



CITY OF COEUR D'ALENE, IDAHO

FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

City of Coeur d'Alene, Idaho

September 30, 2012

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Coeur d'Alene, Idaho's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2013, 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* and should be considered in assessing the results of our audit.

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 64, the Police Retirement Trust Fund information on pages 66 and 67 and the Schedule of Funding Progress for Postemployment Benefit Plan on page 68 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 financial statements as a whole. 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Magnuson, McHugh & Company, P.A.

MAGNUSON, MCHUGH, & CO.

March 8, 2013

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, 2012

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, 2012.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$279,007,562 (net assets). Of this amount, \$17,345,154 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased \$4,353,301. This decrease is made up of a 1.28% decrease in the business activities and a decrease of 1.85% in the governmental activities.
- At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$11,280,754 a decrease of \$2,096,226 in comparison with the prior year. An expenditure of \$3,515,674 was recorded in the insurance fund in anticipation of the settlement of a lawsuit, see note 15.
- Also, at the end of the fiscal year, unassigned fund balance for the general fund was \$4,852,673, or 16.32% of the amended 2012 budget of general fund expenditures.
- The City's total debt decreased by \$723,999 during fiscal year 2011-2012.

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

The *Statement of Activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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, storm water, 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.

(Continued)

CITY OF COEUR D'ALENE
Kootenai County, Idaho

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2012

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 fund and the general obligation bonds debt service which are considered to be major funds. Data from the other 24 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, storm water, 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.

(Continued)

CITY OF COEUR D'ALENE
Kootenai County, Idaho

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Net Assets – The City has 92.68% of its total net assets 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 1.1% of the City's net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (6.22%) may be used to meet the City's ongoing obligations to citizens and creditors.

A summary of the City's net assets follows:

STATEMENT OF NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
ASSETS						
Current and other assets	\$ 17,264,928	\$ 16,321,739	\$ 13,629,475	\$ 16,119,175	\$ 30,894,403	\$ 32,440,914
Capital assets	122,698,648	123,546,057	167,150,940	166,159,732	289,849,588	289,705,789
Total assets	<u>139,963,576</u>	<u>139,867,796</u>	<u>180,780,415</u>	<u>182,278,907</u>	<u>320,743,991</u>	<u>322,146,703</u>
LIABILITIES						
Other liabilities	6,495,657	2,933,291	920,952	808,731	7,416,609	3,742,022
Long-term liabilities	8,152,933	9,258,059	26,166,887	25,785,759	34,319,820	35,043,818
Total liabilities	<u>14,648,590</u>	<u>12,191,350</u>	<u>27,087,839</u>	<u>26,594,490</u>	<u>41,736,429</u>	<u>38,785,840</u>
NET ASSETS						
Investment in capital assets, net of related debt	117,184,383	117,044,092	141,406,064	140,876,596	258,590,447	257,920,688
Restricted	3,071,961	2,965,323	-	-	3,071,961	2,965,323
Unrestricted	5,058,642	7,667,031	12,286,512	14,807,821	17,345,154	22,474,852
Total net assets	<u>\$ 125,314,986</u>	<u>\$ 127,676,446</u>	<u>\$ 153,692,576</u>	<u>\$ 155,684,417</u>	<u>\$ 279,007,562</u>	<u>\$ 283,360,863</u>

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

(Continued)

CITY OF COEUR D'ALENE

Kootenai County, Idaho

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program revenues:						
Charges for services	\$ 2,520,035	\$ 2,370,781	\$ 14,293,912	\$ 15,230,471	\$ 16,813,947	\$ 17,601,252
Operating grants and contributions	921,782	1,395,476	-	-	921,782	1,395,476
Capital grants and contributions	81,024	1,402,047	2,880,104	3,133,626	2,961,128	4,535,673
General revenues:						
Property taxes	18,134,247	17,737,486	-	-	18,134,247	17,737,486
Sales tax	653,978	592,381	-	-	653,978	592,381
Franchise fees	3,106,048	3,043,199	-	-	3,106,048	3,043,199
Motor fuel taxes	1,470,730	1,461,339	-	-	1,470,730	1,461,339
Alcoholic beverage taxes	1,052,208	979,423	-	-	1,052,208	979,423
Grants and contributions not restricted to specific purposes	4,667,533	4,636,623	-	-	4,667,533	4,636,623
Interest and investment earnings	108,890	151,644	43,642	46,924	152,532	198,568
Miscellaneous	381,256	454,861	-	-	381,256	454,861
Donated assets	2,670,625	18,985	-	-	2,670,625	18,985
Total revenues	<u>35,768,356</u>	<u>34,244,245</u>	<u>17,217,658</u>	<u>18,411,021</u>	<u>52,986,014</u>	<u>52,655,266</u>
EXPENSES						
General government	9,984,342	6,626,360	-	-	9,984,342	6,626,360
Public safety	17,614,641	17,755,253	-	-	17,614,641	17,755,253
Public works	7,416,219	7,473,608	-	-	7,416,219	7,473,608
Culture and recreation	4,497,785	4,361,063	-	-	4,497,785	4,361,063
Administrative expense	46,313	608,860	-	-	46,313	608,860
Interest on long-term debt	255,171	298,576	-	-	255,171	298,576
Change in OPEB obligation	89,074	182,876	-	-	89,074	182,876
Water services	-	-	5,005,160	4,843,074	5,005,160	4,843,074
Wastewater	-	-	7,725,055	7,796,621	7,725,055	7,796,621
Sanitation	-	-	2,881,277	2,737,465	2,881,277	2,737,465
Other enterprise	-	-	1,655,702	1,590,380	1,655,702	1,590,380
Loss on asset disposal	300	2,400	100,357	-	100,657	2,400
Total expenses	<u>39,903,845</u>	<u>37,308,996</u>	<u>17,367,551</u>	<u>16,967,540</u>	<u>57,271,396</u>	<u>54,276,536</u>
Increase in net assets before special items and transfers	(4,135,489)	(3,064,751)	(149,893)	1,443,481	(4,285,382)	(1,621,270)
Transfers	1,841,948	1,968,204	(1,841,948)	(1,968,204)	-	-
Change in net assets before extraordinary item	(2,293,541)	(1,096,547)	(1,991,841)	(524,723)	(4,285,382)	(1,621,270)
Extraordinary item-employee embezzlement	(67,919)	-	-	-	(67,919)	-
Change in net assets after extraordinary item	<u>\$ (2,361,460)</u>	<u>\$ (1,096,547)</u>	<u>\$ (1,991,841)</u>	<u>\$ (524,723)</u>	<u>\$ (4,353,301)</u>	<u>\$ (1,621,270)</u>

(Continued)

CITY OF COEUR D'ALENE

Kootenai County, Idaho

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

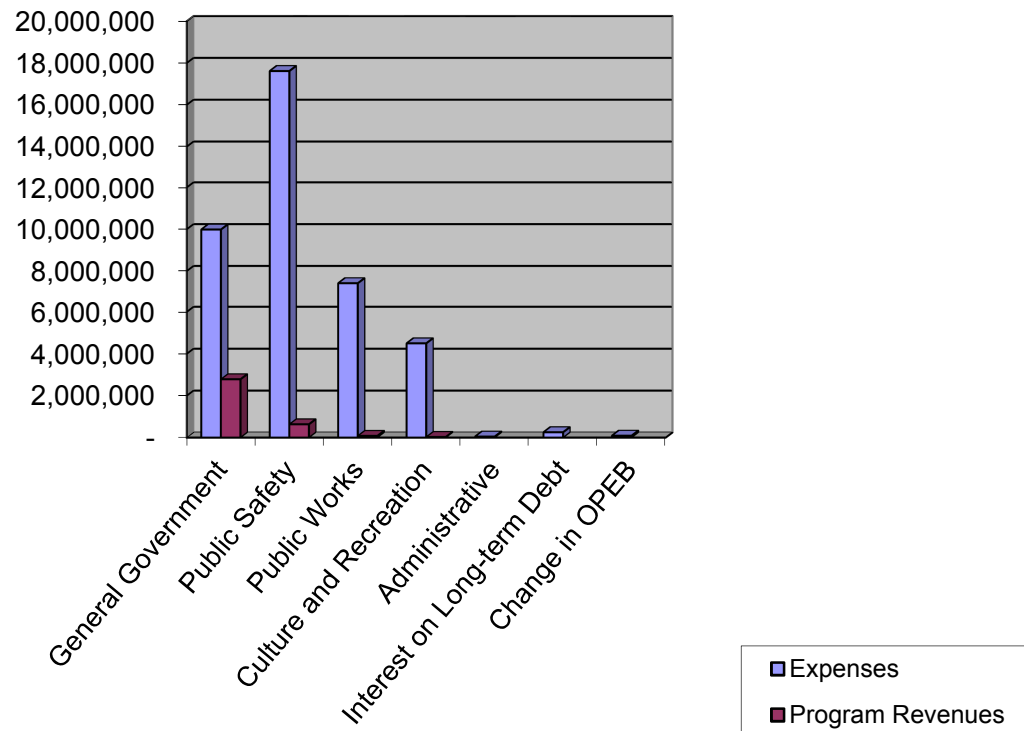
Major changes in governmental activities were as follows:

- Capital grants decreased due to a decrease in grant revenue from the Idaho Transportation Department for the purchase of right of way for improvements to Government Way.
- Governmental activities decreased the City's net assets by \$2,361,460, which impacted the City's Governmental net assets by approximately 1.85%. This decrease is primarily the result of an expenditure for an insurance claims in the amount of \$3,515,674.

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



(Continued)

CITY OF COEUR D'ALENE

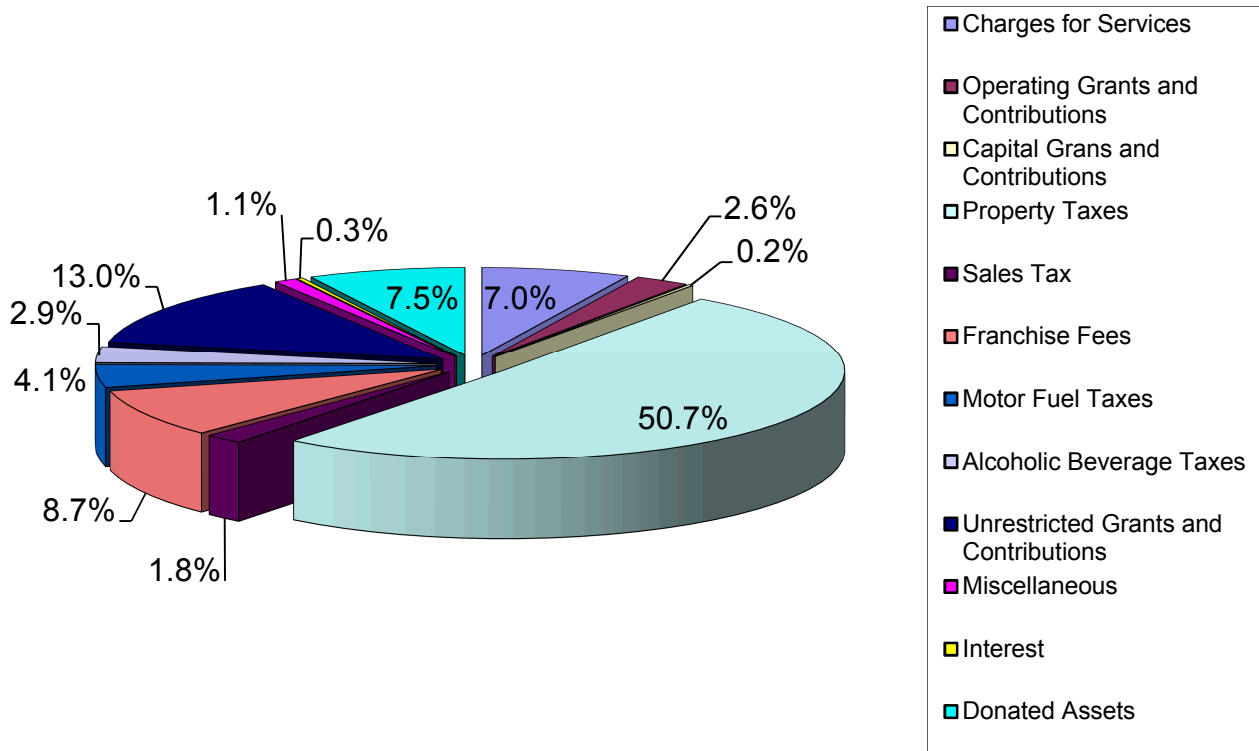
Kootenai County, Idaho

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2012

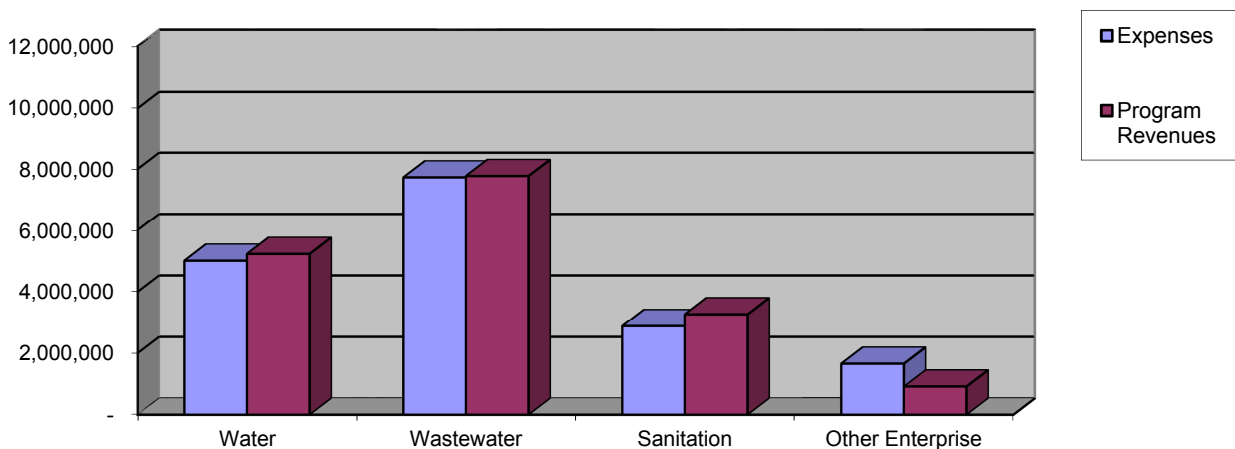
OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Revenues by Source - Governmental Activities



Business-Type Activities – Business-type activities decreased the City's net assets by \$1,991,841, which impacted the City's business-type net assets by 1.28%. This decrease was primarily the result of a decrease in operating revenue in the storm water fund of \$1,206,124 and a decrease of \$487,800 in capitalization fee revenue in the wastewater fund.

