501	506,473	538,734	1,672,708
Operating income (loss)	-	(121,788)	(321,473)	475,791	32,530
<b>NONOPERATING REVENUES</b>					
Investment income	-	66	-	132	198
Loss on sale of assets	-		-	-	-
Total nonoperating revenues	-	66	-	132	198
Income (loss) before contributions and transfers	-	(121,722)	(321,473)	475,923	32,728
Capital contributions	-	-	5,478,323	-	5,478,323
Operating transfers in	-	53,000	-	-	53,000
Operating transfers out	-	-	(55,974)	(91,500)	(147,474)
Change in net position		(68,722)	5,100,876	384,423	5,416,577
Total net position - beginning	\$ 60,668	364,928	1,157,699	4,390,330	5,973,625
Prior period adjustment	-	-	1,961,677	-	1,961,677
Total net position - ending	\$ 60,668	\$ 296,206	\$ 8,220,252	\$ 4,774,753	\$ 13,351,879

City of Coeur d'Alene, Idaho

COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUND TYPES  
For the Year Ended September 30, 2014

Business-type Activities - Enterprise Funds

	Wastewater Property Management	Street Lighting	Public Parking Lot	Stormwater Management	Total Nonmajor Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ -	\$ 504,686	\$ 94,965	\$ 1,013,351	\$ 1,613,002
Payments to suppliers	-	(561,361)	(38,700)	(643,350)	(1,243,411)
Payments to employees	-	-	-	(101,250)	(101,250)
(Decrease) in due to other funds	-	-	-	(400,000)	(400,000)
Net cash provided (used) by operating activities	-	(56,675)	56,265	(131,249)	(131,659)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating transfers in	-	53,000	-	-	53,000
Operating transfers out	-	-	(55,974)	(91,500)	(147,474)
Net cash provided (used) by noncapital financing activities	-	53,000	(55,974)	(91,500)	(94,474)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital asset purchases	-	-	-	(24,685)	(24,685)
Net cash provided (used) by financing activities	-	-	-	(24,685)	(24,685)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment income	-	65	-	132	197
Net cash provided (used) by investing activities	-	65	-	132	197
Net increase (decrease) in cash and cash equivalents	-	(3,610)	291	(247,302)	(250,621)
Cash and cash equivalents, beginning of year	\$ 60,668	76,191	398	489,278	626,535
Cash and cash equivalents, end of year	\$ 60,668	\$ 72,581	\$ 689	\$ 241,976	\$ 375,914
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ -	\$ (121,788)	\$ (321,473)	\$ 475,791	\$ 32,530
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
(Increase) decrease in assets:					
Depreciation	-	26,573	450,649	235,763	712,985
Accounts receivable	-	(1,027)	(90,035)	(1,174)	(92,236)
Increase (decrease) in liabilities:					
Accounts payable	-	39,567	124	(440,881)	(401,190)
Due to other funds	-	-	17,000	(400,000)	(383,000)
Compensated absences	-	-	-	(748)	(748)
Net cash provided by operating activities	\$ -	\$ (56,675)	\$ 56,265	\$ (131,249)	\$ (131,659)

**Non-cash capital and related financing activities:**

\$5,748,323 of assets were contributed by LCDC to the Public Parking Lot Fund

SINGLE AUDIT REPORT

**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**

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and City Council  
City of Coeur d'Alene  
Coeur d'Alene, ID 83814

We have audited, 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, the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Coeur d'Alene as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Coeur d'Alene's basic financial statements, and have issued our report thereon dated March 4, 2015.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City of Coeur d'Alene's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Coeur d'Alene's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City of Coeur d'Alene's financial statements are free from 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 (CONCLUDED)**

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Magnuson, McHugh & Company, P.A.*

Magnuson, McHugh & Company, P.A.

March 4, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and City Council  
City of Coeur d'Alene  
Coeur d'Alene, ID 83814

**Report on Compliance for Each Major Federal Program**

We have audited the City of Coeur d'Alene's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Coeur d'Alene its major federal programs for the year ended September 30, 2014. The City of Coeur d'Alene's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contract, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Coeur d'Alene's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Coeur d'Alene's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Coeur d'Alene's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City of Coeur d'Alene complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

**REPORT ON COMPLIANCE WITH FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(CONCLUDED)**

**Report on Internal Control over Compliance**

Management of the City of Coeur d'Alene is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Coeur d'Alene's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Coeur d'Alene's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Magnuson, McHugh & Company, P.A.*

Magnuson, McHugh & Company, P.A.

March 4, 2015

## City of Coeur d'Alene

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the year ended September 30, 2014

Program Title	Federal CFDA Number	Pass Through Number	Federal Expenditures
<b><u>U.S. Department of Housing and Urban Development:</u></b>			
<i>Direct programs:</i>			
CDBG Block Grants / Entitlement Grants	14.218		\$ 155,759
<b><u>U.S. Department of Justice</u></b>			
<i>Direct programs:</i>			
Bulletproof Vest Partnership Program	16.607		4,057
Edward Byrne Memorial Justice Assistance Grant Program	16.738		73,565
Subtotal direct			<u>77,622</u>
<i>Passed through the State of Idaho:</i>			
Juvenile Justice of Delinquency Prevention_Allocation to States	16.540	826000176	1,045
Missing Children's Assistance	16.543	826000176	12,312
Subtotal passed through the State of Idaho			<u>13,357</u>
Total U.S. Department of Justice			<u>90,979</u>
<b><u>U.S. Department of Transportation</u></b>			
<i>Passed through the State of Idaho:</i>			
Highway Planning and Construction	20.205	826000176	199,399
State and Community Highway Safety	20.600	826000176	7,786
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	826000176	9,690
National Priority Safety Program	20.616	826000176	3,613
Total U.S. Department of Transportation			<u>220,488</u>
<b><u>Environmental Protection Agency</u></b>			
<i>Passed through the State of Idaho:</i>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	826000176	1,109,688
<b><u>Institute of Museum and Library Services</u></b>			
<i>Passed through the State of Idaho:</i>			
Grants to States	45.310	826000176	3,368
<b><u>Department of Health and Human Services</u></b>			
<i>Passed through the State of Idaho:</i>			
Public Health Emergency Preparedness	93.069	826000176	500
<b><u>U.S. Department of Homeland Security</u></b>			
<i>Passed through the State of Idaho:</i>			
Homeland Security Grant Program	97.067	826000176	50,495
Hazard Mitigation Grant Program	97.036	826000176	22,503
Total U.S. Department of Homeland Security			<u>72,998</u>
Total expenditures of federal awards			<u>\$ 1,653,780</u>

## City of Coeur d'Alene, Idaho

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the year ended September 30, 2014

#### NOTE 1: BASIS OF PRESENTATION

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

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Pass-through entity identifying numbers are presented where available.

City of Coeur d'Alene, Idaho

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
Significant deficiency(ies) identified that are not considered to be material weakness(es) Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported

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

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

Identification of major programs:

Table with 2 columns: CFDA Number(s) and Name of Federal Program or Cluster. Row 1: 66.458, Capitalization Grants for Clean Water State Revolving Funds

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

Auditee qualified as low-risk auditee? X Yes No

## City of Coeur d'Alene, Idaho

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS September 30, 2014

#### **Section II - Findings – Financial Statement Audit**

We noted no findings relating to the Financial Statement Audit which are required to be reported in accordance with generally accepted *Government Auditing Standards*.

#### **Section III - Findings and Questioned Costs – Major Federal Award Programs Audit**

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

#### **Section IV – Summary of Prior Year Audit Findings Relating to Federal Awards**

No prior year audit findings relating to Federal Awards.