



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

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

City of Coeur d'Alene, Idaho
September 30, 2006

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT



Magnuson, McHugh & Company, P.A.

CPAs and Consultants

INDEPENDENT AUDITORS' REPORT

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

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, ID as of and for the year ended September 30, 2006, 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, ID'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, ID, as of September 30, 2006, 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 October 24, 2007, on our consideration of the City of Coeur d'Alene, ID'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.

The budgetary comparison information on page 55 and Police Retirement Trust Fund information on pages 56 – 57 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

The City of Coeur d'Alene, ID has not presented management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statement.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coeur d'Alene, ID's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Coeur d'Alene, ID. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

MAGNUSON, MCHUGH, & CO.

Magnuson, McHugh & Company, P.A.

Coeur d'Alene, ID
October 24, 2007

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

City of Coeur d'Alene, Idaho

STATEMENT OF NET ASSETS
September 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Lake City Development Corporation
ASSETS:				
Cash and cash equivalents	\$ 15,093,611	\$ 16,115,450	\$ 31,209,061	\$ 879,976
Investments	8,433,589		8,433,589	
Receivables:				
Taxes delinquent	404,149		404,149	176,005
Accounts receivable	477,385	1,999,223	2,476,608	67,184
Special assessments	1,178,217	110,538	1,288,755	
Notes receivable				464,229
Due from other governments	1,459,437		1,459,437	
Due from Lake City Development Corporation		70,000	70,000	
Due from City of Coeur d'Alene				457,176
Deposits				11,383
Capital assets:				
Land	9,906,754	2,031,209	11,937,963	
Other capital assets, net of accumulated depreciation	15,313,328	94,291,752	109,605,080	4,138,283
Unamortized issue costs, net of amortization	26,647	64,292	90,939	
Total assets	52,293,117	114,682,464	166,975,581	6,194,236
LIABILITIES:				
Accounts payable	2,035,136	1,980,148	4,015,284	37,610
Due to City of Coeur d'Alene				70,000
Tax rebate due to School District				24,940
Deposit	1,032		1,032	14,615
Accrued interest payable	121,627	21,674	143,301	18,085
Bond premiums net of amortization	230,109		230,109	
Long-term liabilities:				
Due within one year	2,056,237	311,016	2,367,253	857,611
Due in more than one year	15,554,327	12,129,408	27,683,735	6,620,243
Total liabilities	19,998,468	14,442,246	34,440,714	7,643,104
NET ASSETS:				
Invested in capital assets, net of related debt	9,138,422	83,545,007	92,683,429	(3,339,571)
Restricted for:				
Debt service	8,448,834		8,448,834	
Capital projects	25,249		25,249	
Other purposes	7,377,543		7,377,543	
Unrestricted	7,304,601	16,695,211	23,999,812	1,890,703
Total net assets	\$ 32,294,649	\$ 100,240,218	\$ 132,534,867	\$ (1,448,868)

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, 2006**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 5,110,023	\$ 5,001,501		
Public safety	12,285,786	468,840	\$ 315,036	\$ 47,281
Public works	4,100,877		284,617	332,695
Culture and recreation	3,111,335	340,080	3,994	
Administrative expense	124,252			
Interest on long-term debt	465,267			
Total governmental activities	<u>25,197,540</u>	<u>5,810,421</u>	<u>603,647</u>	<u>379,976</u>
Business-type activities:				
Water	3,314,756	3,436,663		2,736,172
Wastewater	4,593,606	5,438,770		5,056,041
Sanitation	2,487,866	2,984,822		
Other Enterprise	995,635	1,860,197		
Total business-type activities	<u>11,391,863</u>	<u>13,720,452</u>		<u>7,792,213</u>
Total primary government	<u>\$ 36,589,403</u>	<u>\$ 19,530,873</u>	<u>\$ 603,647</u>	<u>\$ 8,172,189</u>
Component unit:				
Lake City Development Corporation	<u>\$ 2,070,448</u>	<u>\$ 225,914</u>		
Total component unit	<u>\$ 2,070,448</u>	<u>\$ 225,914</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
- Transfers
- Total general revenues and transfers

Change in net assets

Net assets - beginning

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
\$ (108,522)		\$ (108,522)	
(11,454,629)		(11,454,629)	
(3,483,565)		(3,483,565)	
(2,767,261)		(2,767,261)	
(124,252)		(124,252)	
(465,267)		(465,267)	
<u>(18,403,496)</u>		<u>(18,403,496)</u>	
	\$ 2,858,079	2,858,079	
	5,901,205	5,901,205	
	496,956	496,956	
	864,562	864,562	
	<u>10,120,802</u>	<u>10,120,802</u>	
<u>(18,403,496)</u>	<u>10,120,802</u>	<u>(8,282,694)</u>	
			\$ (1,844,534)
			(1,844,534)
13,903,495		13,903,495	1,568,077
664,848		664,848	
1,481,358		1,481,358	
1,499,782		1,499,782	
619,125		619,125	
3,553,859		3,553,859	36,000
753,546	524,088	1,277,634	21,754
230,743		230,743	12,445
155,155		155,155	
1,768,482	(1,768,482)	-	
<u>24,630,393</u>	<u>(1,244,394)</u>	<u>23,385,999</u>	<u>1,638,276</u>
6,226,897	8,876,408	15,103,305	(206,258)
<u>26,067,752</u>	<u>91,363,810</u>	<u>117,431,562</u>	<u>(1,242,610)</u>
<u>\$ 32,294,649</u>	<u>\$ 100,240,218</u>	<u>\$ 132,534,867</u>	<u>\$ (1,448,868)</u>

City of Coeur d'Alene, Idaho

**BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2006**

	General	Debt Service		Other Governmental Funds	Total Governmental Funds
		General Obligation Bonds	2006 General Obligation Bonds		
ASSETS:					
Cash and cash equivalents	\$ 5,438,333	\$ 1,743,058		\$ 7,912,220	\$ 15,093,611
Investments			\$ 6,476,409	1,957,180	8,433,589
Receivables:					
Taxes delinquent	382,190			21,959	404,149
Accounts receivable	268,955	197,969		10,461	477,385
Special assessments	(2,450)			1,180,667	1,178,217
Due from other governments	1,426,649	6,974		25,814	1,459,437
Due from other funds	552,926				552,926
Total assets	\$ 8,066,603	\$ 1,948,001	\$ 6,476,409	\$ 11,108,301	\$ 27,599,314
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 1,413,882		\$ 457,130	\$ 164,124	\$ 2,035,136
Due to other funds			190,388	362,538	552,926
Deposits				1,032	1,032
Deferred revenues	382,190	\$ 21,823		1,201,582	1,605,595
Total liabilities	1,796,072	21,823	647,518	1,729,276	4,194,689
Fund balances:					
Reserved for:					
Special revenue fund				7,377,543	7,377,543
Capital projects fund				25,249	25,249
Debt service fund		1,926,178	5,828,891	693,765	8,448,834
Unreserved:					
Designated	934,174				934,174
Undesignated, reported in:					
General fund	5,336,357				5,336,357
Special revenue fund				76,393	76,393
Capital projects fund				1,042,543	1,042,543
Debt service fund				163,532	163,532
Total fund balances	6,270,531	1,926,178	5,828,891	9,379,025	23,404,625
Total liabilities and fund balances	\$ 8,066,603	\$ 1,948,001	\$ 6,476,409	\$ 11,108,301	\$ 27,599,314

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, 2006

Total fund balances at September 30, 2006 - Governmental Funds		\$ 23,404,625
Cost of capital assets at September 30, 2006	36,745,487	
Less: Accumulated depreciation as of September 30, 2006		
Buildings	(3,582,680)	
Equipment	(6,974,450)	
Infrastructure	(408,521)	
Other improvements	<u>(559,754)</u>	25,220,082
Deferred charges - bond issue costs net of amortization		26,647
Elimination of deferred revenue		1,605,595
Long-term liabilities at September 30, 2006		
Accrued interest	(121,627)	
Bond premium net of amortization	(230,109)	
Capital leases payable	(621,377)	
Certificates of participation	(805,000)	
Special assessments	(2,193,018)	
General obligation debt	(11,680,000)	
Note payable	(457,176)	
Compensated absences	<u>(1,853,993)</u>	<u>(17,962,300)</u>
Net assets at September 30, 2006		<u>\$ 32,294,649</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, 2006**

	<u>Debt Service</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>General Obligation Bonds</u>	<u>2006 General Obligation Bonds</u>		
Revenues:					
Taxes	\$ 11,035,118	\$ 1,081,463		\$ 906,363	\$ 13,022,944
Licenses and permits	4,049,727	987,573			5,037,300
Intergovernmental	6,610,417			532,692	7,143,109
Charges for services	255,010			1,575,188	1,830,198
Fines and forfeits	449,434			9,639	459,073
Assessments collected				516,018	516,018
Investment income				11,803	11,803
Unrealized (loss) on investments				(8,085)	(8,085)
Interest	456,548		\$ 15,116	278,164	749,828
Contributions				139,342	139,342
Miscellaneous	115,631	9,933		109,173	234,737
Total revenues	<u>22,971,885</u>	<u>2,078,969</u>	<u>15,116</u>	<u>4,070,297</u>	<u>29,136,267</u>
Expenditures:					
Current:					
General government	4,150,376	8,275		824,604	4,983,255
Public safety	11,365,522		455,079		11,820,601
Public works	3,831,622		16,226		3,847,848
Culture and recreation	1,790,520			986,938	2,777,458
Administrative expense			22,980	101,272	124,252
Capital outlay	746,724		1,907,637	2,075,031	4,729,392
Debt service:					
Principal payments	297,720	1,705,000		366,107	2,368,827
Interest and fiscal agent fees	106,259	178,668	79,807	129,183	493,917
Total expenditures	<u>22,288,743</u>	<u>1,891,943</u>	<u>2,481,729</u>	<u>4,483,135</u>	<u>31,145,550</u>
Excess of revenues over (under) expenditures	<u>683,142</u>	<u>187,026</u>	<u>(2,466,613)</u>	<u>(412,838)</u>	<u>(2,009,283)</u>
Other financing sources (uses):					
Debt issuance		1,346,887	8,123,113		9,470,000
Bond premium		148,186			148,186
Operating transfers in	2,238,957		300,000	4,642,912	7,181,869
Operating transfers out	(2,118,022)		(127,609)	(3,167,756)	(5,413,387)
Total other sources (uses)	<u>120,935</u>	<u>1,495,073</u>	<u>8,295,504</u>	<u>1,475,156</u>	<u>11,386,668</u>
Net change in fund balances	804,077	1,682,099	5,828,891	1,062,318	9,377,385
Fund balances - beginning of year	5,466,454	244,079		8,316,707	14,027,240
Fund balances - end of year	<u>\$ 6,270,531</u>	<u>\$ 1,926,178</u>	<u>\$ 5,828,891</u>	<u>\$ 9,379,025</u>	<u>\$ 23,404,625</u>

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, 2006

Total net changes in fund balances for year ended September 30, 2006	\$ 9,377,385
Add: Capital outlay which is considered expenditures	4,729,392
Less: Depreciation expense for the year ended September 30, 2006	(972,631)
Elimination of interfund revenues and expenditures:	
Add: Interfund transfers out	5,413,387
Less: Interfund transfers in	(5,413,387)
Less: Change in compensated absence accrual for the year ended September 30, 2006	(194,387)
Add: Capital lease payments considered as an expenditure	187,720
Add: Debt principal payments considered as an expenditure	2,181,108
Less: Current year bond premiums	(148,186)
Less: Bond issue cost amortization expense for year ended September 30, 2006	(11,842)
Add: Bond premium amortization for year ended September 30, 2006	38,275
Less: Change in accrued interest	(9,625)
Add: Donated fixed asset additions	155,155
Less: Bond financing source revenues	(9,470,000)
Add: Difference between revenue earned on property taxes on modified accrual basis versus revenue on property taxes on accrual basis	880,551
Less: Difference between revenue earned on special assessments on modified accrual basis versus revenue on special assessments on accrual basis	<u>(516,018)</u>
Change in net assets for year ended September 30, 2006	<u>\$ 6,226,897</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, 2006

ASSETS	Business-type Activities - Enterprise Funds				
	Water Fund	Wastewater Fund	Sanitation Fund	Other Enterprise	Total Current Year
Current assets:					
Cash and cash equivalents	\$ 3,911,399	\$ 11,170,961	\$ 226,688	\$ 806,402	\$ 16,115,450
Receivables:					
Accounts, net of allowance for uncollectible accounts	753,542	775,957	253,068	216,656	1,999,223
Special assessments receivable		110,538			110,538
Due from Lake City Development Corp.	70,000				70,000
Due from other funds		215,000			215,000
Total current assets	<u>4,734,941</u>	<u>12,272,456</u>	<u>479,756</u>	<u>1,023,058</u>	<u>18,510,211</u>
Non-current assets:					
Bond issuance cost, net of amortization	8,837	55,455			64,292
Total restricted assets	<u>8,837</u>	<u>55,455</u>			<u>64,292</u>
Capital assets:					
Land	380,925	1,528,020		122,264	2,031,209
Other capital assets, net of accumulated depreciation	36,389,210	56,596,190		1,306,352	94,291,752
Total capital assets (net of accumulated depreciation)	<u>36,770,135</u>	<u>58,124,210</u>		<u>1,428,616</u>	<u>96,322,961</u>
Total non-current assets	<u>36,778,972</u>	<u>58,179,665</u>		<u>1,428,616</u>	<u>96,387,253</u>
Total assets	<u>41,513,913</u>	<u>70,452,121</u>	<u>479,756</u>	<u>2,451,674</u>	<u>114,897,464</u>
LIABILITIES					
Current liabilities:					
Accounts payable	214,414	1,521,495	208,378	35,861	1,980,148
Due to other funds				215,000	215,000
Accrued interest	10,250	11,424			21,674
Current portion of compensated absences	12,913	7,427			20,340
Current portion of long-term debt	290,676				290,676
Total current liabilities	<u>528,253</u>	<u>1,540,346</u>	<u>208,378</u>	<u>250,861</u>	<u>2,527,838</u>
Non-current liabilities:					
Compensated absences	102,902	162,149		42,564	307,615
Bonds payable, net of unamortized discounts	312,169	11,509,624			11,821,793
Total non-current liabilities	<u>415,071</u>	<u>11,671,773</u>		<u>42,564</u>	<u>12,129,408</u>
Total liabilities	<u>943,324</u>	<u>13,212,119</u>	<u>208,378</u>	<u>293,425</u>	<u>14,657,246</u>
NET ASSETS					
Invested in capital assets, net of related debt	36,157,040	46,603,162		784,805	83,545,007
Unreserved	4,413,549	10,636,840	271,378	1,373,444	16,695,211
Total net assets	<u>\$ 40,570,589</u>	<u>\$ 57,240,002</u>	<u>\$ 271,378</u>	<u>\$ 2,158,249</u>	<u>\$ 100,240,218</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, 2006