Expenses and Program Revenues - Business-Type Activities



(Continued)

CITY OF COEUR D'ALENE

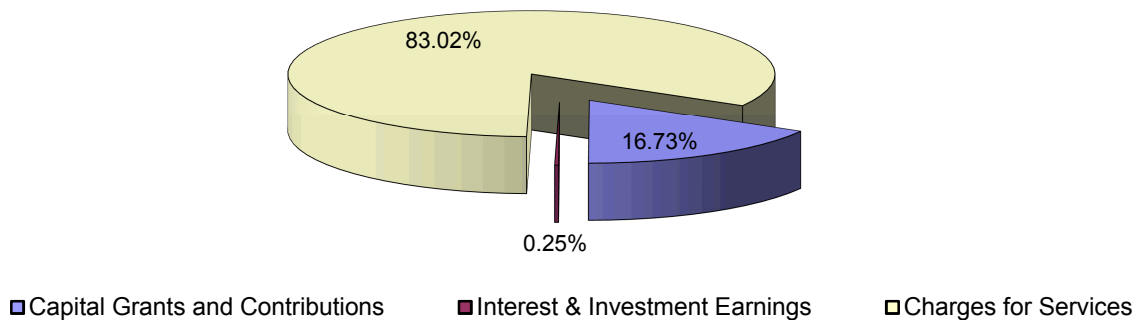
Kootenai County, Idaho

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Revenues by Source - Business-type Activities



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 \$11,280,754 a decrease of \$2,096,226 in comparison with the prior year. Of the \$11,280,754 fund balance \$4,464,031 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.

(Continued)

CITY OF COEUR D'ALENE
Kootenai County, Idaho

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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 \$5,327,387. 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 17.29% of 2012 budgeted expenditures and the unassigned fund balance of \$4,852,673 represents 15.75% of 2012 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 2013 from the first current-year property tax settlement.

The fund balance of the City's general fund decreased \$416,647. This decrease can be attributed to an increase in operating transfers out of \$1,764,508.

General fund cash balance was reduced by \$439,171. \$2,000,000 was transferred from the general fund to the insurance fund to cover a lawsuit that is in the appeal process. Revenues were \$922,000 higher than budgeted and expenses were \$1,084,000 lower than budgeted.

The insurance fund special revenue fund had a negative fund balance of \$183,615 at September 30, 2012 which is a decrease of \$1,743,642. This decrease can be attributed to an expense of \$3,515,674 for a lawsuit.

The general obligation bonds debt service fund has a total fund balance of \$433,678 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.

Unreserved net assets of the enterprise funds at the end of the year amounted to \$12,286,512. The total decrease in net assets for the funds was \$1,991,841. This decrease was primarily the result of a decrease in wastewater reserves that are being used to fund the expansion of the Wastewater Treatment Plant and the depletion of the reserves in the stormwater fund. Service fee charges for the storm water utility were ceased in November 2011. A new ordinance was written creating a drainage works fee that was implemented in January 2013.

GENERAL FUND BUDGET HIGHLIGHTS

The City's general fund budget was amended once during the fiscal year. The amendments increased the general fund budget before transfers out by \$1,027,963. The larger amendments were as follows: \$180,275 to purchase property on 15th Street for parkland, \$319,257 for grant expenditures in the Police Department, \$85,000 for energy improvements to various City owned buildings and \$268,451 for City street overlay that was budgeted but not spent in fiscal year 2010-11.

The budget amendment included the use of \$314,269 of general fund, fund balance but in actuality the fund balance was decreased by \$416,646 due to a large increase in transfers out to the insurance fund. Actual revenues were 6.43% higher than the City's original budget and actual expenditures were 0.19% lower than the City's original budget.

Overall expenditures before transfers were \$1,084,280 under the final amended budget and \$56,317 under the original budget. Overall revenues before transfers were \$922,385 over the final amended budget of \$28,724,898 and \$1,790,229 over the original budget of \$27,857,054.

(Continued)

CITY OF COEUR D'ALENE

Kootenai County, Idaho

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2012

CAPITAL ASSETS

The City's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of September 30, 2012, amounts to \$289,831,103. This investment in capital assets includes land, buildings, infrastructure, construction in progress, machinery and equipment and vehicles. This balance represents a net increase of \$125,314 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 of the wastewater treatment plant.

LONG-TERM DEBT

The City's long-term bonded debt decreased by \$1,979,379 in 2012; leaving a balance of \$18,703,795 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.

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 2002	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 \$58,228,505 which is significantly higher than the City's net outstanding general obligation debt of \$4,674,840.

(Continued)

CITY OF COEUR D'ALENE
Kootenai County, Idaho

(Concluded)

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2012

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Nation is struggling to climb out of the greatest recession since the great depression. This has impacted private sector businesses as well as government. The City has continued to reorganize its staffing levels by incenting retirement options for eligible employees. The City of Coeur d'Alene has spent capital dollars on anticipated upgrades and improvements to the wastewater treatment plant at a time when bids were very competitive and loan interest rates are very low, 0.5% fixed.

Next year's City budget will be a challenge due to property valuations decreasing again thus increasing the levy rate even without any increase in new property taxes. The City is not seeing a substantial increase in residential and commercial construction, although it is anticipated to be better than the current fiscal year. The City relies on new construction revenue to maintain employee wage and benefit contracts.

It is anticipated that fee increases will occur in the water and wastewater funds. Any increases to fees greater than 5% will be carefully studied and brought forward to the Mayor and Council at a public hearing. The drainage works utility ordinance will be presented to Council for adoption and the accompanying fee will be charged.

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 ASSETS
September 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Lake City Development Corporation
ASSETS				
Cash and cash equivalents	\$ 12,249,338	\$ 11,433,725	\$ 23,683,063	\$ 3,406,327
Investments	1,824,928	-	1,824,928	-
Receivables:				
Taxes delinquent	358,572	-	358,572	656,308
Accounts receivable	591,027	2,396,847	2,987,874	-
Special assessments	278,128	8,903	287,031	-
Due from other funds	210,000	(210,000)	-	-
Due from other governments	1,752,935	-	1,752,935	-
Deposits	-	-	-	9,762
Restricted cash - bond reserve	-	-	-	1,670,416
Capital assets:				
Land	10,842,825	2,031,210	12,874,035	2,946,918
Construction in progress	50,488	623,349	673,837	-
Other capital assets, net of accumulated depreciation	111,805,335	164,477,896	276,283,231	1,738,962
Unamortized issue costs, net of amortization	-	18,485	18,485	71,019
Total assets	<u>139,963,576</u>	<u>180,780,415</u>	<u>320,743,991</u>	<u>10,499,712</u>
LIABILITIES				
Accounts payable	5,349,633	759,968	6,109,601	388,764
Accrued payroll and related costs	1,125,404	-	1,125,404	3,420
Due to other governments	-	-	-	495
Deposit	194	-	194	12,850
Accrued interest payable	20,426	160,984	181,410	4,124
Long-term liabilities:				
Due within one year	1,308,280	1,332,819	2,641,099	1,110,135
Due in more than one year	<u>6,844,653</u>	<u>24,834,068</u>	<u>31,678,721</u>	<u>2,651,219</u>
Total liabilities	<u>14,648,590</u>	<u>27,087,839</u>	<u>41,736,429</u>	<u>4,171,007</u>
NET ASSETS				
Invested in capital assets, net of related debt	117,184,383	141,406,064	258,590,447	2,223,583
Restricted	3,071,961	-	3,071,961	4,105,122
Unrestricted	<u>5,058,642</u>	<u>12,286,512</u>	<u>17,345,154</u>	<u>-</u>
Total net assets	<u>\$ 125,314,986</u>	<u>\$ 153,692,576</u>	<u>\$ 279,007,562</u>	<u>\$ 6,328,705</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, 2012

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 9,984,342	\$ 2,520,035	\$ 192,221	\$69,905
Public safety	17,614,641	-	633,061	-
Public works	7,416,219	-	68,711	11,119
Culture and recreation	4,497,785	-	27,789	-
Administrative expense	46,313	-	-	-
Interest on long-term debt	255,171	-	-	-
Change in OPEB obligation	89,074	-	-	-
Total governmental activities	<u>39,903,545</u>	<u>2,520,035</u>	<u>921,782</u>	<u>81,024</u>
Business-type activities:				
Water	5,005,160	4,056,329	-	1,168,104
Wastewater	7,725,055	6,057,777	-	1,712,000
Sanitation	2,881,277	3,266,002	-	-
Other Enterprise	1,655,702	913,804	-	-
Total business-type activities	<u>17,267,194</u>	<u>14,293,912</u>	<u>-</u>	<u>2,880,104</u>
Total primary government	<u>\$ 57,170,739</u>	<u>\$ 16,813,947</u>	<u>\$ 921,782</u>	<u>\$ 2,961,128</u>
Component unit:				
Lake City Development Corporation	\$ 7,379,330	\$ 176,816	\$ -	\$ -
Total component unit	<u>\$ 7,379,330</u>	<u>\$ 176,816</u>	<u>\$ -</u>	<u>\$ -</u>

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
 Loss on disposal of assets
 Transfers
 Total general revenues and transfers
 Change in net assets before extraordinary item
 Extraordinary item; employee embezzlement
 Change in net assets after extraordinary item
 Net assets - beginning
 Prior Period Adjustment
 Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Lake City Development Corporation
\$ (7,202,181)	\$ -	\$ (7,202,181)	\$ -
(16,981,580)	-	(16,981,580)	-
(7,336,389)	-	(7,336,389)	-
(4,469,996)	-	(4,469,996)	-
(46,313)	-	(46,313)	-
(255,171)	-	(255,171)	-
(89,074)	-	(89,074)	-
<u>(36,380,704)</u>	<u>-</u>	<u>(36,380,704)</u>	<u>-</u>
-	219,273	219,273	-
-	44,722	44,722	-
-	384,725	384,725	-
<u>-</u>	<u>(741,898)</u>	<u>(741,898)</u>	<u>-</u>
<u>-</u>	<u>(93,178)</u>	<u>(93,178)</u>	<u>-</u>
<u>(36,380,704)</u>	<u>(93,178)</u>	<u>(36,473,882)</u>	<u>-</u>
-	-	-	(7,202,514)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,202,514)</u>
18,134,247	-	18,134,247	5,620,934
653,978	-	653,978	-
3,106,048	-	3,106,048	-
1,470,730	-	1,470,730	-
1,052,208	-	1,052,208	-
4,667,533	-	4,667,533	-
108,890	43,642	152,532	68,113
381,256	-	381,256	-
2,670,625	-	2,670,625	-
(300)	(100,357)	(100,657)	-
<u>1,841,948</u>	<u>(1,841,948)</u>	<u>-</u>	<u>-</u>
<u>34,087,163</u>	<u>(1,898,663)</u>	<u>32,188,500</u>	<u>5,689,047</u>
<u>(2,293,541)</u>	<u>(1,991,841)</u>	<u>(4,285,382)</u>	<u>(1,513,467)</u>
<u>(67,919)</u>	<u>-</u>	<u>(67,919)</u>	<u>-</u>
<u>(2,361,460)</u>	<u>(1,991,841)</u>	<u>(4,353,301)</u>	<u>(1,513,467)</u>
127,676,446	155,684,417	283,360,863	7,842,172
<u>\$ 125,314,986</u>	<u>\$ 153,692,576</u>	<u>\$ 279,007,562</u>	<u>\$ 6,328,705</u>

City of Coeur d'Alene, Idaho

**BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2012**

	<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>
ASSETS					
Cash and cash equivalents	\$ 4,403,478	\$ 3,340,781	\$ 426,332	\$ 4,078,747	\$ 12,249,338
Investments	-	-	-	1,824,928	1,824,928
Receivables:					
Taxes delinquent	309,779	6,484	26,054	16,255	358,572
Accounts receivable	571,735	-	-	19,292	591,027
Special assessments	-	-	-	278,128	278,128
Due from other governments	1,698,260	36	7,347	47,292	1,752,935
Due from other funds	417,350	-	-	24,000	441,350
Total assets	<u>\$ 7,400,602</u>	<u>\$ 3,347,301</u>	<u>\$ 459,733</u>	<u>\$ 6,288,642</u>	<u>\$ 17,496,278</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,763,436	\$ 3,524,432	\$ -	\$ 61,765	\$ 5,349,633
Due to other funds	-	-	-	231,350	231,350
Deposits	-	-	-	194	194
Deferred revenues	309,779	6,484	\$ 26,055	292,029	634,347
Total liabilities	<u>2,073,215</u>	<u>3,530,916</u>	<u>26,055</u>	<u>585,338</u>	<u>6,215,524</u>
Fund balances:					
Restricted	91,683	-	433,678	2,546,600	3,071,961
Committed	193,910	-	-	3,239,114	3,433,024
Assigned	189,121	-	-	122,617	311,738
Unassigned	4,852,673	(183,615)	-	(205,027)	4,464,031
Total fund balances	<u>5,327,387</u>	<u>(183,615)</u>	<u>433,678</u>	<u>5,703,304</u>	<u>11,280,754</u>
Total liabilities and fund balances	<u>\$ 7,400,602</u>	<u>\$ 3,347,301</u>	<u>\$ 459,733</u>	<u>\$ 6,288,642</u>	<u>\$ 17,496,278</u>

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 ASSETS
September 30, 2012**

Total fund balances at September 30, 2012 - Governmental Funds		\$	11,280,754
Cost of capital assets at September 30, 2012	\$	181,866,944	
Less: Accumulated depreciation as of September 30, 2012			
Buildings		(6,327,286)	
Equipment		(12,404,197)	
Infrastructure		(39,081,503)	
Other improvements		<u>(1,355,310)</u>	122,698,648
Elimination of deferred revenue			634,348
Accrued interest			(20,426)
OPEB Obligation			(1,125,404)
Long-term liabilities at September 30, 2012			
Certificates of participation			
Leases		(210,000)	
Special assessments		(458,000)	
General obligation debt		(4,674,841)	
Bond premium net of amortization		(100,511)	
Compensated absences		<u>(2,709,582)</u>	<u>(8,152,934)</u>
Net assets at September 30, 2012		\$	<u><u>125,314,986</u></u>

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, 2012**

	General Fund	Insurance Fund Special Revenue	General Obligation Bonds Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 16,091,744	\$ 365	\$ 1,163,224	\$ 1,216,658	\$ 18,471,991
Licenses and permits	4,270,088	-	-	-	4,270,088
Intergovernmental	8,305,001	-	-	107,620	8,412,621
Charges for services	338,141	-	-	1,017,854	1,355,995
Fines and forfeits	414,398	-	-	17,526	431,924
Assessments collected	-	-	-	100,251	100,251
Investment earnings	45,814	2,782	1,412	58,882	108,890
Contributions	-	-	-	2,710	2,710
Miscellaneous	182,097	-	-	201,734	383,831
Total revenues	29,647,283	3,147	1,164,636	2,723,235	33,538,301
EXPENDITURES					
Current:					
General government	5,634,423	3,826,051	-	393,488	9,853,962
Public safety	17,110,857	-	-	-	17,110,857
Public works	4,228,010	-	-	-	4,228,010
Culture and recreation	2,394,144	-	-	1,425,103	3,819,247
Administrative expense	-	-	-	46,313	46,313
Capital outlay	178,773	-	-	878,036	1,056,809
Debt service:					
Principal payments	180,000	-	1,054,263	229,500	1,463,763
Interest and fiscal agent fees	-	-	250,885	18,710	269,595
Total expenditures	29,726,207	3,826,051	1,305,148	2,991,150	37,848,556
(Deficiency) excess of revenues					
(under) over expenditures	(78,924)	(3,822,904)	(140,512)	(267,915)	(4,310,255)
OTHER FINANCING SOURCES (USES)					
Debt issuance	-	-	-	440,000	440,000
Operating transfers in	1,961,196	2,079,262	-	681,799	4,722,257
Operating transfers out	(2,231,000)	-	-	(649,309)	(2,880,309)
Total other financing sources (uses)	(269,804)	2,079,262	-	472,490	2,281,948
Net change in fund balances before extraordinary item	(348,728)	(1,743,642)	(140,512)	204,575	(2,028,307)
EXTRAORDINARY ITEM					
Employee embezzlement	(67,919)	-	-	-	(67,919)
Net change in fund balances after extraordinary item	(416,647)	(1,743,642)	(140,512)	204,575	(2,096,226)
Fund balances - beginning of year	5,744,034	1,560,027	574,190	5,498,729	13,376,980
Fund balances - end of year	\$ 5,327,387	\$ (183,615)	\$ 433,678	\$ 5,703,304	\$ 11,280,754

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, 2012**

Total net changes in fund balances for year ended September 30, 2012	\$ (2,096,226)
Add: Capital outlay which is considered expenditures	1,056,809
Less: Depreciation expense for the year ended September 30, 2012	(4,574,543)
Less: Loss on asset disposal	(300)
Elimination of interfund revenues and expenditures:	
Add: Interfund transfers out	2,880,309
Less: Interfund transfers in	(2,880,309)
Add: Change in compensated absence accrual for the year ended September 30, 2012	73,632
Add: Debt principal payments considered as an expenditure	1,463,763
Less: Proceeds from capital lease	(440,000)
Add: Donated fixed asset additions	2,670,625
Add: Change in accrued interest	6,693
Add: Bond Premium Amortization	7,731
Less: Change in OPEB obligation	(89,074)
Less: Difference between revenue earned on property taxes on modified accrual basis versus revenue on property taxes on accrual basis	(337,744)
Less: Difference between revenue earned on special assessments on modified accrual basis versus revenue on special assessments on accrual basis	<u>(102,826)</u>
Change in net assets for year ended September 30, 2012	<u><u>\$ (2,361,460)</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 ASSETS
PROPRIETARY FUNDS
September 30, 2012**

	Business-type Activities - Enterprise Funds				
	Water Fund	Wastewater Fund	Sanitation Fund	Other Enterprise	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,000,595	\$ 9,050,830	\$ 194	\$ 382,106	\$ 11,433,725
Receivables:					
Accounts, net of allowance for uncollectible accounts of \$22,238	1,022,267	820,858	293,365	260,357	2,396,847
Special assessments receivable	-	8,903	-	-	8,903
Due from other funds	-	400,000	-	-	400,000
Total current assets	<u>3,022,862</u>	<u>10,280,591</u>	<u>293,559</u>	<u>642,463</u>	<u>14,239,475</u>
Non-current assets:					
Bond issuance cost, net of amortization	-	18,485	-	-	18,485
	<u>-</u>	<u>18,485</u>	<u>-</u>	<u>-</u>	<u>18,485</u>
Capital assets:					
Land	380,926	1,528,020	-	122,264	2,031,210
Construction in Progress	-	-	-	623,349	623,349
Other capital assets, net of accumulated depreciation	59,942,092	99,587,240	-	4,948,564	164,477,896
Total capital assets, net of accumulated depreciation	<u>60,323,018</u>	<u>101,115,260</u>	<u>-</u>	<u>5,694,177</u>	<u>167,132,455</u>
Total non-current assets	<u>60,323,018</u>	<u>101,133,745</u>	<u>-</u>	<u>5,694,177</u>	<u>167,150,940</u>
Total assets	<u>63,345,880</u>	<u>111,414,336</u>	<u>293,559</u>	<u>6,336,640</u>	<u>181,390,415</u>
LIABILITIES					
Current liabilities:					
Accounts payable	167,416	435,146	53	157,353	759,968
Due to other funds	-	-	210,000	400,000	610,000
Accrued interest	-	160,984	-	-	160,984
Current portion of compensated absences	12,266	8,191	-	-	20,457
Current portion of long-term debt	-	1,312,362	-	-	1,312,362
Total current liabilities	<u>179,682</u>	<u>1,916,683</u>	<u>210,053</u>	<u>557,353</u>	<u>2,863,771</u>
Non-current liabilities:					
Compensated absences	144,981	209,878	-	65,180	420,039
Bonds payable, net of unamortized discounts	-	24,414,029	-	-	24,414,029
Total non-current liabilities	<u>144,981</u>	<u>24,623,907</u>	<u>-</u>	<u>65,180</u>	<u>24,834,068</u>
Total liabilities	<u>324,663</u>	<u>26,540,590</u>	<u>210,053</u>	<u>622,533</u>	<u>27,697,839</u>
NET ASSETS					
Invested in capital assets, net of related debt	60,323,018	75,388,869	-	5,694,177	141,406,064
Unrestricted	2,698,199	9,484,877	83,506	19,930	12,286,512
Total net assets	<u>\$ 63,021,217</u>	<u>\$ 84,873,746</u>	<u>\$ 83,506</u>	<u>\$ 5,714,107</u>	<u>\$ 153,692,576</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 ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2012**

	Business-type Activities - Enterprise Funds				
	Water Fund	Wastewater Fund	Sanitation Fund	Other Enterprise	Total
OPERATING REVENUES					
Services	\$ 4,056,329	\$ 6,057,777	\$ 3,266,002	\$ 913,804	\$ 14,293,912
OPERATING EXPENSES					
Administration	1,859,845	913,290	-	437,436	3,210,571
Maintenance	-	-	-	212,333	212,333
Pumping	133,723	-	-	-	133,723
Treatment	637,484	2,221,988	-	-	2,859,472
Collection	-	573,729	-	-	573,729
Transportation and distribution	44,100	-	-	-	44,100
Supplies	52,909	-	-	50,970	103,879
Contracted services	-	-	2,876,080	637,675	3,513,755
Depreciation	2,269,810	3,447,103	-	312,935	6,029,848
Bad debt	7,289	18,481	5,197	4,353	35,320
Total operating expenses	5,005,160	7,174,591	2,881,277	1,655,702	16,716,730
Operating (loss) income	(948,831)	(1,116,814)	384,725	(741,898)	(2,422,818)
NONOPERATING REVENUES (EXPENSES)					
Capitalization fees	564,944	1,513,972	-	-	2,078,916
Amortization	-	17,432	-	-	17,432
Investment income	4,508	19,937	-	1,765	26,210
Loss on sale of assets	-	(100,357)	-	-	(100,357)
Interest expense	-	(550,464)	-	-	(550,464)
Total nonoperating revenues (expenses)	569,452	900,520	-	1,765	1,471,737
Income before contributions and transfers	(379,379)	(216,294)	384,725	(740,133)	(951,081)
Capital contributions - tap fees	603,160	198,028	-	-	801,188
Operating transfers in	-	-	-	150,000	150,000
Operating transfers out	(509,607)	(673,392)	(410,048)	(398,901)	(1,991,948)
Change in net assets	(285,826)	(691,658)	(25,323)	(989,034)	(1,991,841)
Total net assets - beginning	63,307,043	85,565,404	108,829	6,703,141	155,684,417
Total net assets - ending	\$ 63,021,217	\$ 84,873,746	\$ 83,506	\$ 5,714,107	\$ 153,692,576

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, 2012**

	Water Fund	Wastewater Fund	Sanitation Fund	Other Proprietary Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 4,100,427	\$ 5,689,607	\$ 3,266,886	\$ 1,028,187	\$ 14,085,107
Payments to suppliers	(1,231,262)	(1,558,675)	(2,857,288)	(418,016)	(6,065,241)
Payments to employees	(1,531,792)	(2,178,600)	-	(428,553)	(4,138,945)
Net cash provided by operating activities	<u>1,337,373</u>	<u>1,952,332</u>	<u>409,598</u>	<u>181,618</u>	<u>3,880,921</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfers in	-	-	-	150,000	150,000
Operating transfers out	(509,607)	(673,392)	(410,048)	(398,901)	(1,991,949)
Net cash (used) by noncapital financing activities	<u>(509,607)</u>	<u>(673,392)</u>	<u>(410,048)</u>	<u>(248,901)</u>	<u>(1,841,948)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Bond payments	-	(933,791)	-	-	(933,791)
New debt issuance	-	1,400,640	-	-	1,400,640
Interest paid	-	(558,565)	-	-	(558,565)
Capital asset purchases	(1,461,542)	(4,217,346)	-	(623,350)	(6,302,238)
Capitalization Fees	564,944	1,513,972	-	-	2,078,916
Net cash (used) by financing activities	<u>(896,598)</u>	<u>(2,795,090)</u>	<u>-</u>	<u>(623,350)</u>	<u>(4,315,038)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	4,508	19,937	-	1,765	26,210
Net cash provided by investing activities	<u>4,508</u>	<u>19,937</u>	<u>-</u>	<u>1,765</u>	<u>26,210</u>
Net (decrease) increase in cash and cash equivalents	(64,324)	(1,496,213)	(450)	(688,868)	(2,249,854)
Cash and cash equivalents, beginning of year	2,064,919	10,547,043	644	1,070,974	13,683,580
Cash and cash equivalents, end of year	<u>\$ 2,000,595</u>	<u>\$ 9,050,830</u>	<u>\$ 194</u>	<u>\$ 382,106</u>	<u>\$ 11,433,725</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating (loss) income	\$ (948,831)	\$ (1,116,814)	\$ 384,725	\$ (741,898)	\$ (2,422,818)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	2,269,810	3,447,103	-	312,937	6,029,851
(Increase) decrease in assets:					
Accounts receivable	44,098	27,701	883	114,383	187,064
Due from other funds	-	(400,000)	-	-	(400,000)
Special assessment receivable	-	4,129	-	-	4,129
Increase (decrease) in liabilities:					
Accounts payable	(15,734)	36,146	(10)	100,420	120,822
Due to other funds	-	-	24,000	400,000	424,000
Compensated absences	(11,970)	(45,933)	-	(4,224)	(62,127)
Net cash provided by operating activities	<u>\$ 1,337,373</u>	<u>\$ 1,952,332</u>	<u>\$ 409,598</u>	<u>\$ 181,618</u>	<u>\$ 3,880,921</u>

Non-cash capital and related financing activities:

\$603,160 of water lines were donated to the water fund by developers.

\$198,028 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 ASSETS
FIDUCIARY FUNDS
September 30, 2012**

	Police Retirement Pension Trust Funds	Fire Dept. FICA Refund Agency Fund	Sales Tax Agency Fund	Homeless Agency Fund	Business Improvement District Agency Fund	Kootenai County Solid Waste Agency Fund
ASSETS						
Cash and cash equivalents	\$ 38,460	\$ -	\$ 1,444	\$ -	\$ 204,204	\$ -
Investments	1,371,025	-	-	-	-	-
Due from other government unit	1,016	2,687,778	-	-	-	-
Accounts receivable	14,598	-	-	-	8,207	189,365
Total assets	<u>1,425,099</u>	<u>2,687,778</u>	<u>1,444</u>	<u>-</u>	<u>212,411</u>	<u>189,365</u>
LIABILITIES						
Deferred revenue	14,598	-	-	-	-	-
Deposits held and due to others	-	2,687,778	-	-	212,411	189,365
Due to other government unit	-	-	1,444	-	-	-
Total liabilities	<u>14,598</u>	<u>2,687,778</u>	<u>1,444</u>	<u>-</u>	<u>212,411</u>	<u>189,365</u>
NET ASSETS						
Held in trust for pension benefits	<u>\$ 1,410,501</u>	<u>\$ -</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 ASSETS
FIDUCIARY FUNDS
For the Year Ended September 30, 2012**

	Police Retirement Pension Trust Fund
ADDITIONS	
Contributions:	
Employer	<u>\$ 155,718</u>
	<u>155,718</u>
Investment earnings:	
Interest	39,164
Net decrease in the fair value of investments	<u>(3,146)</u>
Total investment earnings	<u>36,018</u>
Total additions	<u>191,736</u>
DEDUCTIONS	
Benefits	177,375
Trust fees	<u>5,703</u>
Total deductions	<u>183,078</u>
Change in net assets	8,658
Net assets, beginning of year	<u>1,401,843</u>
Net assets, end of year	<u><u>\$ 1,410,501</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, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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. 14 for having financial accountability for the Agency. Based on the above, the Agency has been discretely presented in the accompanying financial statements of the City as a component unit. 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

Government-Wide and Fund Financial Statements

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

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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 propriety 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, 2012

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 assets and a statement of changes in fiduciary net assets. 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, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Accounting - Budgetary Basis (Continued)

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, 2012 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, 2012

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, 2012.

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, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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 assets. Bonds payable are reported net of applicable bond premium or discount.

Bond Discounts, Bond Premiums and Issuance Costs

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

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

	<u>Years</u>
Bond premium, discounts, and issuance costs:	
2004 Sewer Revenue Refunding Bonds	11

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.

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2012

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 assets 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, 2012, the total compensated absences payable by the City was \$3,150,077.