	Business-type Activities - Enterprise Funds				Total
	Water Fund	Wastewater Fund	Sanitation Fund	Other Enterprise	
Operating revenues:					
Services	\$ 3,436,663	\$ 5,438,770	\$ 2,984,822	\$ 1,860,197	\$ 13,720,452
Operating expenses:					
Administration	1,290,148	943,318		344,519	2,577,985
Maintenance				107,250	107,250
Pumping	652,053				652,053
Treatment	19,227	1,467,927			1,487,154
Collection		519,397			519,397
Transportation and distribution	70,212				70,212
Supplies	11,496	46,045		54,721	112,262
Contracted services			2,487,787	395,151	2,882,938
Depreciation	1,217,361	1,458,279		93,869	2,769,509
Bad debt	412	168	79	125	784
Total operating expenses	3,260,909	4,435,134	2,487,866	995,635	11,179,544
Operating income	175,754	1,003,636	496,956	864,562	2,540,908
Nonoperating revenues and (expenses):					
Capitalization fees	767,780	2,688,385			3,456,165
Amortization	(12,634)	3,436			(9,198)
Investment income	176,894	315,907	5,996	25,291	524,088
Interest expense	(41,213)	(161,908)			(203,121)
Total nonoperating revenues and (expenses)	890,827	2,845,820	5,996	25,291	3,767,934
Income before contributions and transfers	1,066,581	3,849,456	502,952	889,853	6,308,842
Capital contributions - tap fees	1,968,392	2,367,656			4,336,048
Operating transfers in	2,096,513	6,114,485		135,000	8,345,998
Operating transfers out	(2,603,252)	(6,724,485)	(376,763)	(409,980)	(10,114,480)
Change in net assets	2,528,234	5,607,112	126,189	614,873	8,876,408
Total net assets - beginning	38,042,355	51,632,890	145,189	1,543,376	91,363,810
Total net assets - ending	\$ 40,570,589	\$ 57,240,002	\$ 271,378	\$ 2,158,249	\$ 100,240,218

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, 2006

	Water Fund	Wastewater Fund	Sanitation Fund	Other Proprietary Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 3,842,472	\$ 5,474,705	\$ 2,961,277	\$ 1,817,017	\$ 14,095,471
Payments to suppliers	(1,460,624)	(902,341)	(2,482,276)	(823,232)	(5,668,473)
Payments to employees	(1,058,238)	(1,546,281)		(284,848)	(2,889,367)
Net cash provided by operating activities	<u>1,323,610</u>	<u>3,026,083</u>	<u>479,001</u>	<u>708,937</u>	<u>5,537,631</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Operating transfers in	2,096,513	6,114,485		135,000	8,345,998
Operating transfers out	(2,603,252)	(6,724,485)	(376,763)	(409,980)	(10,114,480)
Net cash used for noncapital financing activities	<u>(506,739)</u>	<u>(610,000)</u>	<u>(376,763)</u>	<u>(274,980)</u>	<u>(1,768,482)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Bond payments	(290,676)	(750,000)			(1,040,676)
Proceeds from sale of bonds		8,312,279			8,312,279
Bond issue costs		(23,594)			(23,594)
Interest paid	(46,130)	(170,579)			(216,709)
Capital asset purchases	(3,648,162)	(9,435,602)		(384,033)	(13,467,797)
Capitalization Fees	763,456	2,711,979			3,475,435
Net cash (used) provided by financing activities	<u>(3,221,512)</u>	<u>644,483</u>		<u>(384,033)</u>	<u>(2,961,062)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	176,894	315,907	5,996	25,291	524,088
Net cash provided by investing activities	<u>176,894</u>	<u>315,907</u>	<u>5,996</u>	<u>25,291</u>	<u>524,088</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	(2,227,747)	3,376,473	108,234	75,215	1,332,175
CASH AND CASH EQUIVALENTS, beginning of year	<u>6,139,146</u>	<u>7,794,488</u>	<u>118,454</u>	<u>731,187</u>	<u>14,783,275</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 3,911,399</u>	<u>\$ 11,170,961</u>	<u>\$ 226,688</u>	<u>\$ 806,402</u>	<u>\$ 16,115,450</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 175,754	\$ 1,003,636	\$ 496,956	\$ 864,562	\$ 2,540,908
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	1,217,367	1,458,279		93,869	2,769,515
(Increase) in accounts receivable	(129,191)	(106,512)	(23,545)	(43,180)	(302,428)
Decrease in due from other funds	535,000	100,000			635,000
Decrease in due from special assessment receivable		42,447			42,447
Increase (decrease) in accounts payable	(478,186)	512,059	5,590	1,694	41,157
(Decrease) in due to other funds				(210,000)	(210,000)
Increase in compensated absences	2,866	16,174		1,992	21,032
Net cash provided by operating activities	<u>\$ 1,323,610</u>	<u>\$ 3,026,083</u>	<u>\$ 479,001</u>	<u>\$ 708,937</u>	<u>\$ 5,537,631</u>

Non-cash capital and related financing activities:

\$1,968,392 of water lines were donated to the water fund by developers.
 Developers during the year donated \$2,367,656 of sewer lines to the wastewater fund.

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, 2006**

	<u>Police Retirement Pension Trust Funds</u>	<u>Sales Tax Trust Agency Fund</u>	<u>Business Improvement District Agency Fund</u>	<u>Kootenai County Solid Waste Agency Fund</u>
ASSETS				
Cash and cash equivalents	\$ 5,232	\$ 905	\$ 97,716	\$ 11,298
Investments	1,356,152			
Due from other government unit	1,116			
Accounts receivable	18,536		15,025	164,425
Total assets	<u>1,381,036</u>	<u>\$ 905</u>	<u>\$ 112,741</u>	<u>\$ 175,723</u>
LIABILITIES				
Deferred revenue	18,536			
Accounts payable				
Deposits held and due to others			\$ 112,741	\$ 175,723
Due to other government unit		\$ 905		
Total liabilities	<u>18,536</u>	<u>\$ 905</u>	<u>\$ 112,741</u>	<u>\$ 175,723</u>
NET ASSETS				
Held in trust for pension benefits	<u>\$ 1,362,500</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, 2006**

	<u>Police Retirement Pension Trust Funds</u>
Additions	
Contributions:	
Charges for services	
Employer	\$ 152,076
Total contributions	<u>152,076</u>
Investment earnings:	
Interest	61,135
Net decrease in the fair value of investments	<u>(9,311)</u>
Total investment earnings	<u>51,824</u>
Total additions	<u>203,900</u>
Deductions	
Benefits	225,823
Trust fees	7,714
Miscellaneous	126
Payments to Kootenai County	
Total deductions	<u>233,663</u>
Change in net assets	(29,763)
Net assets, beginning of year	<u>1,392,263</u>
Net assets, end of year	<u><u>\$ 1,362,500</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, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Coeur d'Alene 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, 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 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, ID 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. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

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.

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Project Fund Government Way Phase II to administer expenditures for purpose of purchasing right of way and making major street improvements on Government Way from Interstate 90 to Dalton Ave.

Debt Service Fund accounts for the servicing of general long-term debt not being financed by proprietary funds.

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 13 and 14.

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, 2006

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 interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the government's 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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 nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods 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.

On the first Wednesday in 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, 2006

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, 2006 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, 2006

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. 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

Interfund receivables and payables arise from interfund 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, 2006.

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 May of 2000. Assets were valued at estimated historical costs, when original costs were not available. The City continues 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, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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:	
1995 Water Revenue Bonds	13
1995 Wastewater Revenue Bonds	11
2002 General Obligation Refunding Bonds	9
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, during the current period. 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, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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 58% 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, 2006, the total compensated absences payable by the City was \$2,181,948.

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, 2006

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 2005-06 Fiscal year were as follows: police retirement - .0117, liability insurance plan - .0038, library fund - .0065, general obligation bonds .0854 and general fund -.8326.

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, 2006 included the debt service fund LID #145 for (\$362,538), the capital project – Pedestrian Ramps for (\$3,455), and the capital project – Atlas Signals for (\$60,700).

NOTE 2: CASH AND INVESTMENTS

Monies held in the City treasury are pooled for the purpose of investment management. Idaho Code, Title 67, Chapter 12, provides authorization for the investment of idle funds as well as specific direction as to what constitutes an allowable investment. The City invests in those instruments identified in state statutes.

The code limits investments to the following general types:

1. Certain revenue bonds, general obligation bonds, local improvement district bonds, and registered warrants of state and local government entities.
2. Time deposit accounts, tax anticipation, and interest bearing notes.
3. Bonds, treasury bills, debentures, or other similar obligations of the United States Government and the Farm Credit System.
4. Repurchase agreements.

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2006**

NOTE 2: CASH AND INVESTMENTS (Continued)

Cash Deposits

The carrying amounts of the City's deposits with financial institutions were \$3,442,213 and the bank balance was \$4,139,610. Cash on hand on September 30, 2006 was \$2,180. The bank balance was categorized as follows:

Amount insured by the FDIC or collateralized with securities held by the City in its name	\$3,421,310
Uncollateralized	<u>718,299</u>
Total bank balance	<u>\$4,139,610</u>

Investments - Investments made by the City are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1 - Insured or registered, or securities held by the City or its agent in the City's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

	<u>Category</u>			<u>Carrying amount</u>	<u>Fair value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Repurchase Agreements U.S. government Securities	\$1,500,647	\$ -0-	\$ -0-	\$1,500,647	\$1,500,647
Investment in state investment pool				<u>15,699,935</u>	<u>15,699,935</u>
Total Investments				<u>\$36,289,775</u>	<u>\$36,289,775</u>

U.S. government issued investments are stated at fair value based on quoted market prices. Investments recorded on the City's balance sheet as of September 30, 2006 do not include the \$15,699,935 invested with the state investment pool since these funds can be withdrawn with twenty-four hours notice.

The City is a voluntary participant in the Idaho Local Government Investment Pool that is regulated by Idaho Code Section 67-1210 and 67-1210A and under the oversight of the Treasurer of the State of Idaho. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value, same as the value of the pool shares, provided by the State Pool for the entire State Pool portfolio.

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2006**

NOTE 3: ACCOUNTS RECEIVABLE

Enterprise accounts receivable consist of the following as of September 30, 2006:

Amounts due from customers	\$2,022,577
Less allowance for uncollectible accounts	<u>(23,354)</u>
	<u>\$1,999,223</u>

NOTE 4: SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable from benefited property owners of public improvements consist of the following as of September 30, 2006 and are recorded in the debt service fund:

Deferred principal amounts not currently due, but due at a future date	<u>\$1,179,491</u>
--	--------------------

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

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2006, is as follows:

Plant and equipment and accumulated depreciation are as follows:

	<u>September 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>September 30, 2006</u>
Governmental Activities:					
Land	\$ 9,178,152	\$ 728,602			\$ 9,906,754
Buildings	8,253,655	1,832,062			10,085,717
Other Improvements	2,495,930	164,857			2,660,787
Equipment	9,305,574	1,144,499	(95,988)		10,354,085
Infrastructure	<u>2,723,616</u>	<u>1,014,527</u>			<u>3,738,143</u>
Total Capital Assets	<u>31,956,927</u>	<u>4,884,547</u>	<u>(95,988)</u>	-	<u>36,745,486</u>
Less: Accumulated Depreciation					
Buildings	(3,359,933)	(222,747)			(3,582,680)
Other Improvements	(495,740)	(64,014)			(559,754)
Equipment	(6,537,739)	(532,698)	95,988		(6,974,449)
Infrastructure	<u>(255,349)</u>	<u>(153,172)</u>			<u>(408,521)</u>
Total Accumulated Depreciation	<u>(10,648,761)</u>	<u>(972,631)</u>	<u>95,988</u>	-	<u>(11,525,404)</u>
Governmental Activities capital assets net	<u>\$ 21,308,166</u>	<u>\$ 3,911,916</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,220,082</u>

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2006**

NOTE 5: CAPITAL ASSETS (Continued)