Compensated absences are reported as follows in the financial statements:

Governmental activities	\$2,709,582
Business-type activities	<u>440,495</u>
	<u>\$3,150,077</u>

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.

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, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2011-12 Fiscal year were as follows: police retirement - .000053, library fund - .000414, general obligation bonds .000397 and general fund -.005421.

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, 2012 included the special revenue insurance fund for (\$183,615) and debt service funds LID #145 for (\$120,075) and LID #149 for (\$84,952).

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 \$27,123,124 and the bank balance is \$27,682,895. As of September 30, 2012, 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, 2012

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Deposits and investments without exposure to custodial credit risk:

Deposits:

Amounts insured by FDIC	\$ 4,108,441
Amounts collateralized	19,945,096
	<u>24,053,537</u>

Investments:

Amount registered in the name of the City	3,195,953
Total deposits and investments without exposure to custodial credit risk	<u>27,249,490</u>

Deposits and investments with exposure to custodial credit risk:

Deposits:

Amounts uninsured	376,877
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Investments:

Amount registered in the name of the City	56,528
Total deposits and investments without exposure to custodial credit risk	<u>433,405</u>

Total deposits and investments	<u>\$ 27,682,895</u>
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Cash and cash equivalents at September 30, 2012 consist of the following:

Deposits (checks in excess of deposits)	\$ 369,213
Cash on hand	2,175
Short-term certificate of deposit	721,569
Repurchase agreements	2,889,117
Idaho State Investment Pool	19,945,096
Total	<u>\$ 23,927,171</u>

Cash and cash equivalents are presented in the Financial Statements as follows:

Governmental activities	\$ 12,249,338
Business-type activities	11,433,725
Police retirement pension trust funds	38,460
Sales tax agency fund	1,444
Business improvement district agency fund	204,204
Total	<u>\$ 23,927,171</u>

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2012

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, 2012, 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
US Treasury Note	2%	\$ 57,347	\$ -	\$ -	\$ -	\$ 57,347
US Treasury Note	1%	42,074	-	42,074	-	-
FNMAMTN	5%	158,889	-	158,889	-	-
FHLMCMTN	3%	105,884	-	-	105,884	-
FNMAMTN	6%	207,312	-	-	207,312	-
FHLMCMTN	2%	53,626	-	-	53,626	-
FNMAMTN	6%	178,138	-	-	178,138	-
US Treasury Note	6%	176,917	-	-	176,917	-
Federal Home Loan Bks	4%	119,250	-	-	119,250	-
US Treasury Note	3%	101,563	-	-	101,563	-
American Express Bk	2%	60,656	-	-	60,656	-
Aurora Bank FSB	3%	90,147	90,147	-	-	-
US Treasury Bond	3%	100,305	100,305	-	-	-
Federal Home Loan Bks	2%	51,289	51,289	-	-	-
Federal Home Loan Bks	3%	104,312	104,312	-	-	-
FHLMCMTN	3%	105,884	-	-	105,884	-
US Treasury Note	3%	109,977	-	-	109,977	-
US Treasury Inflation Protection Security	6%	181,157	-	-	181,157	-
US Treasury Note	4%	113,844	-	-	113,844	-
FNMAMTN	8%	261,270	-	-	261,270	-
US Treasury Note	4%	117,680	-	-	117,680	-
Federal Home Loan Bks	2%	55,680	-	-	-	55,680
Federal Farm Credit Bk	3%	111,488	-	-	-	111,488
FHLMCMTN	4%	121,763	-	-	-	121,763
GE Money Bank	2%	50,016	50,016	-	-	-
Bmw Bk North Amer Ut	2%	50,035	50,035	-	-	-
Bank of America Na CD	1%	30,304	30,304	-	-	-
Ally Bank Gmac Bank Midvale CD	3%	101,080	101,080	-	-	-
Barclays Bank De CD	2%	78,162	-	-	78,162	-
Ishares Barclays - Closed End Mutual Fund	1%	20,027	-	-	20,027	-
Discover Bank CD	1%	40,007	40,007	-	-	-
GE Cap Retail BK CD	1%	39,870	-	-	-	39,870
		<u>\$ 3,195,953</u>	<u>\$ 617,495</u>	<u>\$ 200,963</u>	<u>\$ 1,991,347</u>	<u>\$ 386,148</u>

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2012

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investment	Fair Value & Carrying Amount	Less than 1 year	Maturity		
			1-2 years	2 - 5 years	6-10 years
U.S. Treasuries	\$ 1,000,864	\$ 100,305	\$ 42,074	\$ 801,138	\$ 57,347
U.S. Agencies	1,634,785	155,601	158,889	1,031,364	288,931
Corporate bonds	560,304	361,589	-	158,845	39,870
Total	<u>\$ 3,195,953</u>	<u>\$ 617,495</u>	<u>\$ 200,963</u>	<u>\$ 1,991,347</u>	<u>\$ 386,148</u>

Investments are presented in the Financial Statements as follows:

Governmental activities	\$ 1,824,928
Police retirement pension trust funds	1,371,025
Total	<u>\$ 3,195,953</u>

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 \$2,917,334. The gain of \$278,619 (the difference between cost and fair value) has been recognized in the financial statements as investment income. The current year gain was \$291,106.

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 \$19,945,096. The City's portion of the State Investment Pool had an unrealized gain of \$55,690 as of September 30, 2012, 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, 2012

NOTE 3: ACCOUNTS RECEIVABLE

Governmental activities:

Accounts receivable consist of the following as of September 30, 2012:

Franchise and utility receivables	\$567,005
Miscellaneous receivable	<u>24,022</u>
	<u>\$591,027</u>

Business-type activities:

Accounts receivable consist of the following as of September 30, 2012:

Amounts due from customers	\$2,419,085
Less allowance for uncollectible accounts	<u>(22,238)</u>
	<u>\$2,396,847</u>

NOTE 4: SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable from benefited property owners of public improvements consist of the following as of September 30, 2012 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>\$278,128</u>
---	------------------

Business-type activities:

Deferred principal amounts not currently due, but due at a future date	<u>\$8,903</u>
---	----------------

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, 2012

NOTE 5: CAPITAL ASSETS

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

Plant and equipment and accumulated depreciation are as follows:

	September 30, 2011	Additions	Deletions	Adjustments	September 30, 2012
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 10,402,825	\$ 440,000	\$ -	\$ -	\$ 10,842,825
Construction in progress	-	50,488	-	-	50,488
Total capital assets, not being depreciated	10,402,825	490,488	-	-	10,893,313
Capital assets, being depreciated:					
Buildings	19,098,512	-	-	-	19,098,512
Other Improvements	5,298,287	-	-	-	5,298,287
Equipment	17,315,032	1,067,601	406,736	249,501	18,225,398
Infrastructure	126,182,089	2,169,345	-	-	128,351,434
Total capital assets, being depreciated	167,893,920	3,236,946	406,736	249,501	170,973,631
Less: accumulated depreciation					
Buildings	5,725,906	601,380	-	-	6,327,286
Other Improvements	1,232,916	122,394	-	-	1,355,310
Equipment	11,707,722	853,410	406,436	249,501	12,404,197
Infrastructure	36,084,144	2,997,359	-	-	39,081,503
Total accumulated depreciation	54,750,688	4,574,543	406,436	249,501	59,168,296
Total capital assets being depreciated, net	113,143,232	(1,337,597)	300	-	111,805,335
Governmental activities capital assets net	\$ 123,546,057	\$ (847,109)	\$ 300	\$ -	\$ 122,698,648

(Continued)

City of Coeur d'Alene, Idaho
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 5: CAPITAL ASSETS (CONTINUED)

	September 30, 2011	Additions	Deletions	Adjustments	September 30, 2012
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 2,031,210	\$ -	\$ -	\$ -	\$ 2,031,210
Construction in progress	-	623,349	-	-	623,349
Total capital assets, not being depreciated	<u>2,031,210</u>	<u>623,349</u>	<u>-</u>	<u>-</u>	<u>2,654,559</u>
Capital assets, being depreciated:					
Reservoir	6,069,282	-	-	-	6,069,282
Wells and booster stations	7,675,280	168,019	-	-	7,843,299
Distribution system	74,553,293	1,577,510	-	-	76,130,803
Collection	38,834,161	1,224,747	-	-	40,058,908
Plant	100,816,831	2,768,516	-	-	103,585,347
Street lights	790,987	-	-	-	790,987
Equipment	9,253,659	742,814	381,298	(249,501)	9,365,674
Improvements	7,357,560	-	-	-	7,357,560
Total capital assets, being depreciated	<u>245,351,053</u>	<u>6,481,606</u>	<u>381,298</u>	<u>(249,501)</u>	<u>251,201,860</u>
Less: accumulated depreciation					
Reservoir	2,565,594	263,059	-	-	2,828,653
Wells and booster stations	3,432,442	159,006	-	-	3,591,448
Distribution system	26,317,932	1,583,008	-	-	27,900,940
Collection	8,293,291	671,939	-	-	8,965,230
Plant	33,319,649	2,539,671	-	-	35,859,320
Street lights	494,243	26,739	-	-	520,982
Equipment	4,062,197	591,706	278,914	(249,501)	4,125,488
Improvements	2,737,183	194,720	-	-	2,931,903
Total accumulated depreciation	<u>81,222,531</u>	<u>6,029,848</u>	<u>278,914</u>	<u>(249,501)</u>	<u>86,723,964</u>
Total capital assets being depreciated, net	<u>164,128,522</u>	<u>451,758</u>	<u>102,384</u>	<u>-</u>	<u>164,477,896</u>
Business-type activities capital assets net	<u>\$ 166,159,732</u>	<u>\$ 1,075,107</u>	<u>\$ 102,384</u>	<u>\$ -</u>	<u>\$ 167,132,455</u>

Interest in the amount of \$828,323 has been capitalized in the Wastewater fund in the current year.

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

Governmental activities:

General government	\$ 132,057
Public works	3,208,343
Culture and recreation	700,954
Public safety	533,189
Total	<u>\$ 4,574,543</u>

Business-type activities:

Water	\$ 2,269,810
Wastewater	3,447,103
Street lighting	26,738
Storm water	250,233
Public parking	35,964
Total	<u>\$ 6,029,848</u>

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2012

NOTE 6: CHANGES IN LONG-TERM DEBT

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

	Balance 10/1/2011	Additions	Deletions	Balance 9/30/2012	Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 5,574,103	\$ -	\$ 899,263	\$ 4,674,840	\$ 938,428
Special assessment bonds payable	325,000	-	115,000	210,000	120,000
Deferred amounts:					
For issuance premium	108,242	-	7,731	100,511	7,731
Total bonds payable	6,007,345	-	1,021,994	4,985,351	1,066,159
Certificates of Participation	155,000	-	155,000	-	-
Capital leases	312,500	440,000	294,500	458,000	114,500
Compensated absences	2,783,214	-	73,632	2,709,582	127,621
Governmental activities Long-term liabilities	<u>\$ 9,258,059</u>	<u>\$ 440,000</u>	<u>\$ 1,545,126</u>	<u>\$ 8,152,933</u>	<u>\$ 1,308,280</u>
Business-type activities:					
Revenue bonds payable	\$ 14,581,454	\$ -	\$ 933,791	\$ 13,647,663	\$ 969,070
Deferred amounts:					
For issuance premium	94,375	-	23,594	70,781	23,594
Total bonds payable	14,675,829	-	957,385	13,718,444	992,664
State loan payable	10,607,307	1,400,640	-	12,007,947	319,698
Compensated absences	502,623	-	62,128	440,495	20,457
Business-type activities Long-term liabilities	<u>\$ 25,785,759</u>	<u>\$ 1,400,640</u>	<u>\$ 1,019,513</u>	<u>\$ 26,166,886</u>	<u>\$ 1,332,819</u>

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, 2012 are composed of the following issues:

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.

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2012

NOTE 7: BONDS AND LEASES PAYABLE (CONTINUED)

Issue	FY End 30-Sep	Rate	Principal	Interest	Total
2007 Sewer Revenue Refunding Bonds	2013	3.75%	\$ 609,070	\$ 464,039	\$ 1,073,109
	2014	3.75%	632,124	440,985	1,073,109
	2015	3.75%	656,051	417,058	1,073,109
	2016	3.75%	679,826	393,283	1,073,109
	2017	3.75%	706,616	366,493	1,073,109
	2018	3.75%	733,363	339,746	1,073,109
	2019	3.75%	761,122	311,987	1,073,109
	2020	3.75%	789,176	283,933	1,073,109
	2021	3.75%	819,803	253,306	1,073,109
	2022	3.75%	850,834	222,275	1,073,109
	2023	3.75%	883,039	190,070	1,073,109
	2024	3.75%	916,058	157,051	1,073,109
	2025	3.75%	951,137	121,972	1,073,109
	2026	3.75%	987,140	85,969	1,073,109
	2027	3.75%	1,024,504	48,605	1,073,109
	2028	3.75%	507,800	9,864	517,664
Total 2007 Sewer Revenue Refunding Bonds			<u>\$ 12,507,663</u>	<u>\$ 4,106,636</u>	<u>\$ 16,614,299</u>

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.

Issue	FY End 30-Sep	Rate	Principal	Interest	Total
2004 Sewer Revenue Refunding Bonds	2013	5.00%	\$ 360,000	\$ 57,000	\$ 417,000
	2014	5.00%	380,000	39,000	419,000
	2015	5.00%	400,000	20,000	420,000
Total 2004 Sewer Revenue Refunding Bonds			<u>\$ 1,140,000</u>	<u>\$ 116,000</u>	<u>\$ 1,256,000</u>

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2012

NOTE 7: BONDS AND LEASES PAYABLE (CONTINUED)

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. At September 30, 2012 the City had drawn down \$12,007,947 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, 2012.

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

General Obligation Bonds payable for the governmental activities at September 30, 2012 consist of the following issue:

Issue	FY End 30-Sep	Rate	Principal	Interest	Total
2008 Public Safety Bonds:	2013	3.93%	\$ 123,428	\$ 14,305	\$ 137,733
	2014	3.93%	134,374	9,346	143,720
	2015	3.93%	137,038	4,039	141,077
Total 2008 Public Safety Bonds			<u>\$ 394,840</u>	<u>\$ 27,690</u>	<u>\$ 422,530</u>

Issue	FY End 30-Sep	Rate	Principal	Interest	Total
2006 Public Safety and Library Bonds:	2013	4.25%	\$ 815,000	\$ 187,812	\$ 1,002,812
	2014	4.25%	845,000	153,175	998,175
	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>\$ 4,280,000</u>	<u>\$ 922,326</u>	<u>\$ 5,202,326</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.

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2012

NOTE 7: BONDS AND LEASES PAYABLE (CONTINUED)

Special assessment bonds payable at September 30, 2012 from benefited property owners and, in the event of default, from the LID Guarantee fund is composed of the following issues:

Issue	FY End 30-Sep	Rate	Principal	Interest	Total
#130, 135 & 136	2013	6.10%	\$ 40,000	\$ 7,930	\$ 47,930
	2014	6.10%	45,000	5,490	50,490
	2015	6.10%	45,000	2,745	47,745
#146	2013	4.70%	80,000	3,760	83,760
Total Special Assessment Bonds Payable			<u>\$ 210,000</u>	<u>\$ 19,925</u>	<u>\$ 229,925</u>

Capital Leases – The City of Coeur d'Alene entered 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 is \$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. The annual payments shall be made by or before October 15, beginning with the first payment on October 15, 2011.

The City of Coeur d'Alene also entered 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 is \$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 shall be made 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.

Minimum lease payments under capital leases are as follows:

Year ending September 30	Governmental Activities
2013	\$ 114,500
2014	114,500
2015	114,500
2016	114,500
Total minimum lease payments	<u>458,000</u>
Less: amount representing interest	-
Present value of minimum lease payments	<u>\$ 458,000</u>

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2012

NOTE 7: BONDS AND LEASES PAYABLE (CONTINUED)

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

Governmental Activities

Year	General Obligation Bonds	Special Assessment Bonds	Certificates of Participation and Leases	Compensated Absences	Total (Memo Only)
Unknown	\$ -	\$ -	\$ -	\$ 2,709,582	\$ 2,709,582
2013	938,428	120,000	114,500	-	1,172,928
2014	979,374	45,000	114,500	-	1,138,874
2015	1,022,038	45,000	114,500	-	1,181,538
2016	140,000	-	114,500	-	254,500
2017	145,000	-	-	-	145,000
Thereafter	1,450,000	-	-	-	1,450,000
	4,674,840	210,000	458,000	2,709,582	8,052,422
Plus issuance premium- net	100,511	-	-	-	100,511
	<u>\$ 4,775,351</u>	<u>\$ 210,000</u>	<u>\$ 458,000</u>	<u>\$ 2,709,582</u>	<u>\$ 8,152,933</u>

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

Business-type Activities

Year	Wastewater 2007 Revenue Bonds	Wastewater 2004 Revenue Bonds	State Loan Payable	Compensated Absences	Total (Memo Only)
Unknown	\$ -	\$ -	\$ -	\$ 440,495	\$ 440,495
2013	609,070	360,000	319,698	-	1,288,768
2014	632,124	380,000	646,126	-	1,658,250
2015	656,051	400,000	646,449	-	1,702,500
2016	679,826	-	646,772	-	1,326,598
2017	706,616	-	647,096	-	1,353,712
Thereafter	9,223,976	-	9,101,806	-	18,325,782
	12,507,663	1,140,000	12,007,947	440,495	26,096,105
Plus issuance premium- net	70,781	-	-	-	70,781
	<u>\$ 12,578,444</u>	<u>\$ 1,140,000</u>	<u>\$ 12,007,947</u>	<u>\$ 440,495</u>	<u>\$ 26,166,886</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, 2012.

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2012

NOTE 8: INTERFUND TRANSACTIONS

Due to/from other funds as of September 30, 2012:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Non-major governmental funds	\$207,350
General fund	Non-major enterprise funds	210,000
Capital projects fund	Capital projects fund	24,000
Wastewater fund	Non-major enterprise funds	<u>400,000</u>
Total all funds		<u>\$841,350</u>

Interfund transfers as of September 30, 2012:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$1,961,196	\$2,231,000
Insurance fund	2,079,262	-
Non-major governmental funds	681,799	649,309
Water fund	-	509,607
Wastewater fund	-	673,392
Sanitation fund	-	410,048
Non-major enterprise funds	<u>150,000</u>	<u>398,901</u>
Total	<u>\$4,872,257</u>	<u>\$4,872,257</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. There were no settlements that exceeded insurance coverage in the last three fiscal years. The cash reserves are designated for future catastrophic losses in any governmental fund and are available on a loan basis to any enterprise fund that has a claim against it that it is unable to pay.

The insurance fund's revenues come from, charges to other funds, 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.

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2012

NOTE 9: SELF-INSURANCE (CONTINUED)

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. At September 30, 2012, the City did have a liability for a claim in the amount of \$3,515,674 that is probable and estimable. Please see Note 15.

	September 30 2012	September 30 2011
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Incurred claims	3,555,620	351,832
Claim payments	<u>39,946</u>	<u>351,832</u>
Unpaid claims, end of fiscal year	<u>\$3,515,674</u>	<u>\$ -</u>

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

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. Numerous matters exist at September 30, 2012, 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. Management is currently unable to estimate the magnitude of the loss, if any, that would result from an unfavorable outcome from certain of these matters. Accordingly, no liability or loss has been recognized in the accompanying basic financial statements.

The City has chosen to self-insure for most of its risk of loss arising from claims against the City. See Note 9 for a description of the City's self-insurance program.

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2012

NOTE 11: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

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

CONDENSED STATEMENT OF NET ASSETS

	Water Fund	Wastewater Fund
Assets:		
Current assets	\$ 3,022,862	\$ 10,280,591
Bond issuance cost and bond discounts net of amortization	-	18,485
Capital assets	<u>60,323,018</u>	<u>101,115,260</u>
Total assets	<u>63,345,880</u>	<u>111,414,336</u>
Liabilities:		
Current liabilities	179,682	1,916,683
Noncurrent liabilities	<u>144,981</u>	<u>24,623,907</u>
Total liabilities	<u>324,663</u>	<u>26,540,590</u>
Net assets:		
Invested in capital assets, net of related debt	60,323,018	75,388,869
Unrestricted	<u>2,698,199</u>	<u>9,484,877</u>
Total net assets	<u>\$ 63,021,217</u>	<u>\$ 84,873,746</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	Water Fund	Wastewater Fund
Charges for services	\$ 4,056,329	\$ 6,057,777
Depreciation expense	(2,269,810)	(3,447,103)
Other operating expenses	<u>(2,735,350)</u>	<u>(3,727,488)</u>
Operating income	(948,831)	(1,116,814)
Non-operating revenues (expenses)		
Capitalization fees	564,944	1,513,972
Amortization	-	17,432
Investment come	4,508	19,937
Loss on sale of assets	-	(100,357)
Interest expense	-	(550,464)
Capital contributions	603,160	198,028
Operating transfers out	<u>(509,607)</u>	<u>(673,392)</u>
Change in net assets	(285,826)	(691,658)
Beginning net assets	<u>63,307,043</u>	<u>85,565,404</u>
Ending net assets	<u>\$ 63,021,217</u>	<u>\$ 84,873,746</u>

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2012

NOTE 11: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (CONTINUED)

CONDENSED STATEMENT OF CASH FLOWS

	Water Fund	Wastewater Fund
Net cash provided (used) by:		
Operating activities	\$ 1,337,373	\$ 1,952,332
Noncapital financing activities	(509,607)	(673,392)
Capital and related financing activities	(896,598)	(2,795,090)
Investing activities	4,508	19,937
Net change	(64,324)	(1,496,213)
Beginning cash and cash equivalents	2,064,919	10,547,043
Ending cash and cash equivalents	<u>\$ 2,000,595</u>	<u>\$ 9,050,830</u>

NOTE 12: FUND BALANCE CLASSIFICATIONS

The City has adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (required implementation date of June 2011). 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, 2012

NOTE 12: FUND BALANCE CLASSIFICATIONS (Continued)

Amounts for specific purposes by fund and fund balance classifications for the year ended September 30, 2012 are as follows:

General Fund

Restricted

KCJA Drug Task Force	\$ 68,637
Bellerive Subdivision agreement	23,046
	<u>\$ 91,683</u>

Committed

Sick Leave Option 2	<u>\$ 193,910</u>
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Assigned

Repavement of Rotary Tennis Court	\$ 35,884
Rec Dept - Avista waterfront improvements	7,198
Rec Dept - Equipment Reserve	17,729
Street improvements on 15th Street	128,310
	<u>\$ 189,121</u>

General Obligation Bonds

Restricted

Debt Service	<u>\$ 433,678</u>
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Other Governmental Funds

Restricted

Special Revenue Funds - Impact Fees	\$ 2,456,200
Special Revenue Funds - Jewett House	2,345
Debt Service Funds - LID #130/135/136	4
Debt Service Funds - LID #146	27
Debt Service Funds - LID Guarantee Fund	88,024
	<u>\$ 2,546,600</u>

Committed

Special Revenue Funds - Library	\$ 136,096
Special Revenue Funds - Cemetery	57,918
Special Revenue Funds - Parks Capital Improvements	301,854
Special Revenue Funds - Cemetery Perpetual Care	1,836,297
Special Revenue Funds - Reforestation	173,709
Special Revenue Funds - Public Art	733,240
	<u>\$ 3,239,114</u>

Assigned

Special Revenue Funds - Annexation Fees	\$ 70,518
Special Revenue Funds - Art Commission	907
Debt Service Funds - LID #129/132	3
Capital Projects Funds - Miscellaneous Projects	15,388
Capital Projects Funds - Govt Way - Dalton to Hanley	1,784
Capital Projects Funds - Govt Way - Hanley to Prairie	15,802
Capital Projects Funds - 15th St - Harrison to Best	18,215
	<u>\$ 122,617</u>

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2012

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 01, 2011 through September 30, 2012, the required contribution rate for general employees was 10.39% and 6.23% of covered payroll for the City of Coeur d'Alene and its employees, respectively, and 10.73% and 7.69% for police/firefighter employees. The City of Coeur d'Alene's contributions required and paid were \$2,884,713, \$2,776,652 and \$2,716,725 for the three years ended September 30, 2012, 2011, and 2010 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 five 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, 2012

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, 2011. 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 5.25%. 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 \$38,460 and U.S. Government issues of \$1,371,025. 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, 2012

NOTE 13: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 18.2 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, 2012. 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)	144,418
Interest to EOY*	<u>7,582</u>
ARC at EOY	152,000
Interest on NPO	\$130
Adjustment to NPO	<u>(205)</u>
Annual Pension Cost (APC)	151,925
Employer Contributions	<u>152,000</u>
Change in NPO	(75)
NPO at BOY	<u>2,477</u>
NPO at EOY	<u>\$ 2,402</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, 2012

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	\$ 119,628
Interest on net OPEB obligation	54,407
Adjustment to annual required contribution	(60,961)
Annual OPEB cost (expense)	113,074
Contributions made	(24,000)
Increase in net OPEB obligation	89,074
Net OPEB obligation – beginning of year	1,036,330
Net OPEB obligation – end of year	<u>\$1,125,404</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2010	528,802	3.69%	509,309
9/30/2011	558,194	5.58%	1,036,330
9/30/2012	113,074	21.23%	1,125,404

Funded Status and Funding Progress – As of September 30, 2011, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$806,858 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$806,858.

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.

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2012

NOTE 14: POST EMPLOYMENT HEALTH PLANS (CONTINUED)

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, 2011 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 – 1983 Group Annuity Mortality Table.
- Turnover Rates – T2 Turnover Table.
- Disability 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.

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. This has since been reduced to \$3.3 million. The City has appealed the case to the 9th Circuit court of appeals. The appeal of this case will likely be argued in the fall of 2013 with an opinion from the court in early 2014. The City has recorded the \$3,515,674 liability as an expense.

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 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.

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2012

NOTE 17: EMBEZZLEMENT

City staff uncovered suspicious transactions while the payroll coordinator was on vacation. Upon her return and subsequent verification the City terminated Sheryl Lynn Carroll in mid July of 2012. She admitted on October 12, 2012 in U.S. District Court that she "abused a position of public trust" while working for the City of Coeur d'Alene as the payroll coordinator. She stole \$365,000 from 2007 to 2012.

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.

Agency Cash and Cash Equivalents

Cash received by the Agency is pooled for investment purposes and is presented as "Cash and Cash Equivalents on the financial statements.

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 risk, but has charged management with ensuring the Agency exposure to custodial risk is minimal. The carrying amount of the Agency's deposits is \$5,076,743 and the bank balance is \$5,076,743. As of September 30, 2012, the Agency's bank balance was exposed to custodial credit risk as follows.

Amount insured by FDIC	\$2,001,107
Amount collateralized with securities held in the Corporation's name	3,075,636
	<u>\$5,076,743</u>

Capital Assets

Activity for Lake City Development Corporation fiscal year ended September 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$2,946,918	\$ -	\$ -	\$2,946,918
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>390,726</u>	<u>55,030</u>	<u>-</u>	<u>445,756</u>
Total accumulated depreciation	<u>390,726</u>	<u>55,030</u>	<u>-</u>	<u>445,756</u>
Total capital assets, being depreciated, net	<u>1,793,992</u>	<u>(55,030)</u>	<u>-</u>	<u>1,738,962</u>
Governmental activities capital assets, net	<u>\$4,740,910</u>	<u>\$(55,030)</u>	<u>\$ -</u>	<u>\$4,685,880</u>

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

(Continued)

City of Coeur d'Alene, Idaho
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 18: COMPONENT UNIT DISCLOSURES (CONTINUED)

Agency Notes Payable

Library Site:

On April 23, 2001, Lake City Development Corporation 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 Lake City Development Corporation refinanced this note payable through Washington Trust Bank. The principal amount refinanced was \$910,719. Repayment terms are 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 4.0%. A balloon payment in the amount of \$555,676 is due April 1, 2013. 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>
2013	4.00%	<u>\$575,783</u>	<u>\$ 13,367</u>	<u>\$ 589,150</u>
		<u>\$575,783</u>	<u>\$ 13,367</u>	<u>\$ 589,150</u>

620 N. Park Drive:

On July 19, 2002, the Agency entered into a contract to purchase property at 620 N. Park Drive. The total purchase price was \$80,000, of which \$16,000 was paid at closing. Repayment terms are monthly payments, due the 15th of each month, bearing interest at the rate of 4.65%. A balloon payment in the amount of \$46,910 was due July 15, 2012. The debt was retired in the current fiscal year.

622 N Park Drive:

On January 10, 2003, the Agency entered into a contract to purchase property at 622 N. Park Drive. The total purchase price was \$69,000, of which \$13,800 was paid at closing. Repayment terms are monthly payments of \$347, including interest at 4.37%.