	<u>September 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>September 30, 2006</u>
Business Type Activities:					
Land	\$ 2,031,209				\$ 2,031,209
Reservoir	4,252,676	\$ 1,629,539			5,882,215
Wells and Booster Stations	5,370,751				5,370,751
Distribution System	34,535,477	2,226,376			36,761,853
Collection	29,940,444	3,014,949			32,955,393
Plant	32,857,328	8,746,220			41,603,548
Street Lights	665,432				665,432
Equipment	3,618,275	1,816,838	\$ (16,207)		5,418,906
Improvements	727,363	369,926			1,097,289
Total Capital Assets	<u>113,998,955</u>	<u>17,803,848</u>	<u>(16,207)</u>	<u>-</u>	<u>131,786,596</u>
Less: Accumulated Depreciation					
Reservoir	(991,665)	(182,102)			(1,173,767)
Wells and Booster Stations	(1,799,698)	(111,651)			(1,911,349)
Distribution System	(10,218,528)	(848,844)			(11,067,372)
Collection	(6,663,560)	(512,502)			(7,176,062)
Plant	(10,518,305)	(827,845)			(11,346,150)
Street Lights	(284,627)	(23,153)			(307,780)
Equipment	(1,976,016)	(214,838)	16,207		(2,174,647)
Improvements	(257,934)	(48,574)			(306,508)
Total Accumulated Depreciation	<u>(32,710,333)</u>	<u>(2,769,509)</u>	<u>16,207</u>	<u>-</u>	<u>(35,463,635)</u>
Business-Type Activities capital assets, net	<u>\$ 81,288,622</u>	<u>\$ 15,034,339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,322,961</u>

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

Governmental Activities:	
General Government	\$ 72,623
Public Works	318,852
Culture and Recreation	237,526
Public safety	343,630
Total depreciation expense - Governmental activities	<u>\$ 972,631</u>
Business Type Activities:	
Water	\$ 1,217,361
Waste Water	1,458,279
Street Lighting	23,153
Storm Water	37,037
Public Parks	33,679
Total depreciation expense - Business-type activities	<u>\$ 2,769,509</u>

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2006**

NOTE 6: CHANGES IN LONG-TERM DEBT

Long-term liability activity for the year ended September 30, 2006, was as follows:

	<u>Balance 10/1/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2006</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds payable	\$ 3,915,000	\$ 9,470,000	\$ (1,705,000)	\$ 11,680,000	\$ 775,000
Special assessment bonds payable	2,559,126		(366,108)	2,193,018	385,352
Deferred amounts:					
For issuance premium	120,196	148,186	(38,273)	230,109	26,223
Total bonds payable	<u>6,594,322</u>	<u>9,618,186</u>	<u>(2,109,381)</u>	<u>14,103,127</u>	<u>1,186,575</u>
Certificates of Participation	915,000		(110,000)	805,000	115,000
Lease purchase contracts payable	809,097		(187,720)	621,377	197,106
Note Payable – Component unit	457,176			457,176	457,176
Compensated absences	<u>1,659,606</u>	<u>194,387</u>		<u>1,853,993</u>	<u>126,603</u>
Governmental activities Long-term liabilities	<u>\$ 10,435,201</u>	<u>\$ 9,812,573</u>	<u>\$ (2,407,101)</u>	<u>\$ 17,840,673</u>	<u>\$ 2,082,460</u>
Business-type activities:					
Revenue bonds payable	\$ 4,629,867		\$ (1,034,238)	\$ 3,595,629	\$ 284,324
Deferred amounts:					
For issuance premium	235,938		(23,594)	212,344	23,594
For issuance discounts	<u>(14,820)</u>		<u>7,036</u>	<u>(7,784)</u>	<u>(7,036)</u>
Total bonds payable	4,850,985	-	(1,050,796)	3,800,189	300,882
State loan payable		8,312,280		8,312,280	
Compensated absences	<u>306,923</u>	<u>21,032</u>	-	<u>327,955</u>	<u>20,340</u>
Business-type activities Long-term liabilities	<u>\$ 5,157,908</u>	<u>\$ 8,333,312</u>	<u>\$ (1,050,796)</u>	<u>\$ 12,440,424</u>	<u>\$ 321,222</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 water fund at September 30, 2006 consist of the following issue:

<u>Issue</u>	<u>FY End 30-Sep</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1995 Water Revenue Refunding:	2007	5.00%	\$ 307,078	\$ 30,750	\$ 337,828
	2008	5.00%	303,551	15,250	318,801
Total 1995 water revenue refunding bonds			<u>\$ 610,629</u>	<u>\$ 46,000</u>	<u>\$ 656,629</u>

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2006**

NOTE 7: BONDS AND LEASES PAYABLE (Continued)

Revenue bonds payable from the wastewater fund at September 30, 2006 are composed of the following issues:

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

2004 Sewer Revenue Refunding Bonds	2007	3.00%	\$ 280,000	\$ 137,850	\$ 417,850
	2008	3.00%	290,000	129,450	419,450
	2009	5.00%	295,000	120,750	415,750
	2010	5.00%	310,000	106,000	416,000
	2011	5.00%	325,000	90,500	415,500
	2012	5.00%	345,000	74,250	419,250
	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
			<u>2,985,000</u>	<u>774,800</u>	<u>3,759,800</u>
Total 2004 sewer revenue bonds					
			<u>\$3,595,629</u>	<u>\$820,800</u>	<u>\$4,416,429</u>

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

General Obligation Bonds payable for the governmental activities at September 30, 2006 consist of the following issue:

Issue	FY End 30-Sep	Rate	Principal	Interest	Total
2006 Public Safety and Library Bonds:	2007	4.25%	\$ 630,000	\$ 367,750	\$ 997,750
	2008	4.25%	660,000	340,975	1,000,975
	2009	4.25%	690,000	312,550	1,002,550
	2010	4.25%	715,000	283,225	998,225
	2011	4.25%	750,000	252,838	1,002,838
	2012-2016	4.25%-4.50%	3,465,000	758,862	4,223,862
	2017-2021	4.50%-5.00%	805,000	293,750	1,098,750
	2022-2025	4.50%	790,000	90,675	880,675
Total 2006 Public Safety and Library bonds			<u>\$ 8,505,000</u>	<u>\$ 2,700,625</u>	<u>\$ 11,205,625</u>

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2006**

NOTE 7: BONDS AND LEASES PAYABLE (Continued)

General Obligation Bonds (Continued)

Issue	FY End 30-Sep	Rate	Principal	Interest	Total
2002 Street Improvement Refunding Bonds:	2007	3.75%	\$ 605,000	\$ 94,400	\$ 699,400
	2008	3.75%	675,000	71,713	746,713
	2009	4.00%	690,000	46,400	736,400
	2010	4.00%	230,000	18,800	248,800
	2011	4.00%	240,000	9,600	249,600
Total 2002 Street Improvement bonds			<u>\$ 2,440,000</u>	<u>\$ 240,913</u>	<u>\$ 2,680,913</u>

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

Special assessment bonds payable at September 30, 2006 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
#124 & 125	2007	4.00%	\$ 39,261	\$ 10,417	\$ 49,678
	2008	4.00%	40,832	8,846	49,678
	2009	4.00%	42,465	7,213	49,678
	2010	4.00%	44,165	5,513	49,678
	2011	4.00%	45,931	3,747	49,678
	2012	4.00%	47,767	1,910	49,677
#127 & #128	2007	4.00%	39,394	10,452	49,846
	2008	4.00%	40,969	8,877	49,846
	2009	4.00%	42,608	7,238	49,846
	2010	4.00%	44,313	5,533	49,846
	2011	4.00%	46,084	3,761	49,845
	2012	4.00%	47,928	1,917	49,845

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2006**

NOTE 7: BONDS AND LEASES PAYABLE (Continued)

Special Assessment Bonds (Continued)

Issue	FY End		Principal	Interest	Total
	30-Sep	Rate			
#129 & 132	2007	4.00%	31,697	17,099	48,796
	2008	4.00%	32,965	15,831	48,796
	2009	4.00%	34,283	14,513	48,796
	2010	4.00%	35,655	13,141	48,796
	2011	4.00%	37,081	11,715	48,796
	2012	4.00%	38,564	10,232	48,796
	2013	4.00%	40,107	8,689	48,796
	2014	4.00%	41,711	7,085	48,796
	2015	4.00%	43,379	5,417	48,796
	2016	4.00%	45,114	3,681	48,795
	2017	4.00%	45,745	1,877	47,622
#130, 135 & 136	2007	6.00%	75,000	32,033	107,033
	2008	6.00%	75,000	27,533	102,533
	2009	6.00%	85,000	23,033	108,033
	2010	6.05%	90,000	17,933	107,933
	2011	6.05%	35,000	12,488	47,488
	2012	6.10%	40,000	10,370	50,370
	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
#133, 139, & 142	2007	4.80%	40,000	3,860	43,860
	2008	4.85%	40,000	1,940	41,940
#137, 138 & 140	2007	5.90%	75,000	4,425	79,425
#143 & 144	2007	5.05%	20,000	3,090	23,090
	2008	5.15%	20,000	2,080	22,080
	2009	5.25%	20,000	1,050	21,050
#146	2007	3.10%	65,000	20,470	85,470
	2008	3.50%	65,000	18,455	83,455
	2009	3.90%	70,000	16,180	86,180
	2010	4.20%	70,000	13,450	83,450
	2011	4.40%	75,000	10,510	85,510
	2012	4.60%	75,000	7,210	82,210
	2013	4.70%	80,000	3,760	83,760
Total special assessment bonds payable			<u>\$2,193,018</u>	<u>\$430,739</u>	<u>\$2,623,757</u>

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2006**

NOTE 7: BONDS AND LEASES PAYABLE (Continued)

Certificates of Participation are as follows at September 30, 2006. The Certificates were issued on May 1, 2001 to finance the cost of constructing and equipping a fire station and related improvements.

Issue	FY End 30-Sep	Rate	Principal	Interest	Total
2001 Certificates of Participation:	2007	5.25%	\$ 115,000	\$ 44,473	\$ 159,473
	2008	5.35%	125,000	38,435	163,435
	2009	5.50%	130,000	31,748	161,748
	2010	5.55%	135,000	24,598	159,598
	2011	5.65%	145,000	17,105	162,105
	2012	5.75%	155,000	8,913	163,913
Total 2001 Certificates of Participation:			<u>\$805,000</u>	<u>\$165,272</u>	<u>\$970,272</u>

Capital lease purchase obligations are as follows at September 30, 2006, all of which contain purchase options throughout the lease term and are payable for the governmental activities.

Lessor	Item	Payments Due	Expiration Date	Balance September 30, 2006
Panhandle Area Council	Police Station	\$228,175 annually	October 2008	\$621,377

The following is a schedule of the future minimum lease payments at September 30, 2006 for capital leases recorded as governmental activities:

Fiscal Year Ending September 30, 2006	Capital Lease Obligations
2007	\$ 228,175
2008	228,175
2009	228,176
Total minimum lease payments	684,526
Less: Amount representing interest	(63,149)
Present value of minimum lease payment	<u>\$ 621,377</u>

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2006

NOTE 7: BONDS AND LEASES PAYABLE (Continued)

Capital lease purchase obligations (Continued)

All assets acquired under the above capital lease are recorded in the governmental activities. Total cost of such assets amount to \$1,850,000.

State loan payable: The City entered into a long-term obligation with the State of Idaho for improvements to the City's wastewater system. Re-payment of the principal balance does not begin until the project is complete. At September 30, 2006 the amount advanced from the state was \$8,312,280. Interest is being paid at 3.75%.

Note payable – Component Unit: On August 16, 2004, the Component Unit entered into a contract to purchase property at 2903 N. Ramsey on behalf of the City of Coeur d'Alene. The total purchase price was \$967,000, of which \$567,000 was paid at closing by the City of Coeur d'Alene. Repayment terms are monthly payments, due the 15th of each month, bearing interest at the rate of 6.5%. According to the agreement the interest rate is variable and is equal to the Wall Street Journal Prime Rate, plus 2%, and shall adjust monthly. A balloon payment in the amount of \$414,927 is due May 2007. The annual requirements to retire the debt are as follows:

Fiscal year ending	Rate	Principal	Interest	Total
<u>September 30,</u>				
2007	6.50%	\$ 457,176	\$ 29,716	\$ 486,892
		<u>\$ 457,176</u>	<u>\$ 29,716</u>	<u>\$ 486,892</u>

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

Year	General Obligation Bonds	Special Assessment Bonds	Lease Obligation	Compensated Absences	Certificates of Participation	Note Payable Component	Total (Memo Only)
Unknown				\$ 1,853,993			\$ 1,853,993
2007	\$ 1,405,000	\$ 385,352	\$ 197,106		\$ 115,000	\$ 457,176	2,559,634
2008	1,515,000	314,766	206,961		125,000		2,161,727
2009	1,570,000	294,356	217,310		130,000		2,211,666
2010	1,140,000	284,133			135,000		1,559,133
2011	990,000	239,096			145,000		1,374,096
Thereafter	5,060,000	675,315			155,000		5,890,315
	<u>\$ 11,680,000</u>	<u>\$ 2,193,018</u>	<u>\$ 621,377</u>	<u>\$ 1,853,993</u>	<u>\$ 805,000</u>	<u>\$ 457,176</u>	<u>17,610,564</u>
						Plus issuance premium - net	83,212
						Total Govt Long-term liabilities	<u>\$ 17,693,776</u>

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2006**

NOTE 7: BONDS AND LEASES PAYABLE (Continued)

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

Year	Water Revenue Refunding Bonds	Wastewater Revenue Refunding Bonds	Wastewater 2004 Revenue Bonds	Compensated Absences	Total (Memo Only)
Unknown				\$ 294,560	\$ 294,560
2007	\$ 307,078		\$ 280,000		587,078
2008	303,551		290,000		593,551
2009			295,000		295,000
2010			310,000		310,000
Thereafter			1,810,000		1,810,000
	<u>\$ 610,629</u>	<u>\$ -</u>	<u>\$ 2,985,000</u>	<u>\$ 294,560</u>	<u>\$ 3,890,189</u>

Capital lease purchase obligations

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, 2006.