On January 10, 2008 the Agency refinanced this note payable through Washington Trust Bank. The total amount refinanced was \$45,765. Repayment terms are monthly payments due the tenth of each month, bearing interest at the rate of 4.17%. A balloon payment in the amount of \$33,941 is due January 10, 2013. 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>
2013	4.17%	<u>\$ 34,489</u>	<u>\$ 482</u>	<u>\$ 34,971</u>
		<u>\$ 34,489</u>	<u>\$ 482</u>	<u>\$ 34,971</u>

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 18: COMPONENT UNIT DISCLOSURES (CONTINUED)

612 N Park Drive:

On August 7, 2003, the Corporation entered into a contract to purchase property at 612 N. Park Drive. The total purchase price was \$83,500, of which \$16,700 was paid at closing. Repayment terms are monthly payments of \$395, including interest at 3.70%. 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>
2013	3.70%	\$ 42,504	\$ 1,549	\$ 44,053
		<u>\$ 42,504</u>	<u>\$ 1,549</u>	<u>\$ 44,053</u>

515 W Garden:

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 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>
2013	3.58%	\$ 12,157	\$ 7,787	\$ 19,944
2014	3.58%	210,894	5,551	216,445
		<u>\$ 223,051</u>	<u>\$ 13,338</u>	<u>\$ 236,389</u>

626 N Park Drive:

On October 24, 2003, the Agency entered into a contract to purchase property at 626 N Park Drive. 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 November 15, 2013. 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>
2013	4.06%	\$ 4,001	\$ 2,165	\$ 6,166
2014	4.06%	51,191	346	51,537
		<u>\$ 55,192</u>	<u>\$ 2,511</u>	<u>\$ 57,703</u>

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2012

NOTE 18: COMPONENT UNIT DISCLOSURES (CONTINUED)

516 N Park Drive:

On March 30, 2005, the Agency entered into a contract to purchase property at 516 Park Drive. 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:

Fiscal Year Ending September 30,	Rate	Principal	Interest	Total
2013	7.58%	\$ 5,364	\$ 4,375	\$ 9,739
2014	7.58%	5,576	4,163	9,739
2015	7.58%	104,747	2,318	107,065
		<u>\$115,687</u>	<u>\$10,856</u>	<u>\$126,543</u>

518 N Park Drive:

On July 14, 2005, the Agency entered into a contract to purchase property at 518 N Park Drive. 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, 2030. The annual requirements to retire the debt are as follows:

Fiscal Year Ending September 30,	Rate	Principal	Interest	Total
2013	3.07%	\$6,450	\$4,618	\$11,068
2014	3.07%	6,654	4,414	11,068
2015	3.07%	6,864	4,204	11,068
2016	3.07%	7,024	4,044	11,068
2017	3.07%	7,186	3,882	11,068
Thereafter	3.07%	117,502	24,908	142,410
		<u>\$151,680</u>	<u>\$46,070</u>	<u>\$197,750</u>

211 N 4th 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:

Fiscal Year Ending September 30,	Rate	Principal	Interest	Total
2013	3.88%	\$5,769	\$14,438	\$20,207
2014	3.88%	6,222	13,985	20,207
2015	3.88%	177,322	7,902	185,224
		<u>\$189,313</u>	<u>\$36,325</u>	<u>\$225,638</u>

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2012

NOTE 18: COMPONENT UNIT DISCLOSURES (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 of \$419,003 on May 5, 2016. The annual requirements to retire the debt are as follows:

Fiscal Year Ending September 30,	Rate	Principal	Interest	Total
2013	1.74%	\$ 16,466	\$22,858	\$ 39,324
2014	1.74%	17,288	22,036	39,324
2015	1.74%	18,151	21,173	39,324
2016	1.74%	422,527	13,598	436,125
		<u>\$474,432</u>	<u>\$79,665</u>	<u>\$554,097</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:

Fiscal year ending September 30,	Rate	Principal	Interest	Total
2013	1.64%	\$ 19,388	\$ 4,417	\$ 23,805
2014	1.64%	19,708	4,097	23,805
2015	1.64%	20,034	3,771	23,805
2016	1.64%	219,056	300	219,356
		<u>\$ 278,186</u>	<u>\$ 12,585</u>	<u>\$ 290,771</u>

630 N Park Drive:

On May 31, 2002, the Agency entered into a contract to purchase property at 630 N. Park Avenue. The total purchase price was \$75,000, of which \$15,000 was paid at closing. A balloon payment of \$53,607 was originally due on May 31, 2007 but was refinanced. The new repayment terms are 59 monthly payments of \$347, due the first day of each month, bearing interest at the rate of 4.71%. A balloon payment in the amount of \$44,850 was due April 25, 2012. The debt was retired in the current fiscal year.

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2012

NOTE 18: COMPONENT UNIT DISCLOSURES (CONTINUED)

728 Sherman Avenue:

On June 18, 2002, the Agency entered into a note payable with Washington Trust using property purchased by the Corporation the previous fiscal year as collateral for the note. The original price paid for the property at 728 Sherman was \$160,101. The amount financed was \$127,596. The original arrangement provided for a balloon payment in the amount of \$117,654 due June 25, 2007. During 2007 this debt was refinanced. The new repayment terms were 59 monthly payments of \$735, due on the 25th day of each month, bearing interest at the rate of 4.71%. The debt was retired in the current fiscal year.

618 N Park Drive:

On June 6, 2003, the Agency entered into a contract to purchase property at 618 N. Park Drive. The total purchase price was \$83,000, of which \$8,300 was paid at closing. The original arrangement provided for a balloon payment in the amount of \$64,320, due in June of 2007. During 2007 this debt was refinanced. The new repayment terms are 59 monthly payments of \$517, due on the 1st day of each month, bearing interest at the rate of 5.25%. The debt was retired in the current fiscal year.

Kroc Center Grant:

During the 2006-2007 fiscal-year, the Agency agreed to fund Kroc Community Center construction costs pertaining to Agency approved public improvements totaling \$500,000 payable in five equal payments of \$100,000 over a five year period. The debt was retired in the current fiscal year.

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
2013	4.50%	\$ 9,866	\$ 14,674	\$ 24,540
2014	4.64%	10,013	14,527	24,540
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>\$ 322,988</u>	<u>\$ 79,184</u>	<u>\$ 402,172</u>

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2012

NOTE 18: COMPONENT UNIT DISCLOSURES (CONTINUED)

Mill River Project fixed rate bond:

On April 22, 2005, Lake City Development Corporation received a Taxable Revenue Allocation Area Bond. The Corporation was approved to borrow up to \$4,000,000. This financing was used on the Mill River Development project. Maturity was set approximately twelve years from dated date, March 1 of 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 interest rate, initially effective 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, Lake City Development Corporation had taken out \$3,799,931 of the available \$4,000,000.

On June 26, 2008 Lake City Development Corporation 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 are 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 annual requirements to retire the debt are as follows:

Fiscal year ending September 30,	Rate	Principal	Interest	Total
2013	3.14%	\$311,803	\$27,281	\$339,084
2014	3.14%	325,990	13,094	339,084
2015	3.14%	131,137	983	132,120
		<u>\$768,930</u>	<u>\$41,358</u>	<u>\$810,288</u>

NICTF (North Idaho Centennial Trail Foundation):

In December, 2006, Lake City Development Corporation partnered with the North Idaho Centennial Trail Foundation (NICTF) to acquire 5.25 miles of Union Pacific (UP) abandoned rail road right-of-way. This rail road right-of-way stretches from the Riverstone development adjacent to the Spokane River north to Meyer Road in the Rathdrum Prairie. The Lake City Development Corporation loaned NICTF \$2,509,048 to acquire the UP rail road right-of-way, enabling NICTF to create the "Prairie Trail"; a pedestrian/bike trail public asset for the community. The receivable from NICTF is secured by the UP rail right-of-way. The Lake City Development Corporation funding for the NICTF loan was derived from the establishment of a \$2.6 million line of credit with Washington Trust Bank. The note payable was due in the amount of \$2,509,048 on December 21, 2011 and includes semiannual interest only payments at rate of 4.52%. The debt was retired in the current fiscal year.

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2012

NOTE 18: COMPONENT UNIT DISCLOSURES (CONTINUED)

Midtown "Placemaking" Project Financing:

On July 28, 2009, the Lake City Development Corporation entered into a \$712,435 debt obligation with Mountain West Bank to assist in financing the \$1,654,000 of Lake City Development Corporation approved public improvements related to the Midtown Placemaking project. The \$712,435 Mountain West Bank Midtown debt obligation is amortized over 10 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 Lake City Development Corporation'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:

Fiscal year ending September 30,	Rate	Principal	Interest	Total
2013	4.80%	\$ 66,095	\$ 23,956	\$ 90,051
2014	4.80%	69,338	20,713	90,051
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	82,547
		<u>\$ 529,119</u>	<u>\$ 93,733</u>	<u>\$622,853</u>

Bond Payable – Washington Trust:

On August 25, 2011, the Lake City Development Corporation received a Revenue Allocation Bond. The Lake City Development Corporation was approved to borrow up to \$16,700,000. This financing was used on the Lake District Redevelopment Project. 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 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. As of September 30, 2012, the Lake City Development Corporation had taken out \$151,650 of the available \$16,700,000 and placed \$1,670,000 in a required bond reserve account. Two semi-annual payments are due in the coming year totaling \$2,080,000, regardless of whether any draws have been made, or any balance is owing at that time. Amount paid on beyond what I owed are carried on the balance sheet as restricted cash – bond reserve. The future annual debt service requirements are at this point unknown, as the Lake City Development Corporation has not yet fully drawn down all available proceeds from this debt.

(Continued)

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 18: COMPONENT UNIT DISCLOSURES (CONTINUED)

The following is a summary of debt activity for the year ended September 30, 2012:

	Beginning Balance	Principal Additions	Principal Payments	Ending Balance	Due in One Year
Library Site	\$ 618,497	\$ -	\$ 42,714	\$ 575,783	\$ 575,783
620 N. Park Dr.	47,972	-	47,972	-	-
622 N. Park Dr.	37,096	-	2,607	34,489	34,489
612 N. Park Dr.	45,601	-	3,097	42,504	42,504
515 W. Garden Ave.	234,781	-	11,730	223,051	12,157
626 N. Park Dr.	59,031	-	3,839	55,192	4,001
516 N. Park Dr.	120,835	-	5,148	115,687	5,364
518 N. Park Dr.	157,920	-	6,240	151,680	6,450
211 N. 4th Street	194,623	-	5,310	189,313	5,769
301 E. Lakeside Ave	490,053	-	15,621	474,432	16,466
712 E. Young Ave	297,260	-	19,074	278,186	19,388
630 N. Park Dr.	45,671	-	45,671	-	-
728 Sherman Avenue	96,773	-	96,773	-	-
618 N. Park Dr.	50,894	-	50,894	-	-
Kroc Center Grant	100,000	-	100,000	-	-
839 N. 3rd St. & 845 N. 4th St.	332,527	-	9,539	322,988	9,866
Mill River Project fixed rate bond	1,499,121	-	730,191	768,930	311,803
NICTF	2,509,048	-	2,509,048	-	-
Midtown	592,122	-	63,003	529,119	66,095
Bond Payable - Washington Trust	51,650	100,000	151,650	-	-
	<u>\$ 7,581,475</u>	<u>\$ 100,000</u>	<u>\$ 3,920,121</u>	<u>\$ 3,761,354</u>	<u>\$ 1,110,135</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, 2012**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Taxes	\$ 15,655,673	\$ 15,707,673	\$ 16,091,744	\$ 384,071
Licenses and permits	3,794,000	4,129,703	4,270,088	140,385
Intergovernmental	7,519,081	7,892,719	8,305,001	412,282
Charges for services	328,650	328,650	338,141	9,491
Fines and forfeits	449,300	460,300	414,398	(45,902)
Interest	40,000	40,000	45,814	5,814
Miscellaneous	70,350	165,853	182,097	16,244
Total revenues	<u>27,857,054</u>	<u>28,724,898</u>	<u>29,647,283</u>	<u>922,385</u>
EXPENDITURES				
Current:				
General government	5,631,913	5,699,488	5,634,423	65,065
Public safety	17,491,457	17,788,104	17,110,857	677,247
Public works	3,977,149	4,270,200	4,228,010	42,190
Culture and recreation	2,448,915	2,460,940	2,394,144	66,796
Capital outlay	233,090	591,755	178,773	412,982
Debt service:				
Principal payments	-	-	180,000	(180,000)
Total expenditures	<u>29,782,524</u>	<u>30,810,487</u>	<u>29,726,207</u>	<u>1,084,280</u>
(Deficiency) excess of revenues				
(under) over expenditures	<u>(1,925,470)</u>	<u>(2,085,589)</u>	<u>(78,924)</u>	<u>2,006,665</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	2,001,920	2,001,920	1,961,196	(40,724)
Operating transfers out	(131,000)	(231,000)	(2,231,000)	(2,000,000)
Total other financing sources (uses)	<u>1,870,920</u>	<u>1,770,920</u>	<u>(269,804)</u>	<u>(2,040,724)</u>
Net change in fund balances before extraordinary item	<u>(54,550)</u>	<u>(314,669)</u>	<u>(348,728)</u>	<u>(34,059)</u>
EXTRAORDINARY ITEM				
Employee embezzlement			(67,919)	(67,919)
Net change in fund balances after extraordinary item	<u>(54,550)</u>	<u>(314,669)</u>	<u>(416,647)</u>	<u>(101,978)</u>
Fund balances - beginning of year	<u>3,554,550</u>	<u>3,814,669</u>	<u>5,744,034</u>	<u>1,929,365</u>
Fund balances - end of year	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>	<u>\$ 5,327,387</u>	<u>\$ 1,827,387</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, 2012

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ -	\$ -	\$ 365	\$ 365
Interest	4,000	4,000	2,782	(1,218)
Total revenues	4,000	4,000	3,147	(853)
EXPENDITURES				
Current:				
General government	234,000	367,000	3,826,051	(3,459,051)
Total expenditures	234,000	367,000	3,826,051	(3,459,051)
(Deficiency) excess of revenues (under) over expenditures	(230,000)	(363,000)	(3,822,904)	(3,459,904)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	79,262	79,262	2,079,262	2,000,000
Total other financing sources (uses)	79,262	79,262	2,079,262	2,000,000
Net change in fund balances	(150,738)	(283,738)	(1,743,642)	(1,459,904)
Fund balances - beginning of year	1,400,000	1,400,000	1,560,027	160,027
Fund balances - end of year	\$ 1,249,262	\$ 1,116,262	\$ (183,615)	\$ (1,299,877)