NOTE 8: INTERFUND TRANSACTIONS

Due to/from other funds as of September 30, 2006:

Receivable Fund	Payable Fund	Amount
General Fund	General Obligation Bonds	\$ 190,388
General Fund	LID #145	362,538
Water Fund	Component Unit - LCDC	70,000
Wastewater Fund	Stormwater Fund	215,000
Total All Funds		<u>\$ 837,926</u>

Interfund transfers as of September 30, 2006:

	Transfers In	Transfers Out
General Fund	\$ 2,238,955	\$ 2,118,022
Debt Service Fund	376,000	203,609
Capital Projects	1,781,296	15,068
Nonmajor Governmental Funds	2,085,613	2,376,682
Enterprise Funds	8,345,998	10,114,481
Total Transfers	<u>\$ 14,827,862</u>	<u>\$ 14,827,862</u>

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2006

NOTE 8: INTERFUND TRANSACTIONS (Continued)

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.

The amounts due from the Stormwater Fund will be repaid as this new utility begins to charge and collect Stormwater fees beginning November of 2004.

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 property taxes levied, 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.

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, 2006, there were no liabilities in the insurance fund that were probable and could be reasonably estimated.

	<u>September 30</u> <u>2006</u>	<u>September 30</u> <u>2005</u>
Unpaid claims, beginning of fiscal year	\$	\$
Incurred claims	49,209	12,423
Claim payments	<u>49,209</u>	<u>12,423</u>
Unpaid claims, end of fiscal year	\$_____	\$_____

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

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2006

NOTE 9: SELF-INSURANCE (Continued)

Health Insurance

Eligible employees of the City of Coeur d'Alene can choose one of two health care plans offered by the City. These are Options Health Care or Blue Cross of Idaho. 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, 2006, 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.

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. Summary financial information for the water department and wastewater department are presented on the following page.

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2006**

NOTE 11: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

CONDENSED STATEMENT OF NET ASSETS

	Water Funds	Wastewater Funds
	<u> </u>	<u> </u>
Assets:		
Current assets	\$ 4,664,941	\$ 12,057,456
Due from Urban Renewal Agency	70,000	
Due from other funds	-	215,000
Bond issuance cost and bond discounts net of amortization	8,837	55,455
Capital assets	36,770,135	58,124,210
Total assets	<u>41,513,913</u>	<u>70,452,121</u>
Liabilities:		
Current liabilities	528,253	1,540,346
Noncurrent liabilities	415,071	11,671,773
Total liabilities	<u>943,324</u>	<u>13,212,119</u>
Net assets:		
debt	36,157,040	46,603,162
Unrestricted	4,413,549	10,636,840
Total net assets	<u>\$ 40,570,589</u>	<u>\$ 57,240,002</u>

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

	Water Funds	Wastewater Funds
	<u> </u>	<u> </u>
Charges for services	\$ 3,436,663	\$ 5,438,770
Depreciation expense	(1,217,361)	(1,458,279)
Other operating expenses	(2,043,548)	(2,976,855)
Operating income	175,754	1,003,636
Nonoperating revenues (expenses):		
Capitalization fees	767,780	2,688,385
Investment earnings	176,894	315,907
Interest expense	(41,213)	(161,908)
Amortization	(12,634)	3,436
Capital contributions	1,968,392	2,367,656
Operating transfer out	(506,739)	(610,000)
Change in net assets	<u>2,528,234</u>	<u>5,607,112</u>
Beginning net assets	38,042,355	51,632,890
Ending net assets	<u>\$ 40,570,589</u>	<u>\$ 57,240,002</u>

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2006**

NOTE 11: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

CONDENSED STATEMENT OF CASH FLOWS

	Water Funds	Wastewater Funds
	<u> </u>	<u> </u>
Net cash provided (used) by:		
Operating activities	\$ 1,323,610	\$ 3,026,083
Noncapital financing activities	(506,739)	(610,000)
Capital and related financing activities	(3,221,512)	644,483
Investing activities	176,894	315,907
Net increase (decrease)	<u>(2,227,747)</u>	<u>3,376,473</u>
Beginning cash and cash equivalents	6,139,146	7,794,488
Ending cash and cash equivalents	<u><u>\$ 3,911,399</u></u>	<u><u>\$ 11,170,961</u></u>

NOTE 12: DESIGNATED FUND BALANCES

General fund balances designated for specific purposes consisted of the following as of September 30, 2006.

Repavement of Rotary Tennis Courts	\$ 35,884
LID Reserve	80,000
Equipment Storage Building	30,605
Police Drug Dog	5,464
Honor Guard	953
Street Overlay	185,751
Ramsey Light Recreation	32,062
KCJA Drug Task Force	193,362
Huetter Interceptor Fees	253,650
Sick Leave Option 2	<u>116,443</u>
Total Designated	<u><u>\$934,174</u></u>

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2006**

NOTE 13: 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 Investments

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

At September 30, 2006, the carrying amount of the Corporation's deposits was \$879,976 and the bank balance was \$972,161. The cash and investments on deposit with various financial institutions are recorded at cost and categorized as follows as of September 30, 2006:

Amount insured by FDIC	\$485,176
Uninsured	<u>486,985</u>
	<u>\$972,161</u>

Capital Assets

Activity for Lake City Development Corporation fiscal year ended September 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustment</u>	<u>Ending Balance</u>
COST:				
Land	\$ 780,596	\$ 466,075		\$1,246,671
Undeveloped land	696,470			696,470
Buildings and sites	<u>1,454,376</u>	<u>866,673</u>		<u>2,321,049</u>
	<u>2,931,442</u>	<u>1,332,748</u>		<u>4,264,190</u>
ACCUMULATED DEPRECIATION:				
Buildings and sites	<u>76,598</u>	<u>49,309</u>		<u>125,907</u>
	<u>76,598</u>	<u>49,309</u>		<u>125,907</u>
Capital assets, net of accumulated depreciation	<u>\$2,854,844</u>	<u>\$1,283,439</u>		<u>\$4,138,283</u>

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2006**

NOTE 13: COMPONENT UNIT DISCLOSURES (CONTINUED)

Agency Notes Payable

On June 18, 1998, the Corporation entered into a contract with the Revocable Living Trust of Charles H. and Elizabeth M. Kimball for the purchase of property. The total purchase price was \$130,000, of which \$20,000 was paid at closing. Repayment terms are annual payments, due July 1st, bearing interest at the rate of 6.00%. 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>
2007	6.00%	\$13,301	\$1,644	\$14,945
2008	6.00%	<u>14,159</u>	<u>820</u>	<u>14,979</u>
		<u>\$27,460</u>	<u>\$2,464</u>	<u>\$29,924</u>

On September 30, 1998, the Corporation entered into a contract with Gridley Properties for the purchase of property. The total purchase price was \$84,000, of which \$10,000 was paid at closing. Repayment terms are annual payments, due September 30th, bearing interest at the rate of 7.00%. 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>
2007	7.00%	\$ 9,200	\$1,336	\$10,536
2008	7.00%	<u>10,430</u>	<u>164</u>	<u>10,594</u>
		<u>\$19,630</u>	<u>\$1,500</u>	<u>\$21,130</u>

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2006**

NOTE 13: COMPONENT UNIT DISCLOSURES (CONTINUED)

On April 23, 2001, the 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 the Corporation refinanced this note payable through Washington Trust Bank. The total 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 is due April 1, 2008. The annual requirement 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>
2007	4.15%	\$ 34,815	\$32,642	\$ 67,457
2008	4.15%	<u>769,319</u>	<u>30,665</u>	<u>799,984</u>
		<u>\$804,134</u>	<u>\$63,307</u>	<u>\$867,441</u>

On May 31, 2002, the Corporation entered into a contract to purchase property at 630 N. Lincoln Way. The total purchase price was \$75,000, of which \$15,000 was paid at closing. Repayment terms are monthly payments, due the last day of each month, bearing interest at the rate of 5.05%. A balloon payment in the amount of \$53,607 is due May 31, 2007. 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>
2007	5.05%	<u>\$54,250</u>	<u>\$1,842</u>	<u>\$56,092</u>

On June 18, 2002, the Corporation 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. Repayment terms are monthly payments, due the 25th of each month, bearing interest at the rate of 5.05%. A balloon payment in the amount o \$117,654 is due June 25, 2007. 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>
2007	5.05%	<u>\$114,802</u>	<u>\$4,664</u>	<u>\$119,466</u>

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2006**

NOTE 13: COMPONENT UNIT DISCLOSURES (Continued)

On July 19, 2002, the Corporation entered into a contract to purchase property at 620 N. Lincoln Way. 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 is due July 15, 2012. 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>
2007	4.65%	\$ 1,685	\$ 2,649	\$ 4,334
2008	4.65%	1,758	2,577	4,335
2009	4.65%	1,848	2,486	4,334
2010	4.65%	1,936	2,398	4,334
2011	4.65%	2,028	2,306	4,334
2012	4.65%	<u>47,972</u>	<u>1,868</u>	<u>49,840</u>
		<u>\$57,227</u>	<u>\$14,284</u>	<u>\$71,511</u>

On September 10, 2002, the Corporation entered into a contract to purchase property at 311 Lakeside. The total purchase price was \$86,025, of which \$9,000 was paid at closing. Repayment terms are annual payments, due September 10th, bearing interest at the rate of 8.00%. 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>
2007	8.00%	<u>\$17,829</u>	<u>\$1,517</u>	<u>\$19,346</u>

On January 10, 2003, the Corporation entered into a contract to purchase property at 622 N. Lincoln Way. The total purchase price was \$69,000, of which \$13,800 was paid at closing. Repayment terms are monthly payments of \$347.27, including interest at 4.37%. 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>
2007	4.37%	\$ 2,100	\$2,067	\$ 4,167
2008	4.37%	<u>46,264</u>	<u>1,144</u>	<u>47,408</u>
		<u>\$48,364</u>	<u>\$3,211</u>	<u>\$51,575</u>

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2006**

NOTE 13: COMPONENT UNIT DISCLOSURES (Continued)

On June 6, 2003, the Corporation entered into a contract to purchase property at 618 N. Lincoln Way. The total purchase price was \$83,000, of which \$8,300 was paid at closing. Repayment terms are monthly payments of \$452.56, including interest at 4.00%. 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>
2007	4.00%	<u>\$66,203</u>	<u>\$1,953</u>	<u>\$68,156</u>

On April 22, 2003, the Corporation entered into a contract to purchase property at 308 E. Coeur d'Alene Avenue. The total purchase price was \$218,000, of which \$43,600 was paid at closing. Repayment terms are annual payments of \$43,600 plus interest at 6.50%. 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>
2007	6.50%	<u>\$40,748</u>	<u>\$2,814</u>	<u>\$43,562</u>

On August 7, 2003, the Corporation entered into a contract to purchase property at 612 N. Lincoln Way. The total purchase price was \$83,500, of which \$16,700 was paid at closing. Repayment terms are monthly payments of \$394.75, 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>
2007	3.70%	\$ 2,574	\$ 2,163	\$ 4,737
2008	3.70%	2,671	2,066	4,737
2009	3.70%	2,772	1,965	4,737
2010	3.70%	2,876	1,861	4,737
2011	3.70%	2,984	1,753	4,737
2012	3.70%	3,097	1,640	4,737
2013	3.70%	<u>42,504</u>	<u>1,549</u>	<u>44,053</u>
		<u>\$59,478</u>	<u>\$12,997</u>	<u>\$72,475</u>

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2006**

NOTE 13: COMPONENT UNIT DISCLOSURES (Continued)

On May 21, 2004, the Corporation 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 4.75%. 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>
2007	4.75%	\$ 7,040	\$12,899	\$ 19,939
2008	4.75%	7,382	12,557	19,939
2009	4.75%	7,740	12,198	19,938
2010	4.75%	8,116	11,823	19,939
2011	4.75%	8,510	11,429	19,939
2012	4.75%	8,923	11,016	19,939
2013	4.75%	9,356	10,582	19,938
2014	4.75%	<u>217,656</u>	<u>7,335</u>	<u>224,991</u>
		<u>\$274,723</u>	<u>\$89,839</u>	<u>\$364,562</u>

On October 24, 2003, the Corporation entered into a contract to purchase property at 626 N Lincoln Way. The total purchase price was \$105,000, of which \$21,000 was paid at closing. Repayment terms are; 60 monthly payments of \$515.52, including interest at 4.12%, 59 monthly payments of \$642.55, including interest at 6.78% and a final payment of \$51,832 on 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>
2007	4.12%	\$ 3,113	\$ 3,074	\$ 6,187
2008	6.78%	3,243	2,943	6,186
2009	6.78%	3,140	4,317	7,457
2010	6.78%	3,302	4,409	7,711
2011	6.78%	3,533	4,178	7,711
2012	6.78%	3,780	3,931	7,711
2013	6.78%	4,044	3,666	7,710
2014	6.78%	<u>51,864</u>	<u>612</u>	<u>52,476</u>
		<u>\$76,019</u>	<u>\$27,130</u>	<u>\$103,149</u>

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2006**

NOTE 13: COMPONENT UNIT DISCLOSURES (Continued)

On August 16, 2004, the Corporation entered into a contract to purchase property at 2903 N. Ramsey on behalf of the City of Coeur d'Alene, see note 8. The total purchase price was \$967,000, of which \$567,000 was paid at closing by the City of Coeur d'Alene. Repayment terms are monthly payments, due the 15th of each month, bearing interest at the rate of 6.5%. According to the agreement the interest rate is variable and is equal to the Wall Street Journal Prime Rate, plus 2%, and shall adjust monthly. A balloon payment in the amount o \$414,927 is due May 2007. The annual requirements to retire the debt are as follows:

Fiscal year ending <u>September 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	6.50%	<u>\$448,680</u>	<u>\$16,630</u>	<u>\$465,310</u>

On January 4, 2005, the Corporation entered into a contract to purchase property at 632 Lincoln Way. The total purchase price was \$120,000, of which \$18,000 was paid at closing. Repayment terms are; 60 monthly payments of \$578.61, including interest at 4.29%, 59 monthly payments of \$716.41, including interest at 6.90% and a final payment of \$73,534.89 on January 15, 2015. The annual requirements to retire the debt are as follows:

Fiscal year ending <u>September 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	4.29%	\$ 2,806	\$ 4,137	\$ 6,943
2008	4.29%	2,929	4,014	6,943
2009	4.29%	3,057	3,886	6,943
2010	6.90%	2,772	5,274	8,046
2011	6.90%	2,738	5,859	8,597
2012	6.90%	2,933	5,664	8,597
2013	6.90%	3,142	5,455	8,597
2014	6.90%	3,366	5,231	8,597
2015	6.90%	<u>73,975</u>	<u>1,074</u>	<u>75,049</u>
		<u>\$97,718</u>	<u>\$40,594</u>	<u>\$138,312</u>

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2006**

NOTE 13: COMPONENT UNIT DISCLOSURES (Continued)

On March 30, 2005, the Corporation entered into a contract to purchase property at 604 Lincoln Way. The total purchase price was \$170,000, of which \$25,500 was paid at closing. Repayment terms are; 60 monthly payments of \$811.56, including interest at 4.58%, 59 monthly payments of \$1,032.80, including interest at 7.58% and a final payment of \$111,879 on April 15, 2015. The annual requirements to retire the debt are as follows:

<u>Fiscal year ending September 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	4.58%	\$ 3,386	\$ 6,353	\$ 9,739
2008	4.58%	3,544	6,195	9,739
2009	4.58%	3,710	6,029	9,739
2010	7.58%	3,399	7,446	10,845
2011	7.58%	2,927	9,467	12,394
2012	7.58%	3,156	9,238	12,394
2013	7.58%	3,404	8,990	12,394
2014	7.58%	3,671	8,723	12,394
2015	7.58%	<u>113,085</u>	<u>5,000</u>	<u>118,085</u>
		<u>\$140,282</u>	<u>\$67,441</u>	<u>\$207,723</u>

On July 14, 2005, the Corporation entered into a contract to purchase property at 608 N Lincoln Way. The total purchase price was \$220,000, of which \$33,000 was paid at closing. Repayment terms are; monthly payments of \$1,051.87, including interest at 4.55% and a final payment of \$136,079 on July 14, 2015. The annual requirements to retire the debt are as follows:

<u>Fiscal year ending September 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	4.55%	\$ 4,429	\$ 8,193	\$ 12,622
2008	4.55%	4,635	7,987	12,622
2009	4.55%	4,851	7,771	12,622
2010	4.55%	5,076	7,546	12,622
2011	4.55%	5,312	7,310	12,622
2012	4.55%	5,559	7,063	12,622
2013	4.55%	5,817	6,805	12,622
2014	4.55%	6,087	6,535	12,622
2015	4.55%	<u>140,457</u>	<u>5,209</u>	<u>145,666</u>
		<u>\$182,223</u>	<u>\$64,419</u>	<u>\$246,642</u>

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2006**

NOTE 13: COMPONENT UNIT DISCLOSURES (Continued)

On April 1, 2005, the Corporation 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 \$1,323.20, including interest at 4.58%, 59 monthly payments of \$1,683.91, including interest at 7.58% and a final payment of \$178,908.68 on April 15, 2015. The annual requirements to retire the debt are as follows:

<u>Fiscal year ending September 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	4.58%	\$ 5,615	\$ 10,263	\$ 15,878
2008	4.58%	5,878	10,000	15,878
2009	4.58%	6,153	9,725	15,878
2010	7.58%	5,682	12,000	17,682
2011	7.58%	4,966	15,241	20,207
2012	7.58%	5,356	14,851	20,207
2013	7.58%	5,776	14,431	20,207
2014	7.58%	6,230	13,977	20,207
2015	7.58%	<u>181,129</u>	<u>7,905</u>	<u>189,034</u>
		<u>\$226,785</u>	<u>\$108,393</u>	<u>\$335,178</u>

On October 14, 2005, the Corporation 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 \$1,983.78, including interest at 4.68% and a final payment of \$261,415 on October 10, 2015. The annual requirements to retire the debt are as follows:

<u>Fiscal year ending September 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	4.55%	\$ 7,841	\$ 15,934	\$ 23,775
2008	4.55%	8,214	15,561	23,775
2009	4.55%	8,605	15,170	23,775
2010	4.55%	9,014	14,761	23,775
2011	4.68%	9,079	14,723	23,802
2012	4.68%	9,490	14,315	23,805
2013	4.68%	9,954	13,851	23,805
2014	4.68%	10,442	13,363	23,805
2015	4.68%	10,953	12,852	23,805
2016	4.68%	<u>262,025</u>	<u>1,047</u>	<u>263,072</u>
		<u>\$345,617</u>	<u>\$131,577</u>	<u>\$477,194</u>

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2006**

NOTE 13: COMPONENT UNIT DISCLOSURES (Continued)

On February 17, 2016, the Corporation entered into a contract to purchase properties at 813, 815 and 817 N. 4th street. The total purchase price was \$292,500, of which \$43,875 was paid at closing. Repayment terms are; 60 monthly payments of \$1,403, including interest at 4.64%, 59 monthly payments of \$1,403, including interest at 7.62% and a final payment of \$219,238 on February 15, 2015. The annual requirements to retire the debt are as follows:

<u>Fiscal year ending September 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	4.64%	\$ 5,541	\$ 11,296	\$ 16,837
2008	4.64%	5,804	11,033	16,837
2009	4.64%	6,079	10,757	16,836
2010	4.64%	6,368	10,469	16,837
2011	7.62%	2,801	14,035	16,836
2012	7.62%	107	16,729	16,836
2013	7.62%	116	16,720	16,836
2014	7.62%	125	16,711	16,836
2015	7.62%	135	16,701	16,836
2016	7.62%	<u>218,162</u>	<u>6,956</u>	<u>225,118</u>
		<u>\$245,238</u>	<u>\$131,407</u>	<u>\$376,645</u>

On April 21, 2016, the Corporation 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 4.88% and a final payment of \$419,003 on May 5, 2015. The annual requirements to retire the debt are as follows:

<u>Fiscal year ending September 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	4.82%	\$ 11,653	\$ 27,673	\$ 39,326
2008	4.82%	12,250	27,076	39,326
2009	4.82%	12,876	26,450	39,326
2010	4.82%	13,534	25,791	39,325
2011	4.82%	14,227	25,098	39,325
2012	4.82%	14,955	24,370	39,325
2013	4.82%	15,721	23,605	39,326
2014	4.82%	16,525	22,801	39,326
2015	4.82%	17,370	21,956	39,326
2016	4.82%	<u>430,255</u>	<u>14,146</u>	<u>444,401</u>
		<u>\$559,366</u>	<u>\$238,966</u>	<u>\$798,332</u>

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2006**

NOTE 13: COMPONENT UNIT DISCLOSURES (Continued)

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. The financing is to be used on the Mill River Development project. Maturity set approximately twelve years from dated date, March 1 of 2017. Unscheduled principal payments will be 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 will be equal to 30-day LIBOR rate plus 250 basis points. The interest rate will be 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 is calculated on an actual/360-day basis. Interest is due semiannually beginning September 1, 2005. As of September 30, 2006 the Lake City Development Corporation has taken out \$3,571,078 of the available \$4,000,000.

	<u>Balance</u> <u>9/30/05</u>	<u>Additions</u>	<u>Deletion</u>	<u>Balance</u> <u>9/30/06</u>	<u>Current</u> <u>Portion</u>
Kimbal Property	\$ 40,008		\$ 12,548	\$ 27,460	\$ 13,301
Gridley Property	28,240		8,610	19,630	9,200
Washington Trust Bank	836,919		32,785	804,134	34,815
630 N. Lincoln Way	55,693		1,443	54,250	54,250
728 Sherman Avenue	118,022		3,220	114,802	114,802
620 N. Lincoln Way	58,855		1,628	57,227	1,685
311 Lakeside	34,329		16,500	17,829	17,829
622 N. Lincoln Way	50,340		1,976	48,364	2,100
618 N. Lincoln Way	68,926		2,723	66,203	66,203
308 E. CDA Avenue	87,155		46,407	40,748	40,748
612 N. Lincoln Way	61,940		2,462	59,478	2,574
515 W. Garden Ave.	281,841		7,118	274,723	7,040
626 N. Lincoln Way	78,972		2,953	76,019	3,113
2903 N. Ramsey	457,176		8,496	448,680	448,680
632 Lincoln Way	100,361		2,643	97,718	2,806
604 Lincoln Way	143,446		3,164	140,282	3,386
608 Lincoln Way	186,336		4,113	182,223	4,429
211 N. 4 th Street	232,026		5,241	226,785	5,615
Mill River Project	2,467,689	\$1,103,389		3,571,078	
712 E. Young Ave		352,750	7,133	345,617	7,841
813-817 N. 4 th St		248,625	3,387	245,238	5,541
301 E. Lakeside Ave		562,500	3,134	559,366	11,653
	<u>\$5,388,274</u>	<u>\$2,267,264</u>	<u>\$177,684</u>	<u>\$7,477,854</u>	<u>\$857,611</u>

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2006

NOTE 13: COMPONENT UNIT DISCLOSURES (Continued)

Other Liabilities

The Corporation is currently working with several interested parties on future urban development projects. None of these projects have been formalized and the Corporation has not entered into any agreements to provide funding for these projects. It is anticipated that such projects will be funded through the Corporation and tax increment financing in the future.

On August 12, 2004 the Corporation entered into an agreement to pay back the School District for taxes mistakenly remitted by Kootenai County to the Corporation. The School District agreed to take installment payments over the next three years bearing interest at the rate of 4.00%. The total tax rebate was \$99,758, of which \$24,939 was paid on September 1, 2004. 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>
2007	4.00%	<u>\$24,940</u>	<u>\$997</u>	<u>\$25,937</u>

Risk Management

The Corporation is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Corporation contracts with an insurance company for property insurance (including boiler and machinery) and general liability insurance.

An outside insurance company protects professional liability with a \$2,000,000 liability and a \$3,000,000 umbrella. Errors and omissions liability has a \$2,000,000 liability with \$2,000,000 in the aggregate annually per insured. Additionally, crime, boiler and machinery insurance is maintained. Automobile liability has a \$2,000,000 single limit of liability.

AJW Ramsey Road Property Acquisition

AJW Ramsey Road Property Acquisition Background: On May 1, 2002, at an option cost of \$35,000, the LCDC entered into a one year "Option to Purchase Real Property" agreement with AJW Properties, LLC, owners of the 12+/- acre industrial site located on Ramsey Road, for an appraised purchase price of \$967,000. The Option Agreement included a one year extension clause, able to be invoked by the LCDC or the City of Coeur d'Alene (City), at a price of \$5,000 per month for 12 months. The Option Agreement extension clause was exercised by the City on April 30, 2003.

On August 16, 2004 the LCDC, in a facilitation partnership arrangement with the City, exercised the option to purchase the AJW Ramsey Road property for the original appraised price of \$967,000 less accumulated option consideration of \$100,000. The LCDC signed a Promissory Note with AJW Properties, LLC for \$467,000 stipulating a monthly principal and interest payment plan for three years, yielding a balloon payment due May 1, 2007.

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2006

NOTE 13: COMPONENT UNIT DISCLOSURES (Continued)

Due to the facilitation role of the LCDC, the AJW Ramsey Road property asset (land and buildings) is not shown as an asset on the LCDC's balance sheet, but is disclosed as an asset on the City's balance sheet. However, LCDC, as the facilitator for this purchase, does show a note due from the City of \$457,176 (as of fiscal 2006 year end) as an asset on the LCDC balance sheet.

The LCDC facilitates the \$4,000 monthly Promissory Note payment with monthly revenue receipts obtained from the City and a lessee utilizing a portion of the AJW Ramsey Road site. It is the intent of the LCDC to continue to facilitate the payment of the Promissory Note with AJW Properties, LLC on behalf of the City until the debt associated with the AJW Ramsey Road property is retired.

Deficit Fund Balance

A deficit fund balance exists in the River District Fund in the amount of \$(15,567).

Expenditures over appropriations

The General Fund and the River District Fund had excess of expenditures over appropriations for the year ended September 30, 2006 as follows:

	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess (Deficit) of Actual over Budgeted Expenditures</u>
General Fund	<u>\$1,442,467</u>	<u>\$2,323,196</u>	<u>\$(880,729)</u>
River District Fund	<u>\$141,665</u>	<u>\$1,210,367</u>	<u>\$1,068,702</u>

Subsequent events

Lake District: In fiscal year 2004, the Agency agreed to release the Coeur d'Alene Library Foundation from all debt liability associated with the Jameson property (Library site), contingent on the passage of a community bond measure and the successful completion of Foundation fund raising efforts. In fiscal year 2005, a \$3 million community bond measure was approved by voters, and the Foundation continued their fund raising efforts. At the time of this report (February 2007), the Agency has released the Foundation from its outstanding debt obligation relative to the Library site totaling approximately \$446,893.