City of Coeur d'Alene, Idaho

REQUIRED SUPPLEMENTARY INFORMATION POLICE RETIREMENT TRUST FUND

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending	Actual Employer Contribution	Annual Required Contribution (ARC)	Percentage Of ARC Contribution
9/30/03	152,395	152,000	100.26%
9/30/04	152,606	152,000	100.40%
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%

SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAL as a Percentage Of Covered Payroll
9/30/2002	1,536,000	3,279,000	1,743,000	46.84%	\$0*	N/A
9/30/2003	1,504,463	3,309,100	1,804,637	45.46%	\$0*	N/A
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

* All members are retired

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

(Continued)

**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)
September 30, 2008	152,025	99.60%	(770)
September 30, 2009	152,017	98.84%	986
September 30, 2010	151,974	98.78%	2,847
September 30, 2011	151,929	100.24%	2,477
September 30, 2012	151,925	100.05%	2,402

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
9/30/01	152,000	15	18	151,997	152,967	(970)	(745)	(967)	12.69	18	(745)
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

City of Couer d'Alene

**SCHEDULE OF FUNDING PROGRESS FOR
POSTEMPLOYMENT BENEFIT PLANS
For the Year Ended September 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) /c)
September 30, 2009	\$ -	\$ 3,329,330	\$ 3,329,330	0%	\$ -	N/A
September 30, 2010	\$ -	\$ 3,642,711	\$ 3,642,711	0%	\$ -	N/A
September 30, 2011	\$ -	\$ 739,874	\$ 739,874	0%	\$ -	N/A

FINANCIAL SECTION

OTHER SUPPLEMENTARY INFORMATION

City of Coeur d'Alene, Idaho

COMBINING BALANCE SHEET - BY FUND TYPE NONMAJOR GOVERNMENTAL FUNDS September 30, 2012

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,978,355	\$ 88,222	\$ 12,170	\$ 4,078,747
Investments	1,824,928			1,824,928
Receivables:				
Taxes delinquent	16,255	-	-	16,255
Accounts	19,292	-	-	19,292
Assessments:				
Delinquent	-	2,353	-	2,353
Deferred	-	275,775	-	275,775
Due from other governments	7,855	-	39,437	47,292
Due from other funds	-	-	24,000	24,000
Total assets	<u>\$ 5,846,685</u>	<u>\$ 366,350</u>	<u>\$ 75,607</u>	<u>\$ 6,288,642</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 61,347	\$ -	\$ 418	\$ 61,765
Due to other funds	-	207,350	24,000	231,350
Deposits	-	194	-	194
Deferred revenues	16,254	275,775	-	292,029
Total liabilities	<u>77,601</u>	<u>483,319</u>	<u>24,418</u>	<u>585,338</u>
Fund balances:				
Restricted	2,458,545	88,055	-	2,546,600
Committed	3,239,114	-	-	3,239,114
Assigned	71,425	3	51,189	122,617
Unassigned	-	(205,027)	-	(205,027)
Total fund balances	<u>5,769,084</u>	<u>(116,969)</u>	<u>51,189</u>	<u>5,703,304</u>
Total liabilities and fund balances	<u>\$ 5,846,685</u>	<u>\$ 366,350</u>	<u>\$ 75,607</u>	<u>\$ 6,288,642</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, 2012

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 1,216,658	\$ -	\$ -	\$ 1,216,658
Intergovernmental	27,789	-	79,831	107,620
Charges for services	1,017,854	-	-	1,017,854
Fines and forfeits	17,526	-	-	17,526
Assessments collected	-	100,251	-	100,251
Investment income	4,645	-	-	4,645
Unrealized gain on investments	(7,081)	-	-	(7,081)
Interest	61,221	-	97	61,318
Contributions	-	-	2,710	2,710
Miscellaneous	197,840	-	-	197,840
Penalty and interest	-	3,894	-	3,894
Total revenues	<u>2,536,452</u>	<u>104,145</u>	<u>82,638</u>	<u>2,723,235</u>
EXPENDITURES				
Current:				
General government	393,488	-	-	393,488
Culture and recreation	1,425,103	-	-	1,425,103
Administrative expenses	-	-	46,313	46,313
Capital outlay	545,215	-	332,821	878,036
Debt service:				
Principal payments	114,500	115,000	-	229,500
Interest, fees and other	-	18,710	-	18,710
Total expenditures	<u>2,478,306</u>	<u>133,710</u>	<u>379,134</u>	<u>2,991,150</u>
Excess (deficiency) of revenues over (under) expenditures	<u>58,146</u>	<u>(29,565)</u>	<u>(296,496)</u>	<u>(267,915)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Capital Lease	440,000	-	-	440,000
Operating transfers in	231,168	110,976	339,655	681,799
Operating transfers out	(583,333)	(65,976)	-	(649,309)
Total other financing sources (uses)	<u>87,835</u>	<u>45,000</u>	<u>339,655</u>	<u>472,490</u>
Net change in fund balances	145,981	15,435	43,159	204,575
Fund balances - beginning of year	5,623,103	(132,404)	8,030	5,498,729
Fund balances - end of year	<u>\$ 5,769,084</u>	<u>\$ (116,969)</u>	<u>\$ 51,189</u>	<u>\$ 5,703,304</u>

City of Coeur d'Alene, Idaho

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, 2012**

	Library	Cemetery	Annexation Fees	Impact Fees	Parks Capital Improvements
ASSETS					
Cash and cash equivalents	\$ 151,483	\$ 59,097	\$ 70,518	\$ 2,465,951	\$ 297,107
Investments	-	-	-	-	-
Receivables:					
Taxes delinquent	16,255	-	-	-	-
Accounts	-	6,163	-	-	13,129
Due from other governments	7,855	-	-	-	-
Total assets	<u>\$ 175,593</u>	<u>\$ 65,260</u>	<u>\$ 70,518</u>	<u>\$ 2,465,951</u>	<u>\$ 310,236</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 23,243	\$ 7,342	\$ -	\$ 9,751	\$ 8,382
Deferred revenues	16,254	-	-	-	-
Total liabilities	<u>39,497</u>	<u>7,342</u>		<u>9,751</u>	<u>8,382</u>
Fund balances:					
Restricted	-	-	-	2,456,200	-
Committed	136,096	57,918	-	-	301,854
Assigned	-	-	70,518	-	-
Total fund balances	<u>136,096</u>	<u>57,918</u>	<u>70,518</u>	<u>2,456,200</u>	<u>301,854</u>
Total liabilities and fund balances	<u>\$ 175,593</u>	<u>\$ 65,260</u>	<u>\$ 70,518</u>	<u>\$ 2,465,951</u>	<u>\$ 310,236</u>

Cemetery Perpetual Care	Reforestation	Art Commission	Jewett House	Public Art	Total Nonmajor Special Revenue Funds
\$ 11,369	\$ 173,989	\$ 907	\$ 3,030	\$ 744,904	\$ 3,978,355
1,824,928	-	-	-	-	1,824,928
-	-	-	-	-	16,255
-	-	-	-	-	19,292
-	-	-	-	-	7,855
<u>\$ 1,836,297</u>	<u>\$ 173,989</u>	<u>\$ 907</u>	<u>\$ 3,030</u>	<u>\$ 744,904</u>	<u>\$ 5,846,685</u>
\$ -	\$ 280	\$ -	\$ 685	\$ 11,664	\$ 61,347
-	-	-	-	-	16,254
<u>-</u>	<u>280</u>	<u>-</u>	<u>685</u>	<u>11,664</u>	<u>77,601</u>
-	-	-	2,345	-	2,458,545
1,836,297	173,709	-	-	733,240	3,239,114
-	-	907	-	-	71,425
<u>1,836,297</u>	<u>173,709</u>	<u>907</u>	<u>2,345</u>	<u>733,240</u>	<u>5,769,084</u>
<u>\$ 1,836,297</u>	<u>\$ 173,989</u>	<u>\$ 907</u>	<u>\$ 3,030</u>	<u>\$ 744,904</u>	<u>\$ 5,846,685</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, 2012**

	<u>Library</u>	<u>Cemetery</u>	<u>Annexation Fees</u>	<u>Impact Fees</u>	<u>Parks Capital Improvements</u>
REVENUES					
Taxes	\$ 1,216,658	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	12,406	138,455	67,500	633,098	160,118
Fines and forfeits	17,526	-	-	-	-
Investment income	-	63	54	4,500	-
Unrealized gain (loss) on investments	-	-	-	-	-
Interest	269	-	-	-	641
Miscellaneous	8,085	11,370	-	-	5,860
Total revenues	<u>1,254,944</u>	<u>149,888</u>	<u>67,554</u>	<u>637,598</u>	<u>166,619</u>
EXPENDITURES					
Current:					
General government	-	191,188	-	9,750	-
Culture and recreation	1,166,658	-	-	-	168,950
Capital outlay	87,203	-	-	-	458,012
Debt Service:					
Principal payments	-	-	-	-	114,500
Total expenditures	<u>1,253,861</u>	<u>191,188</u>	<u>-</u>	<u>9,750</u>	<u>741,462</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,083</u>	<u>(41,300)</u>	<u>67,554</u>	<u>627,848</u>	<u>(574,843)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from capital lease	-	-	-	-	440,000
Operating transfers in	-	96,000	-	-	66,286
Operating transfers out	-	(20,678)	(133,000)	(339,655)	-
Total other financing sources (uses)	<u>-</u>	<u>75,322</u>	<u>(133,000)</u>	<u>(339,655)</u>	<u>506,286</u>
Net change in fund balances	1,083	34,022	(65,446)	288,193	(68,557)
Fund balances - beginning of year	135,013	23,896	135,964	2,168,007	370,411
Fund balances - end of year	<u>\$ 136,096</u>	<u>\$ 57,918</u>	<u>\$ 70,518</u>	<u>\$ 2,456,200</u>	<u>\$ 301,854</u>

Cemetery Perpetual Care	Reforestation	Art Commission	Jewett House	Public Art	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,216,658
-	27,789	-	-	-	27,789
-	-	6,277	-	-	1,017,854
-	-	-	-	-	17,526
-	-	-	28	-	4,645
(7,081)	-	-	-	-	(7,081)
58,567	341	2	-	1,401	61,221
-	58,003	-	5,492	109,030	197,840
51,486	86,133	6,279	5,520	110,431	2,536,452
7,374	-	5,974	22,256	156,946	393,488
-	89,495	-	-	-	1,425,103
-	-	-	-	-	545,215
-	-	-	-	-	114,500
7,374	89,495	5,974	22,256	156,946	2,478,306
44,112	(3,362)	305	(16,736)	(46,515)	58,146
-	-	-	-	-	440,000
40,678	-	-	10,000	18,204	231,168
(90,000)	-	-	-	-	(583,333)
(49,322)	-	-	10,000	18,204	87,835
(5,210)	(3,362)	305	(6,736)	(28,311)	145,981
1,841,507	177,071	602	9,081	761,551	5,623,103
\$ 1,836,297	\$ 173,709	\$ 907	\$ 2,345	\$ 733,240	\$ 5,769,084

City of Coeur d'Alene, Idaho

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 #124/125: 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 Northshire and Queen Anne Additions in 1992.

LID #127/128: 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 Fairway Hills and Howards Subdivisions in 1992.

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 #146: Accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies created for the purpose of making major street improvements and beautification to Northwest Boulevard.

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 4th Street Midtown.

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, 2012

	LID #124/125	LID #127/128	LID #129/132
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Receivables:			
Delinquent	-	-	3
Deferred	-	-	36,723
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,726</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Deposits	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Deferred revenue	-	-	36,723
Total liabilities	<u>-</u>	<u>-</u>	<u>36,723</u>
Fund balances:			
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	3
Unassigned	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>3</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,726</u>

LID #130/135/136	LID #145	LID #146	LID #149	LID Guarantee Fund	Total Nonmajor Debt Service Funds
\$ 4	\$ -	\$ -	\$ -	\$ 88,218	\$ 88,222
-	44	27	2,279	-	2,353
-	120,119	31,702	87,231	-	275,775
<u>\$ 4</u>	<u>\$ 120,163</u>	<u>\$ 31,729</u>	<u>\$ 89,510</u>	<u>\$ 88,218</u>	<u>\$ 366,350</u>
\$ -	\$ -	\$ -	\$ -	\$ 194	\$ 194
-	120,119	-	87,231	-	207,350
-	120,119	\$ 31,702	87,231	-	275,775
<u>-</u>	<u>240,238</u>	<u>31,702</u>	<u>174,462</u>	<u>194</u>	<u>483,319</u>
4	-	27	-	88,024	88,055
-	-	-	-	-	-
-	-	-	-	-	3
-	(120,075)	-	(84,952)	-	(205,027)
<u>4</u>	<u>(120,075)</u>	<u>27</u>	<u>(84,952)</u>	<u>88,024</u>	<u>(116,969)</u>
<u>\$ 4</u>	<u>\$ 120,163</u>	<u>\$ 31,729</u>	<u>\$ 89,510</u>	<u>\$ 88,218</u>	<u>\$ 366,350</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, 2012**

	LID #124/125	LID #127/128
REVENUES		
Assessments collected	\$ -	\$ 4,681
Penalty and interest	<u>6</u>	<u>243</u>
Total revenues	<u>6</u>	<u>4,924</u>
EXPENDITURES		
Bond principal	-	-
Interest, fees and other	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>
(Deficiency) excess of revenues (under) over expenditures	<u>6</u>	<u>4,924</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	-	-
Operating transfers out	<u>(334)</u>	<u>(5092)</u>
Total other financing sources (uses)	<u>(334)</u>	<u>(5,092)</u>
Net change in fund balances	<u>(328)</u>	<u>(168)</u>
Fund balances - beginning of year	<u>328</u>	<u>168</u>
Fund balances - end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

LID #130/135/136	LID #145	LID #146	LID #149	LID Guarantee Fund	Total Debt Service Funds
\$ -	\$ 38,235	\$ 31,684	\$ 14,333	\$ 3,014	\$ 100,251
-	-	2,179	-	210	3,894
-	38,235	33,863	14,333	3,224	104,145
40,000	-	75,000	-	-	115,000
11,000	-	7,710	-	-	18,710
51,000	-	82,710	-	-	133,710
(51,000)	38,235	(48,847)	14,333	3,224	(29,565)
48,000	-	2,818	-	60,158	110,976
-	-	-	-	(50,818)	(65,976)
48,000	-	2,818	-	9,340	45,000
(3,000)	38,235	(46,029)	14,333	12,564	15,435
3,004	(158,310)	46,056	(99,285)	75,460	(132,404)
\$ 4	\$ (120,075)	\$ 27	\$ (84,952)	\$ 88,024	\$ (116,969)

City of Coeur d'Alene, Idaho

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.

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.

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

River Ave / Northwest Blvd Project (Educational Corridor): To administer expenditures for the purpose of reconstruction, widening, and installation of roundabouts on River Avenue.

15th Street Lunceford to Dalton Fund: To administer expenditures for the purpose of reconstruction and widening from Lunceford Lane to Dalton Avenue on 15th Street.

City of Coeur d'Alene, Idaho

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
September 30, 2012**

	Miscellaneous Capital Projects	Govt Way Dalton to Hanley	Govt Way Hanley to Prairie	15th St Harrison to Best	Nonmajor Capital Project Funds
ASSETS					
Cash and cash equivalents	\$ 6,388	\$ 1,784	\$ 783	\$ 3,215	\$ 12,170
Due from other governments	-	-	39,437	-	39,437
Due from other funds	9,000	-	-	15,000	24,000
Total assets	<u>\$ 15,388</u>	<u>\$ 1,784</u>	<u>\$ 40,220</u>	<u>\$ 18,215</u>	<u>\$ 75,607</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 418	\$ -	\$ 418
Due to other funds	-	-	24,000	-	24,000
Total liabilities	<u>-</u>	<u>-</u>	<u>24,418</u>	<u>-</u>	<u>24,418</u>
Fund balances:					
Assigned	15,388	1,784	15,802	18,215	51,189
Total fund balances	<u>15,388</u>	<u>1,784</u>	<u>15,802</u>	<u>18,215</u>	<u>51,189</u>
Total liabilities and fund balances	<u>\$ 15,388</u>	<u>\$ 1,784</u>	<u>\$ 40,220</u>	<u>\$ 18,215</u>	<u>\$ 75,607</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, 2012**

	Miscellaneous Capital Projects	Govt Way Dalton to Hanley	Govt Way Hanley to Prairie	15th St Harrison to Best	River NW Blvd Project	15th St Lunceford to Dalton	Nonmajor Capital Projects Funds
REVENUES							
Contributions	\$ -	\$ 2,710	\$ -	\$ -	\$ -	\$ -	\$ 2,710
Intergovernmental	-	26,835	52,996	-	-	-	79,831
Investment Income	-	97	-	-	-	-	97
Total revenues	-	29,642	52,996	-	-	-	82,638
EXPENDITURES							
Services and supplies	-	20,500	24,718	-	-	1,095	46,313
Capital outlay	-	-	32,476	50,345	250,000	-	332,821
Total expenditures	-	20,500	57,194	50,345	250,000	1,095	379,134
Excess (deficiency) of revenues over (under) expenditures	-	9,142	(4,198)	(50,345)	(250,000)	(1,095)	(296,496)
OTHER FINANCING SOURCES (USES)							
Operating transfers in	-	-	20,000	68,560	250,000	1,095	339,655
Total other financing sources (uses)	-	-	20,000	68,560	250,000	1,095	339,655
Net change in fund balances	-	9,142	15,802	18,215	-	-	43,159
Fund balance - beginning of year	15,388	(7,358)	-	-	-	-	8,030
Fund balance - end of year	<u>\$ 15,388</u>	<u>\$ 1,784</u>	<u>\$ 15,802</u>	<u>\$ 18,215</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,189</u>

City of Coeur d'Alene, Idaho

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 stormwater 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 ASSETS
NONMAJOR PROPRIETARY FUNDS
September 30, 2012**

	Business-type Activities - Nonmajor Enterprise Funds				
	Wastewater Property Management	Street Lighting	Public Parking Lot	Stormwater Management	Total Nonmajor Enterprise Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 60,668	\$ 17,354	\$ 255,131	\$ 48,953	\$ 382,106
Receivables:					
Accounts, net of allowance for uncollectible accounts of \$567	-	59,878	199,904	575	260,357
Total current assets	60,668	77,232	455,035	49,528	642,463
Non-current assets:					
Capital assets:					
Land	-	-	122,264	-	122,264
Construction in progress	-	-	623,349	-	623,349
Other capital assets, net of accumulated depreciation	-	270,005	156,811	4,521,748	4,948,564
Total non-current assets	-	270,005	902,424	4,521,748	5,694,177
Total assets	60,668	347,237	1,357,459	4,571,276	6,336,640
LIABILITIES					
Current liabilities:					
Accounts payable	-	36,958	109,412	10,983	157,353
Due to other Funds	-	-	-	400,000	400,000
Total current liabilities	-	36,958	109,412	410,983	557,353
Non-current liabilities:					
Compensated absences	-	-	-	65,180	65,180
Total non-current liabilities	-	-	-	65,180	65,180
Total liabilities	-	36,958	109,412	476,163	622,533
NET ASSETS					
Invested in fixed assets, net of related debt	-	270,005	902,424	4,521,748	5,694,177
Unrestricted	60,668	40,274	345,623	(426,635)	19,930
Total net assets	\$ 60,668	\$ 310,279	\$ 1,248,047	\$ 4,095,113	\$ 5,714,107

City of Coeur d'Alene, Idaho

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended September 30, 2012**

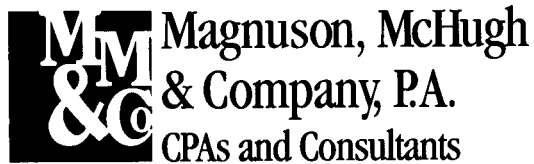
	Business-type Activities - Nonmajor Enterprise Funds				
	Wastewater Property Management	Street Lighting	Public Parking Lot	Stormwater Management	Total Nonmajor Enterprise Funds
OPERATING REVENUES					
Services	\$ -	\$ 492,719	\$ 324,904	\$ 96,181	\$ 913,804
OPERATING EXPENSES					
Administration	-	-	-	437,436	437,436
Maintenance	-	16,352	19,056	176,925	212,333
Supplies	-	-	-	50,970	50,970
Contracted services	-	518,427	73,354	45,894	637,675
Depreciation	-	26,738	35,965	250,232	312,935
Bad debt expense	-	1,123	-	3,230	4,353
Total operating expenses	-	562,640	128,375	964,687	1,655,702
Operating income (loss)		(69,921)	196,529	(868,506)	(741,898)
NONOPERATING REVENUES					
Investment income	-	32	1,390	343	1,765
Total nonoperating revenues	-	32	1,390	343	1,765
Income before contributions and transfers	-	(69,889)	197,919	(868,163)	(740,133)
Operating transfers in	-	150,000	-	-	150,000
Operating transfers out	-	(80,921)	(108,243)	(209,737)	(398,901)
Change in net assets	-	(810)	89,676	(1,077,900)	(989,034)
Total net assets - beginning	60,668	311,089	1,158,371	5,173,013	6,703,141
Total net assets - ending	\$ 60,668	\$ 310,279	\$ 1,248,047	\$ 4,095,113	\$ 5,714,107

City of Coeur d'Alene, Idaho

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUND TYPES
For the Year Ended September 30, 2012**

	Business-type Activities - Enterprise Funds				
	Wastewater Property Management	Street Lighting	Public Parking Lot	Stormwater Management	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ -	\$ 480,188	\$ 326,578	\$ 221,421	\$ 1,028,187
Payments to suppliers	-	(534,565)	16,973	99,576	(418,016)
Payments to employees	-	-	-	(428,553)	(428,553)
Net cash provided (used) by operating activities	-	(54,377)	343,551	(107,556)	181,618
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfers in	-	150,000	-	-	150,000
Operating transfers out	-	(80,921)	(108,243)	(209,737)	(398,901)
Net cash provided (used) by noncapital financing activities	-	69,079	(108,243)	(209,737)	(248,901)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital asset purchases	-	-	(623,350)	-	(623,350)
Net cash (used) by financing activities	-	-	(623,350)	-	(623,350)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	-	32	1,390	343	1,765
Net cash provided by investing activities	-	32	1,390	343	1,765
Net increase (decrease) in cash and cash equivalents		14,734	(386,652)	(316,950)	(688,868)
Cash and cash equivalents, beginning of year	60,668	2,620	641,783	365,903	1,070,974
Cash and cash equivalents, end of year	<u>\$ 60,668</u>	<u>\$ 17,354</u>	<u>\$ 255,131</u>	<u>\$ 48,953</u>	<u>\$ 382,106</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income	\$ -	\$ (69,921)	\$ 196,529	\$ (868,506)	\$ (741,898)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
(Increase) decrease in assets:					
Depreciation	-	26,738	35,966	250,233	312,937
Accounts receivable	-	(12,531)	1,674	125,240	114,383
Increase (decrease) in liabilities:					
Accounts payable	-	1,337	109,382	(10,299)	100,420
Due to other funds	-	-	-	400,000	400,000
Compensated absences	-	-	-	(4,224)	(4,224)
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ (54,377)</u>	<u>\$ 343,551</u>	<u>\$ (107,556)</u>	<u>\$ 181,618</u>

REPORT REQUIRED BY THE GAO



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

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

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, 2012, which collectively comprise the City of Coeur d'Alene, Idaho's basic financial statements and have issued our report thereon dated March 8, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. These items are listed on page 95 as 2012-1. 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.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Coeur d'Alene, Idaho, in a separate letter dated March 8, 2013.

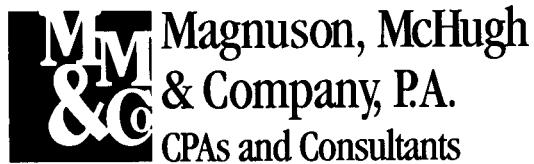
City of Coeur d'Alene, Idaho's response to the findings identified in our audit described in the accompanying schedule of findings and questioned costs. We did not audit City of Coeur d'Alene, Idaho's response and, accordingly we express no opinion on it.

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

Magnuson, McHugh & Company, P.A.

MAGNUSON, MCHUGH, & CO.

March 8, 2013



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

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

Compliance

We have audited the City of Coeur d'Alene, Idaho's compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Coeur d'Alene, Idaho's major federal programs for the year ended September 30, 2012. The City of Coeur d'Alene, Idaho's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Coeur d'Alene, Idaho's management. Our responsibility is to express an opinion on the City of Coeur d'Alene, Idaho's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program identified in the accompanying schedule of findings and questioned costs 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. Our audit does not provide a legal determination of the City of Coeur d'Alene's compliance with those requirements.

In our opinion, the City of Coeur d'Alene complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

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

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

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

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

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

Magnuson, McHugh & Company, P.A.

Magnuson, McHugh & Company, P.A.

March 8, 2013

City of Coeur d'Alene, Idaho

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

Program Title	Federal CFDA Number	Pass Through Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through the State of Idaho:			
Wildland Fire Management-ARRA	10.688	826000176	\$ 27,789
<u>U.S. Department of Housing and Urban Development:</u>			
Direct programs:			
CDBG Entitlement Program	14.218		255,914
<u>U.S. Department of Justice</u>			
Direct programs:			
Bulletproof Vest Partnership Program	16.607		6,997
Public Safety Partnership and Community Policing Grants-ARRA	16.710		221,325
Edward Byrne Memorial Justice Assistance Grant	16.738		166,485
			394,807
Passed through the State of Idaho:			
Enforcing Underage Drinking Laws Program	16.727	826000176	4,037
Edward Byrne Memorial Justice Assistance Grant	16.738	826000176	351
Edward Byrne Memorial Justice Assistance Grant-ARRA	16.803	826000176	154,757
Subtotal passed through the State of Idaho			159,145
Total U.S. Department of Justice			553,952
<u>U.S. Department of Transportation</u>			
Passed through the State of Idaho:			
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	826000176	7,969
Highway Planning and Construction-ARRA	20.205	826000176	84,013
State and Community Highway Safety	20.600	826000176	16,026
Total U.S. Department of Transportation			108,008
<u>Environmental Protection Agency</u>			
Passed through the State of Idaho:			
Capitalization Grants for Clean Water State Revolving Funds-ARRA	66.458	826000176	969,660
<u>U.S. Department of Energy</u>			
Direct:			
Energy Efficiency and Conservation Block Grant - ARRA	81.128		6,212
<u>U.S. Department of Homeland Security</u>			
Passed through the State of Idaho:			
Homeland Security Grant Program	97.067	826000176	42,951
Direct			
Homeland Security Grant Program	97.067		12,935
Total U.S. Department of Homeland Security			55,886
Total expenditures of Federal awards			\$ 1,977,421

City of Coeur d'Alene, Idaho

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

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of 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, 2012

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:

CFDA Number(s)

Name of Federal Program or Cluster

66.458

Capitalization Grants for Clean Water State Revolving Funds-ARRA

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

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

City of Coeur d'Alene, Idaho

SCHEDULE OF FINDINGS AND QUESTIONED COSTS September 30, 2012

Section II - Findings – Financial Statement Audit

Finding 2012-1:

Criteria:

It is the responsibility of management of the City of Coeur d'Alene to ascertain that there are effective internal controls in place over the safeguarding of the City's assets.

Condition:

During the current fiscal year, City employees uncovered embezzlement by a former employee of the City.

Cause:

Internal controls over ACH transactions were not effective, resulting in the ability of a former employee to embezzle funds over a 5-6 year time frame. We do note that it was City employees who uncovered the embezzlement; however, more effective controls could have potentially uncovered the fraud much sooner.

Effect:

The City's payments to certain vendors were diverted to the embezzling employee's account, thereby, shorting the vendors their payments. The City will not have to repay the vendors.

Recommendation:

The City does have segregation of duties in the expenditure cycle, which could have potentially caught the embezzlement at an earlier time. However, additional controls over ACH transactions should be implemented in order to further minimize the risk of this occurring again.

City Response and Corrective Action Plan:

The City has ceased any vendor ACH transactions. The direct deposit of payroll continues.

The City will institute a policy that ACH vendor accounts can only be set up with the approval of the Finance Director. The ACH transactions are reviewed monthly on the bank statement and this can be cross referenced to the ACH vendor template set up which will include the routing and account number of the approved vendor.

The goal for vendor ACH payments is to have the City set up a separate checking account, other than the main account, to have the vendor debit the checking account. This will allow for simple reconciliation of the transactions, lower transaction costs, and use the bank to safeguard the funds because the debit transaction will clearly identify the vendor.

Direct deposit of payroll will be the exception because these are changing on a frequent basis.

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