Lake District: In fiscal year 2004, the Agency, acting as a facilitator in a partnership arrangement with the City of Coeur d'Alene (the City), purchased the AJW Ramsey Road site. During fiscal year 2006, the Agency continued its facilitator role with the City, and ended its facilitator role following transfer of the asset to the City in November 2006.

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2006

NOTE 14: 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, ID 83702.

After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. Effective June 30, 2000, the annual service retirement allowance for each month of credited service is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive forty-two months.

For the period October 1, 2005 through September 30, 2006, 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 7.65% for police/firefighter employees. The City of Coeur d'Alene's contributions required and paid were \$1,978,538, \$1,801,186, and \$1,623,907 for the three years ended September 30, 2006, 2005, and 2004, 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 nine members and four spouses currently receiving benefits. There are no terminated members entitled to but not yet receiving benefits. Separate financial statements are not issued for The Police Retirement Fund.

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

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2006

NOTE 14: 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 an 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, 2005. 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 5.25% and investment returns of 6.75%. Any adverse future experience of the Fund will require an increase in the minimum recommended contribution of \$152,000.

There are no long-term contracts for contributions to the plan or any legally required reserves. Investments at year end included cash equivalents of \$249,250 and U.S. Government issues of \$1,157,627. 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, 2006**

NOTE 14: DEFINED BENEFIT PENSION PLAN (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.

Funding Policy (Continued)

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, 2005. 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)	\$142,389
Interest to EOY*	<u>9,611</u>
ARC at EOY	152,000
Interest on NPO	(183)
Adjustment to NPO	<u>207</u>
Annual Pension Cost (APC)	152,024
Employer Contributions	<u>152,076</u>
Change in NPO	(52)
NPO at BOY	<u>(2,690)</u>
NPO at EOY	<u>\$ (2,742)</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)

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2006

NOTE 15: POST EMPLOYMENT HEALTH PLANS

The City has a Post Employment Health Plan for all full time employees, and some part-time employees. The City makes semi-monthly contributions to a medical trust established under IRS code section 501(c)(9) on behalf of the participants utilizing existing funding sources. Individual accounts are established for the benefit of and are the property of each participant. Each participant is responsible for selecting the investment vehicle for his/her account. The employee may use the accumulated balance for IRS allowable medical expenses for themselves and qualified dependents. The City has no ongoing responsibility for the trust and has not recorded it in the financial statements.

NOTE 16: SUBSEQUENT EVENTS

On February 20, 2007 the City Council approved a User Agreement and Covenant Regarding Use (the Agreement) with the Coeur d'Alene Parks Foundation. The Agreement identified and made findings regarding community recreational needs, described the recreational facility that would address these needs and also contained various duties and responsibilities of the parties to the Agreement regarding the operation and use of any community recreational facility. The Agreement contains specific provisions prohibiting unlawful discrimination and also states that no user of the recreational facility shall be subject to or obligated to engage in any religious or spiritual activity as a prerequisite for access to or use of the recreational facility. The Salvation Army intends to build a recreational facility in Coeur d'Alene. The City Council approved \$3,000,000.00 expenditure from the General Fund, Fund Balance.

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, 2006

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 10,727,860	\$ 10,727,860	\$ 11,035,118	\$ 307,258
Licenses and permits	3,128,100	3,816,945	4,049,727	232,782
Intergovernmental	5,859,985	6,459,152	6,610,417	151,265
Charges for services	228,850	309,397	255,010	(54,387)
Fines and forfeits	307,000	317,367	449,434	132,067
Interest	60,000	189,479	456,548	267,069
Miscellaneous	392,626	443,675	115,631	(328,044)
Total revenues	<u>20,704,421</u>	<u>22,263,875</u>	<u>22,971,885</u>	<u>708,010</u>
Expenditures:				
Current:				
General government	4,507,628	4,588,505	4,150,376	438,129
Public safety	11,838,123	11,904,490	11,365,522	538,968
Public works	3,982,274	4,439,114	3,831,622	607,492
Culture and recreation	1,809,671	1,830,066	1,790,520	39,546
Capital outlay	807,026	1,022,431	746,724	275,707
Debt service:				
Principal payments			297,720	(297,720)
Interest expense			106,259	(106,259)
Total expenditures	<u>22,944,722</u>	<u>23,784,606</u>	<u>22,288,743</u>	<u>1,495,863</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,240,301)</u>	<u>(1,520,731)</u>	<u>683,142</u>	<u>2,203,873</u>
Other financing sources (uses):				
Operating transfers in	2,033,035	2,033,035	2,238,957	205,922
Operating transfers out	(79,822)	(1,889,822)	(2,118,022)	(228,200)
Proceeds from capital lease				
Total other financing sources (uses)	<u>1,953,213</u>	<u>143,213</u>	<u>120,935</u>	<u>(22,278)</u>
Net change in fund balances	(287,088)	(1,377,518)	804,077	2,181,595
Fund balances - beginning of year	<u>287,088</u>	<u>1,377,518</u>	<u>5,466,454</u>	<u>4,088,936</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,270,531</u>	<u>\$ 6,270,531</u>

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 Contributed
9/30/98	\$150,612	\$150,000	100.41%
9/30/99	152,912	152,000	99.94%
9/30/00	151,262	152,000	99.51%
9/30/01	152,967	152,000	100.64%
9/30/02	151,656	152,000	99.77%
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%

*Assumed contribution will be replaced with actual value when available.

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
9/30/97	\$1,354,000	\$3,348,000	\$1,994,000	40.44%	\$0*	N/A
9/30/98	1,433,000	3,348,000	1,915,000	42.80%	\$0*	N/A
9/30/99	1,361,000	3,245,000	1,884,000	41.94%	\$0*	N/A
9/30/00	1,383,000	3,245,000	1,862,000	42.62%	\$0*	N/A
9/30/01	1,490,000	3,279,000	1,789,000	45.44%	\$0*	N/A
9/30/02	1,536,000	3,279,000	1,743,000	46.84%	\$0*	N/A
9/30/03	1,504,463	3,309,100	1,804,637	45.46%	\$0*	N/A
9/30/04	1,444,393	3,309,100	1,864,707	43.64%	\$0*	N/A
9/30/05	1,392,263	3,103,307	1,711,044	43.65%	\$0*	N/A
9/30/06	1,362,500	3,103,307	1,740,807	43.91%	\$0*	N/A

- All members are retired.

City of Coeur d'Alene, Idaho

**REQUIRED SUPPLEMENTARY INFORMATION – (Continued)
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, 2000	\$152,005	100%	\$225
September 30, 2001	151,997	101%	(745)
September 30, 2002	152,010	100%	(391)
September 30, 2003	152,008	100%	(778)
September 30, 2004	152,010	100%	(1,374)
September 30, 2005	152,014	100%	(2,714)
September 30, 2006	152,024	100%	(2,690)

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
9/30/98	\$ 150,000	\$ 0	\$ 0	\$ 150,000	\$150,612	\$(612)	\$(612)	\$(612)	-	-	\$(612)
9/30/99	152,000	(41)	(47)	152,006	151,912	94	(518)	88	13.01	\$(47)	(518)
9/30/00	152,000	(35)	(40)	152,005	151,262	743	225	738	12.85	(40)	225
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)	(2,690)	-0-	13.10	(207)	(2,690)

*Only nine years of information is available.

FINANCIAL SECTION

OTHER SUPPLEMENTARY INFORMATION

City of Coeur d'Alene, Idaho

**COMBINING BALANCE SHEET - BY FUND TYPE
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2006**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 5,541,768	\$ 1,219,823	\$ 1,150,629	\$ 7,912,220
Investments	1,957,180			1,957,180
Receivables:				
Taxes delinquent	21,841	118		21,959
Accounts	10,461			10,461
Assessments:				
Delinquent		1,176		1,176
Deferred		1,179,491		1,179,491
Due from other governments	7,620		18,194	25,814
	<u>7,620</u>		<u>18,194</u>	<u>25,814</u>
Total assets	<u>\$ 7,538,870</u>	<u>\$ 2,400,608</u>	<u>\$ 1,168,823</u>	<u>\$ 11,108,301</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 63,093		\$ 101,031	\$ 164,124
Due to other funds		\$ 362,538		362,538
Deposits		1,032		1,032
Deferred revenues	21,841	1,179,741		1,201,582
Total liabilities	<u>84,934</u>	<u>1,543,311</u>	<u>101,031</u>	<u>1,729,276</u>
Fund balances:				
Reserved	7,377,543	693,765	25,249	8,096,557
Unreserved, undesignated	76,393	163,532	1,042,543	1,282,468
Total fund balances	<u>7,453,936</u>	<u>857,297</u>	<u>1,067,792</u>	<u>9,379,025</u>
Total liabilities and fund balances	<u>\$ 7,538,870</u>	<u>\$ 2,400,608</u>	<u>\$ 1,168,823</u>	<u>\$ 11,108,301</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, 2006**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:				
Taxes	\$ 906,363			\$ 906,363
Intergovernmental	336,857		\$ 195,835	532,692
Charges for services	1,575,188			1,575,188
Fines and forfeits	9,639			9,639
Assessments collected		\$ 516,018		516,018
Investment income	571		11,232	11,803
Unrealized (loss) on investments	(8,085)			(8,085)
Interest	278,164			278,164
Contributions			139,342	139,342
Miscellaneous	39,252			39,252
Penalty and interest		69,921		69,921
Total revenues	<u>3,137,949</u>	<u>585,939</u>	<u>346,409</u>	<u>4,070,297</u>
Expenditures:				
Current:				
General government	824,604			824,604
Culture and recreation	986,938			986,938
Administrative expenses			101,272	101,272
Capital outlay	828,943		1,246,088	2,075,031
Debt service:				
Principal payments		366,107		366,107
Interest, fees and other		129,183		129,183
Total expenditures	<u>2,640,485</u>	<u>495,290</u>	<u>1,347,360</u>	<u>4,483,135</u>
Excess (deficiency) of revenues over (under) expenditures	<u>497,464</u>	<u>90,649</u>	<u>(1,000,951)</u>	<u>(412,838)</u>
Other financing sources (uses):				
Operating transfers in	2,085,610	76,000	2,481,302	4,642,912
Operating transfers out	<u>(2,376,682)</u>	<u>(776,006)</u>	<u>(15,068)</u>	<u>(3,167,756)</u>
Total other financing sources (uses)	<u>(291,072)</u>	<u>(700,006)</u>	<u>2,466,234</u>	<u>1,475,156</u>
Net change in fund balances	206,392	(609,357)	1,465,283	1,062,318
Fund balances - beginning of year	<u>7,247,544</u>	<u>1,466,654</u>	<u>(397,491)</u>	<u>8,316,707</u>
Fund balances - end of year	<u>\$ 7,453,936</u>	<u>\$ 857,297</u>	<u>\$ 1,067,792</u>	<u>\$ 9,379,025</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.

Insurance Fund – To account for funds received from transfers from other funds and property taxes to pay for the preparation, investigation, adjusting, defending, and settling of claims and/or lawsuits filed against the City. This fund does not pay the costs associated with claims filed against the proprietary funds.

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 50% 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.

City of Coeur d'Alene, Idaho

**Nonmajor Governmental Funds
Special Revenue Funds
(Continued)**

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.

Playground Fund – To account for funds set aside to maintain the Fort Sherman Playground in City Park.

KCATT Fund – To account for grant funds and interest earnings received to fund a twenty year Kootenai County Area Transportation Plan.

Public Art Fund – To account for funds received from construction projects of the City of Coeur d'Alene.

KMPO Fund – To account for grants, contributions from participating agencies, and expenditures of the Kootenai Metropolitan Planning Organization.

City of Coeur d'Alene, Idaho

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2006

	<u>Library</u>	<u>Cemetery</u>	<u>Annexation Fees</u>	<u>Impact Fees</u>	<u>Parks Capital Improvements</u>	<u>Insurance</u>
ASSETS						
Cash and cash equivalents	\$ 37,980	\$ 12,894	\$ 54,875	\$2,442,920	\$ 500,025	\$1,992,251
Investments						
Receivables:						
Taxes delinquent	11,926					9,915
Accounts		3,908			6,553	
Due from other governments	6,252					368
Total assets	<u>\$ 56,158</u>	<u>\$ 16,802</u>	<u>\$ 54,875</u>	<u>\$2,442,920</u>	<u>\$ 506,578</u>	<u>\$2,002,534</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 7,040	\$ 9,530			\$ 40,133	\$ 1,665
Deferred revenues	11,926					9,915
Total liabilities	<u>18,966</u>	<u>9,530</u>			<u>40,133</u>	<u>11,580</u>
Fund balances:						
Reserved	37,192			\$2,442,920	466,445	1,990,954
Unreserved, undesignated		7,272	\$ 54,875			
Total fund balances	<u>37,192</u>	<u>7,272</u>	<u>54,875</u>	<u>2,442,920</u>	<u>466,445</u>	<u>1,990,954</u>
Total liabilities and fund balances	<u>\$ 56,158</u>	<u>\$ 16,802</u>	<u>\$ 54,875</u>	<u>\$2,442,920</u>	<u>\$ 506,578</u>	<u>\$2,002,534</u>

<u>Cemetery Perpetual Care</u>	<u>Reforestation</u>	<u>Art Commission</u>	<u>Jewett House</u>	<u>Playground</u>	<u>KCATT</u>	<u>Public Art</u>	<u>KMPO</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$1,957,180	\$ 191,281	\$ 726	\$ 4,897	\$ 6,986	\$ 3,105	\$ 258,631	\$ 35,197	\$ 5,541,768 1,957,180
	1,000							21,841 10,461 7,620
<u>\$1,957,180</u>	<u>\$ 192,281</u>	<u>\$ 726</u>	<u>\$ 4,897</u>	<u>\$ 6,986</u>	<u>\$ 3,105</u>	<u>\$ 258,631</u>	<u>\$ 35,197</u>	<u>\$ 7,538,870</u>
	\$ 3,221	\$ 330	\$ 383	\$ 755		\$ 36		\$ 63,093 21,841
	<u>3,221</u>	<u>330</u>	<u>383</u>	<u>755</u>		<u>36</u>		<u>84,934</u>
\$1,957,180	189,060					258,595	\$ 35,197	7,377,543
		396	4,514	6,231	\$ 3,105			76,393
<u>1,957,180</u>	<u>189,060</u>	<u>396</u>	<u>4,514</u>	<u>6,231</u>	<u>3,105</u>	<u>258,595</u>	<u>35,197</u>	<u>7,453,936</u>
<u>\$1,957,180</u>	<u>\$ 192,281</u>	<u>\$ 726</u>	<u>\$ 4,897</u>	<u>\$ 6,986</u>	<u>\$ 3,105</u>	<u>\$ 258,631</u>	<u>\$ 35,197</u>	<u>\$ 7,538,870</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, 2006**

	<u>Library</u>	<u>Cemetery</u>	<u>Annexation Fees</u>	<u>Impact Fees</u>	<u>Parks Capital Improvements</u>	<u>Insurance</u>
Revenues:						
Taxes	\$ 856,336					\$ 50,027
Intergovernmental					\$ 24,360	
Charges for services	1,095	\$ 113,202	\$ 47,250	\$ 1,267,479	106,563	
Fines and forfeits	9,639					
Investment income						
Unrealized gain (loss) on investments						
Interest	2,149	283	3,620	116,840	18,071	36,261
Miscellaneous	3,151	3,826				
Total revenues	<u>872,370</u>	<u>117,311</u>	<u>50,870</u>	<u>1,384,319</u>	<u>148,994</u>	<u>86,288</u>
Expenditures:						
Current:						
General government		204,941				247,426
Culture and recreation	861,033				125,905	
Capital outlay	43,408	13,440			772,095	
Total expenditures	<u>904,441</u>	<u>218,381</u>			<u>898,000</u>	<u>247,426</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(32,071)</u>	<u>(101,070)</u>	<u>50,870</u>	<u>1,384,319</u>	<u>(749,006)</u>	<u>(161,138)</u>
Other financing sources (uses):						
Operating transfers in		160,322			708,336	1,111,243
Operating transfers out		(31,413)	(410,000)	(1,831,832)	(3,437)	
Total other financing sources (uses)		<u>128,909</u>	<u>(410,000)</u>	<u>(1,831,832)</u>	<u>704,899</u>	<u>1,111,243</u>
Net change in fund balances	(32,071)	27,839	(359,130)	(447,513)	(44,107)	950,105
Fund balances - beginning of year	69,263	(20,567)	414,005	2,890,433	510,552	1,040,849
Fund balances - end of year	<u>\$ 37,192</u>	<u>\$ 7,272</u>	<u>\$ 54,875</u>	<u>\$ 2,442,920</u>	<u>\$ 466,445</u>	<u>\$ 1,990,954</u>

<u>Cemetery Perpetual Care</u>	<u>Reforestation</u>	<u>Art Commission</u>	<u>Jewett House</u>	<u>Playground</u>	<u>KCATT</u>	<u>Public Art</u>	<u>KMPO</u>	<u>Total Nonmajor Special Revenue Funds</u>
	\$ 1,000	\$ 4,807				\$ 34,792	\$ 311,497	\$ 906,363
			\$ 290	\$ 281				336,857
\$ (8,085)								1,575,188
85,622	6,674	36			\$ 110	7,036	1,462	9,639
	27,508	100	4,577	90				571
								(8,085)
								278,164
<u>77,537</u>	<u>35,182</u>	<u>4,943</u>	<u>4,867</u>	<u>371</u>	<u>110</u>	<u>41,828</u>	<u>312,959</u>	<u>39,252</u>
11,016	6,849	5,428	13,347	1,732		25,297	308,568	824,604
								986,938
								828,943
<u>11,016</u>	<u>6,849</u>	<u>5,428</u>	<u>13,347</u>	<u>1,732</u>		<u>25,297</u>	<u>308,568</u>	<u>2,640,485</u>
66,521	28,333	(485)	(8,480)	(1,361)	110	16,531	4,391	497,464
51,412		1,000	9,000			44,297		2,085,610
(90,000)						(10,000)		(2,376,682)
<u>(38,588)</u>		<u>1,000</u>	<u>9,000</u>			<u>34,297</u>		<u>(291,072)</u>
27,933	28,333	515	520	(1,361)	110	50,828	4,391	206,392
<u>1,929,247</u>	<u>160,727</u>	<u>(119)</u>	<u>3,994</u>	<u>7,592</u>	<u>2,995</u>	<u>207,767</u>	<u>30,806</u>	<u>7,247,544</u>
<u>\$1,957,180</u>	<u>\$ 189,060</u>	<u>\$ 396</u>	<u>\$ 4,514</u>	<u>\$ 6,231</u>	<u>\$ 3,105</u>	<u>\$ 258,595</u>	<u>\$ 35,197</u>	<u>\$ 7,453,936</u>

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 #126 – 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 Sherman Ave. in 1990.

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 #133/139/142 – 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, and installing curbs and sidewalks on East Sherman and various gravel streets in the City. LID 142 was created for the purpose of financing wastewater capitalization fees for homeowners required to hook up to the sanitary sewer system.

City of Coeur d'Alene, Idaho

Debt Service Funds (Continued)

LID #137/138/140 – 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, and installing curbs and sidewalks on Government Way and Kathleen Avenue. LID 140 was created for the purpose of financing wastewater capitalization fees for homeowners required to hook up to the sanitary sewer system.

LID #143/144 – Accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies created for the purpose of connecting Lunceford and Neider Avenues, and installing curbs and sidewalks. LID 144 was created for the purpose of financing wastewater capitalization fees for homeowners required to hook up to the sanitary sewer system.

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 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, 2006**

	<u>LID</u> <u>#124/125</u>	<u>LID</u> <u>#126</u>	<u>LID</u> <u>#127/128</u>	<u>LID</u> <u>#129/132</u>	<u>LID</u> <u>#130/135/136</u>
ASSETS					
Cash and cash equivalents	\$ 109,214		\$ 103,178	\$ 266,093	\$ 237,782
Receivables:					
Taxes					
Delinquent	1,009			7	
Deferred	<u>30,445</u>		<u>50,191</u>	<u>94,698</u>	<u>122,070</u>
Total assets	<u>\$ 140,668</u>		<u>\$ 153,369</u>	<u>\$ 360,798</u>	<u>\$ 359,852</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Deposits					
Due to other funds					
Deferred revenue	\$ 30,445		\$ 50,191	\$ 94,698	\$ 122,070
Total liabilities	<u>30,445</u>		<u>50,191</u>	<u>94,698</u>	<u>122,070</u>
Fund balances:					
Reserved	110,223		103,178	266,100	237,782
Unreserved, undesignated					
Total fund balances	<u>110,223</u>		<u>103,178</u>	<u>266,100</u>	<u>237,782</u>
Total liabilities and fund balance	<u>\$ 140,668</u>		<u>\$ 153,369</u>	<u>\$ 360,798</u>	<u>\$ 359,852</u>

<u>LID #133/139/142</u>	<u>LID #137/138/140</u>	<u>LID #143/144</u>	<u>LID #145</u>	<u>LID #146</u>	<u>LID #148</u>	<u>LID Guarantee Fund</u>	<u>Total Nonmajor Debt Service Funds</u>
\$ 45,401	\$ 74,233	\$ 24,212		\$ 196,180		\$ 163,530	\$ 1,219,823
	26					118	118
<u>31,279</u>	<u>30,523</u>	<u>37,206</u>	<u>\$ 360,088</u>	<u>312,819</u>	<u>\$ 134 110,172</u>		<u>1,176 1,179,491</u>
<u>\$ 76,680</u>	<u>\$ 104,782</u>	<u>\$ 61,418</u>	<u>\$ 360,088</u>	<u>\$ 508,999</u>	<u>\$ 110,306</u>	<u>\$ 163,648</u>	<u>\$ 2,400,608</u>
				\$ 1,032			\$ 1,032
\$ 31,279	\$ 30,523	\$ 37,206	\$ 362,538 360,088	312,819	\$ 110,306	\$ 116	\$ 362,538 1,179,741
<u>31,279</u>	<u>30,523</u>	<u>37,206</u>	<u>722,626</u>	<u>313,851</u>	<u>110,306</u>	<u>116</u>	<u>1,543,311</u>
45,401	74,259	24,212	(362,538)	195,148			693,765
						163,532	163,532
<u>45,401</u>	<u>74,259</u>	<u>24,212</u>	<u>(362,538)</u>	<u>195,148</u>		<u>163,532</u>	<u>857,297</u>
<u>\$ 76,680</u>	<u>\$ 104,782</u>	<u>\$ 61,418</u>	<u>\$ 360,088</u>	<u>\$ 508,999</u>	<u>\$ 110,306</u>	<u>\$ 163,648</u>	<u>\$ 2,400,608</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, 2006

	<u>LID</u> <u>#124/125</u>	<u>LID</u> <u>#126</u>	<u>LID</u> <u>#127/128</u>	<u>LID</u> <u>#129/132</u>	<u>LID</u> <u>#130 135/136</u>
Revenues:					
Assessments collected	\$ 6,095		\$ 8,036	\$ 18,291	\$ 42,961
Penalty and interest	1,904		2,616	6,708	9,811
Total revenues	<u>7,999</u>		<u>10,652</u>	<u>24,999</u>	<u>52,772</u>
Expenditures:					
Bond principal	37,752		37,878	30,477	70,000
Interest, fees and other	12,315		12,550	19,374	38,389
Total expenditures	<u>50,067</u>		<u>50,428</u>	<u>49,851</u>	<u>108,389</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(42,068)</u>		<u>(39,776)</u>	<u>(24,852)</u>	<u>(55,617)</u>
Other financing sources (uses):					
Operating transfers in					
Operating transfers out					
Total other financing sources (uses)					
Net change in fund balances	(42,068)		(39,776)	(24,852)	(55,617)
Fund balances - beginning of year	<u>152,291</u>		<u>142,954</u>	<u>290,952</u>	<u>293,399</u>
Fund balances - end of year	<u>\$ 110,223</u>		<u>\$ 103,178</u>	<u>\$ 266,100</u>	<u>\$ 237,782</u>

<u>LID</u> <u>#133/139/142</u>	<u>LID</u> <u>#137/138/140</u>	<u>LID</u> <u>#143/144</u>	<u>LID</u> <u>#145</u>	<u>LID</u> <u>#146</u>	<u>Guarantee</u> <u>Fund</u>	<u>Total</u> <u>Debt Service</u> <u>Funds</u>
\$ 20,336	\$ 31,555	\$ 13,099	\$ 337,468	\$ 36,373	\$ 1,804	\$ 516,018
6,495	4,330	3,731		26,432	7,894	69,921
<u>26,831</u>	<u>35,885</u>	<u>16,830</u>	<u>337,468</u>	<u>62,805</u>	<u>9,698</u>	<u>585,939</u>
40,000	70,000	20,000		60,000		366,107
6,222	9,685	4,564		26,084		129,183
<u>46,222</u>	<u>79,685</u>	<u>24,564</u>		<u>86,084</u>		<u>495,290</u>
<u>(19,391)</u>	<u>(43,800)</u>	<u>(7,734)</u>	<u>337,468</u>	<u>(23,279)</u>	<u>9,698</u>	<u>90,649</u>
	76,000		(700,006)		(76,000)	76,000 (776,006)
	76,000		(700,006)		(76,000)	(700,006)
(19,391)	32,200	(7,734)	(362,538)	(23,279)	(66,302)	(609,357)
64,792	42,059	31,946		218,427	229,834	1,466,654
<u>\$ 45,401</u>	<u>\$ 74,259</u>	<u>\$ 24,212</u>	<u>\$(362,538)</u>	<u>\$ 195,148</u>	<u>\$ 163,532</u>	<u>\$ 857,297</u>

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.

Seltice Way Fund – To administer expenditures for the purpose of reconstruction and widening from Northwest Boulevard to the railroad bridge.

4th Street – To account for funds held to be used in the future for traffic mitigation in the Heartland Subdivision.

Government Way Phase II – To administer expenditures for the purpose of reconstructing and widening of Government Way from Appleway Avenue to Dalton Avenue.

4th Street Lunceford to Dalton – To account for funds received from rental property that will be demolished in the future to accommodate new street construction, connecting two east west arterials.

Pedestrian Ramps – To administer expenditures for the purpose of installing handicapped accessible pedestrian ramps at street intersections.

Ramsey Road – To administer expenditures for the purpose of reconstructing and widening Ramsey Road from Hanley North to Prairie Avenue.

Atlas Signals – To administer expenditures for the purpose of installing two traffic lights on Atlas Road.

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

Ironwood Fund – To account for funds set aside for the purchase of right of way needed for future street construction.

City of Coeur d'Alene, Idaho
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
September 30, 2006

	<u>Seltice Way</u>	<u>4TH Street</u>	<u>Govt Way Phase II</u>	<u>4th St. Lunceford To Dalton</u>
ASSETS				
Cash and cash equivalents	\$ 67,689	\$ 1,428	\$ 25,249	\$ 19,289
Due from other government	18,194			
Total assets	<u><u>\$ 85,883</u></u>	<u><u>\$ 1,428</u></u>	<u><u>\$ 25,249</u></u>	<u><u>\$ 19,289</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,150			
Total liabilities	<u><u>1,150</u></u>			
Fund balances:				
Reserved			\$ 25,249	
Unreserved, undesignated	\$ 84,733	\$ 1,428		\$ 19,289
Total fund balances	<u><u>84,733</u></u>	<u><u>1,428</u></u>	<u><u>25,249</u></u>	<u><u>19,289</u></u>
Total liabilities and fund balances	<u><u>\$ 85,883</u></u>	<u><u>\$ 1,428</u></u>	<u><u>\$ 25,249</u></u>	<u><u>\$ 19,289</u></u>

<u>Pedestrian Ramps</u>	<u>Ramsey Road</u>	<u>Atlas Signals</u>	<u>15th St. Lunceford To Dalton</u>	<u>Ironwood</u>	<u>Nonmajor Capital Project Funds</u>
	\$ 686,231	\$ 32,877	\$ 237,866	\$ 80,000	\$ 1,150,629
					18,194
	<u>\$ 686,231</u>	<u>\$ 32,877</u>	<u>\$ 237,866</u>	<u>\$ 80,000</u>	<u>\$ 1,168,823</u>
<u>\$ 3,455</u>	<u>\$ 2,849</u>	<u>\$ 93,577</u>			<u>\$ 101,031</u>
<u>3,455</u>	<u>2,849</u>	<u>93,577</u>			<u>101,031</u>
(3,455)	683,382	(60,700)	\$ 237,866	\$ 80,000	25,249
(3,455)	<u>683,382</u>	<u>(60,700)</u>	<u>237,866</u>	<u>80,000</u>	<u>1,042,543</u>
	<u>\$ 686,231</u>	<u>\$ 32,877</u>	<u>\$ 237,866</u>	<u>\$ 80,000</u>	<u>\$ 1,168,823</u>

City of Coeur d'Alene, Idaho

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECTS FUNDS
For the fiscal year ended September 30, 2006**

	<u>Seltice Way</u>	<u>4th Street</u>	<u>Govt Way Phase II</u>	<u>4th St. Lunceford To Dalton</u>
Revenues:				
Contributions	\$ 10,000			\$ 4,701
Intergovernmental	139,544		\$ 18,771	37,520
Investment Income				6,755
Total revenues	<u>149,544</u>		<u>18,771</u>	<u>48,976</u>
Expenditures:				
Administrative expense	4,600		4,233	3,565
Capital outlay	132,220			372,525
Total expenditures	<u>136,820</u>		<u>4,233</u>	<u>376,090</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,724</u>		<u>14,538</u>	<u>(327,114)</u>
Other financing sources (uses):				
Operating transfers in	1,178		700,006	459,578
Operating transfers out	<u>(657)</u>		<u>(1,178)</u>	<u>(6,859)</u>
Total other financing sources (uses)	<u>521</u>		<u>698,828</u>	<u>452,719</u>
Net change in fund balances	13,245		713,366	125,605
Fund balance - beginning of year	<u>71,488</u>	\$ 1,428	<u>(688,117)</u>	<u>(106,316)</u>
Fund balance - end of year	<u>\$ 84,733</u>	<u>\$ 1,428</u>	<u>\$ 25,249</u>	<u>\$ 19,289</u>

<u>Pedestrian Ramps</u>	<u>Ramsey Road</u>	<u>NW Blvd</u>	<u>Northwood Estates</u>	<u>Atlas Signals</u>	<u>15th St Lunceford to Dalton</u>	<u>Ironwood</u>	<u>Nonmajor Capital Projects Funds</u>
	\$ 124,641						\$ 139,342
\$ 4,477							195,835
<u>4,477</u>	<u>124,641</u>						<u>11,232</u>
							<u>346,409</u>
52,932	13,150	\$ 3,200	\$ 4,214	\$ 15,378			101,272
	295,021			446,322			1,246,088
<u>52,932</u>	<u>308,171</u>	<u>3,200</u>	<u>4,214</u>	<u>461,700</u>			<u>1,347,360</u>
(48,455)	(183,530)	(3,200)	(4,214)	(461,700)			(1,000,951)
45,000	870,000	1,254		401,000	\$ 3,286		2,481,302
	(3,088)		(3,286)				(15,068)
<u>45,000</u>	<u>866,912</u>	<u>1,254</u>	<u>(3,286)</u>	<u>401,000</u>	<u>3,286</u>		<u>2,466,234</u>
(3,455)	683,382	(1,946)	(7,500)	(60,700)	3,286		1,465,283
		1,946	7,500		234,580	\$ 80,000	(397,491)
<u>\$ (3,455)</u>	<u>\$ 683,382</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (60,700)</u>	<u>\$ 237,866</u>	<u>\$ 80,000</u>	<u>\$ 1,067,792</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, 2006

ASSETS	Business-type Activities - Nonmajor Enterprise Funds				Total Nonmajor Enterprise Funds
	Wastewater Property Management	Street Lighting	Public Parking Lot	Stormwater Management	
Current assets:					
Cash and cash equivalents	\$ 60,668	\$ 3,203	\$ 507,596	\$ 234,935	\$ 806,402
Receivables:					
Accounts, net of allowance for uncollectible accounts		43,646	50,271	122,739	216,656
Total current assets	60,668	46,849	557,867	357,674	1,023,058
Non-current assets:					
Capital assets:					
Land			122,264		122,264
Other capital assets, net of accumulated depreciation		357,651	304,890	643,811	1,306,352
Total capital assets (net of accumulated depreciation)		357,651	427,154	643,811	1,428,616
Total non-current assets		357,651	427,154	643,811	1,428,616
Total assets	60,668	404,500	985,021	1,001,485	2,451,674
LIABILITIES					
Current liabilities:					
Accounts payable		24,939	2,352	8,570	35,861
Due to other funds				215,000	215,000
Total current liabilities		24,939	2,352	223,570	250,861
Non-current liabilities:					
Compensated absences				42,564	42,564
Total non-current liabilities				42,564	42,564
Total liabilities		24,939	2,352	266,134	293,425
NET ASSETS					
Invested in fixed assets, net of related debt		357,651	427,154		784,805
Unreserved	60,668	21,910	555,515	735,351	1,373,444
Total net assets	\$ 60,668	\$ 379,561	\$ 982,669	\$ 735,351	\$ 2,158,249

City of Coeur d'Alene, Idaho

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
For the fiscal year ended September 30, 2006**

	Business-type Activities - Nonmajor Enterprise Funds				
	Wastewater Property Management	Street Lighting	Public Parking Lot	Stormwater Management	Total Nonmajor Enterprise Funds
Operating revenues:					
Services	\$ 444,036	\$ 172,271	\$ 1,243,890	\$ 1,860,197	
Operating expenses:					
Administration			42,836	301,683	344,519
Maintenance		(917)	13,004	95,163	107,250
Supplies				54,721	54,721
Contracted services		390,082		5,069	395,151
Depreciation		23,153	33,679	37,037	93,869
Bad debt expense		22		103	125
Total operating expenses	412,340	89,519	493,776	995,635	
Operating income	31,696	82,752	750,114	864,562	
Nonoperating revenues and (expenses):					
Investment income			18,247	7,044	25,291
Total nonoperating revenues (expense)			18,247	7,044	25,291
Income before contributions and transfers		31,696	100,999	757,158	889,853
Operating transfers in		135,000			135,000
Operating transfers out		(73,311)	(64,085)	(272,584)	(409,980)
Change in net assets		93,385	36,914	484,574	614,873
Total net assets - beginning	\$ 60,668	286,176	945,755	250,777	1,543,376
Total net assets - ending	\$ 60,668	\$ 379,561	\$ 982,669	\$ 735,351	\$ 2,158,249

City of Coeur d'Alene, Idaho

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUND TYPES
For the year ended September 30, 2006

	Business-type Activities - Enterprise Funds				Total Nonmajor Enterprise Funds
	Wastewater Property Management	Street Lighting	Public Parking Lot	Stormwater Management	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers		\$ 438,837	\$ 144,575	\$ 1,233,605	\$ 1,817,017
Payments to suppliers		(501,071)	(53,488)	(268,673)	(823,232)
Payments to employees				(284,848)	(284,848)
Net cash (used) provided by operating activities		<u>(62,234)</u>	<u>91,087</u>	<u>680,084</u>	<u>708,937</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Operating transfers in		135,000			135,000
Operating transfers out		(73,311)	(64,085)	(272,584)	(409,980)
Net cash provided (used) for noncapital financing activities		<u>61,689</u>	<u>(64,085)</u>	<u>(272,584)</u>	<u>(274,980)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital asset purchases			(14,107)	(369,926)	(384,033)
Net cash used by financing activities			<u>(14,107)</u>	<u>(369,926)</u>	<u>(384,033)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income			18,247	7,044	25,291
Net cash provided by investing activities			<u>18,247</u>	<u>7,044</u>	<u>25,291</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(545)	31,142	44,618	75,215
CASH AND CASH EQUIVALENTS, beginning of year	\$ 60,668	3,748	476,454	190,317	731,187
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 60,668</u>	<u>\$ 3,203</u>	<u>\$ 507,596</u>	<u>\$ 234,935</u>	<u>\$ 806,402</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income		\$ 31,696	\$ 82,752	\$ 750,114	\$ 864,562
Adjustments to reconcile operating income to net cash (used) provided by operating activities:					
Depreciation		23,153	33,679	37,037	93,869
(Increase) in accounts receivable		(5,199)	(27,696)	(10,285)	(43,180)
Increase (decrease) in accounts payable		(1,884)	2,352	1,226	1,694
(Decrease) in due to other funds		(110,000)		(100,000)	(210,000)
Increase in compensated absences				1,992	1,992
Net cash (used) provided by operating activities		<u>\$ (62,234)</u>	<u>\$ 91,087</u>	<u>\$ 680,084</u>	<u>\$ 708,937</u>

SINGLE AUDIT SECTION



Magnuson, McHugh & Company, P.A.

CPAs and Consultants

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

To the 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, ID, as of and for the year ended September 30, 2006, which collectively comprise the City of Coeur d'Alene, ID's basic financial statements and have issued our report thereon dated October 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Coeur d'Alene, ID's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Coeur d'Alene, ID'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, ID, in a separate letter dated October 24, 2007.

This report is intended solely for the information and use of the audit committee, management, City Council, 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, & Co.

Magnuson, McHugh & Company, P.A.

Coeur d'Alene, ID
October 24, 2007



Magnuson, McHugh & Company, P.A.

CPAs and Consultants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Coeur d'Alene, ID, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. The City of Coeur d'Alene, ID'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, ID's management. Our responsibility is to express an opinion on the City of Coeur d'Alene, ID's compliance based on our audit.

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

In our opinion, City of Coeur d'Alene, ID, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

The management of the City of Coeur d'Alene, ID, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Coeur d'Alene, ID's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)**

This report is intended solely for the information and use of the audit committee, management, City Council, 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, & Co.

Magnuson, McHugh & Company, P.A.

Coeur d'Alene, ID
October 24, 2007

City of Coeur d'Alene, Idaho

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2006**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Department of Lands:</u>		
Passed through Idaho Department of Lands:		
Cooperative Forestry Assistance	10.664	\$ <u>3,994</u>
<u>Department of Commerce and Labor:</u>		
Passed through Idaho Department of Commerce and Labor		
Community Development Block Grants	14.228	<u>177,064</u>
<u>Department of Justice:</u>		
LLEBG 2003	16.592	15,768
Bulletproof Vest Program	16.607	4,508
COPS Grant 2002	16.710	124,457
Edward Byrne Memorial Justice Assistance Grant	16.738	88,524
Total Department of Justice		<u>233,257</u>
<u>Department of Transportation:</u>		
Passed through Idaho Department of Transportation:		
State and Community Highway Safety	20.600	31,163
Safety Incentive Grant for Use of Seatbelts	20.604	2,704
Statewide Transportation Improvement Program	20.205	<u>155,631</u>
Total Department of Transportation		<u>189,498</u>
<u>Department of Homeland Security:</u>		
Passed through Idaho State Military Division:		
National Homeland Security Office		
of Domestic Preparedness Grant	97.004	42,680
Assistance to Firefighters Grant		
Fire Prevention and Safety Grant Program	97.044	52,513
Homeland Security Grant Program	97.067	<u>101,765</u>
Total Department of Homeland Security		<u>196,958</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$800,771</u>

See accompanying "Notes to Schedule of Expenditures of Federal Awards".

City of Coeur d'Alene, Idaho

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2006

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, Idaho and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

City of Coeur d'Alene, Idaho

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2006

Section I. Summary of Audit Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.205	Federal Highway Administration – Federal-Aid Highway Act
97.067	Homeland Security Grant Program

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
For the year ended September 30, 2006**

Section II. Findings—Financial Statements Audit

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

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

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

City of Coeur d'Alene, Idaho

**SUMMARY OF PRIOR YEAR AUDIT FINDINGS RELATING TO FEDERAL AWARDS
For the year ended September 30, 2006**

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