



*CITY OF COEUR D'ALENE,
IDAHO*

FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

City of Coeur d'Alene, Idaho
September 30, 2008

TABLE OF CONTENTS

FINANCIAL SECTION:

Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 12
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14 – 15
Fund Financial Statements:	
Balance Sheet-Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Net Assets – Proprietary Funds	20
Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds	22
Statement of Fiduciary Net Assets – Fiduciary Funds	23
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	24
Notes to the Financial Statements	25 – 64
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – General Fund.....	65
Police Retirement Trust Fund:	
Schedule of Employer Contributions.....	66
Schedule of Funding Progress	66
Five – Year Trend Information	67
Annual Development of Pension Cost	67
Other Supplementary Information:	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	69

(Continued)

City of Coeur d'Alene, Idaho
September 30, 2008

TABLE OF CONTENTS

Other Supplementary Information (Continued)

Explanation of Nonmajor Governmental Funds – Special Revenue Funds.....	70 – 71
Combining Balance Sheet – Nonmajor Special Revenue Funds.....	72 – 73
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Nonmajor Special Revenue Funds.....	74 – 75
Explanation of Debt Service Funds.....	76 – 77
Combining Balance Sheet - Nonmajor Debt Service Funds.....	78 – 79
Combining Statement of Revenues, Expenditures and Changes In Fund Balances - Nonmajor Debt Service Funds.....	80 – 81
Explanation of Capital Projects Funds.....	82
Combining Balance Sheet - Nonmajor Capital Projects Funds.....	83 – 84
Combining Statement of Revenues, Expenditures and Changes in Nonmajor Capital Projects Funds.....	85 – 86
Explanation of Nonmajor Business-Type Activities.....	87
Combining Statement of Net Assets – Nonmajor Proprietary Funds.....	88
Combining Statement of Revenue, Expenses and Changes in Fund Net Assets – Nonmajor Proprietary Funds.....	89
Combining Statement of Cash Flows – Nonmajor Proprietary Funds.....	90

REPORT REQUIRED BY THE GAO:

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	91 – 92
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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, Idaho

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Coeur d'Alene, Idaho as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Coeur d'Alene, Idaho's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Coeur d'Alene, ID, as of September 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2009, on our consideration of the City of Coeur d'Alene, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 to 12 and 65 and the Police Retirement Trust Fund information on pages 66 and 67 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.

- 1 -



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coeur d'Alene, Idaho's 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 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, Idaho
March 24, 2009

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF COEUR D'ALENE
Kootenai County, Idaho

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2008

As management of the City of Coeur d'Alene, Idaho (the City), we have provided readers of the City's financial statements with this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2008.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$284,908,434 (net assets). Of this amount, \$30,731,045 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased \$5,661,773. Of this increase 4.66% occurred in the business activities and a decrease of .97% occurred in the governmental activities.
- At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$16,058,501 a decrease of \$1,016,981 in comparison with the prior year.
- Also, at the end of the fiscal year, unreserved fund balance for the General Fund was \$3,814,803, or 13% of the 2009 budgeted General Fund expenditures.
- The City's total debt increased by \$4,677,053 during fiscal year 2007-08. Additional G.O. Bonds were issued in the amount of \$573,941 and additional Wastewater Revenue Bonds were issued in the amount of \$15,000,000. A State Loan Payable in the Wastewater Fund was retired in the amount of \$8,312,280.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private sector businesses.

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

The *Statement of Activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes and earned, but unused, vacation leave).

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

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

CITY OF COEUR D'ALENE
Kootenai County, Idaho

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The City maintains 33 individual governmental funds. Information is presented separately in the governmental Fund Balance sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, General Obligation Bonds Debt Service and 2006 Governmental Obligation Bonds Capital Projects, which are considered to be major funds. Data from the other 26 governmental are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements or schedules elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

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

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

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

CITY OF COEUR D'ALENE
Kootenai County, Idaho

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Net Assets – The City has 85 percent of its total net assets invested in capital assets (land, buildings, infrastructure, machinery and equipment, and vehicles) less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional 4 percent of the City's net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (11 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

A summary of the City's net assets follows:

STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2008	2007	2008	2007	2008	2007
Capital Assets	\$125,819,174	\$127,142,764	\$149,892,442	\$144,477,239	\$275,711,616	\$271,620,003
Current and other assets	18,843,198	20,084,531	24,350,463	16,788,542	43,193,661	36,873,073
Total Assets	<u>144,662,372</u>	<u>147,227,295</u>	<u>174,242,905</u>	<u>161,265,781</u>	<u>318,905,277</u>	<u>308,493,076</u>
Long-term Liabilities	13,767,423	14,943,716	17,724,015	11,870,669	31,491,438	26,814,385
Other Liabilities	1,728,159	1,846,427	777,246	585,603	2,505,405	2,432,030
Total Liabilities	<u>15,495,582</u>	<u>16,790,143</u>	<u>18,501,261</u>	<u>12,456,272</u>	<u>33,996,843</u>	<u>29,246,415</u>
Net Assets						
Invested in capital assets, net of related debt	114,153,246	113,879,390	128,779,461	129,204,361	242,932,707	243,083,751
Restricted	11,244,682	11,443,067			11,244,682	11,443,067
Unrestricted	<u>3,768,862</u>	<u>5,114,695</u>	<u>26,962,183</u>	<u>19,605,148</u>	<u>30,731,045</u>	<u>24,719,843</u>
Total net assets	<u>\$129,166,790</u>	<u>\$130,437,152</u>	<u>\$155,741,644</u>	<u>\$148,809,509</u>	<u>\$284,908,434</u>	<u>\$279,246,661</u>

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

CITY OF COEUR D'ALENE
Kootenai County, Idaho

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year
Program Revenues						
Charges for services	\$ 4,423,036	\$ 6,126,734	\$14,708,842	\$14,345,679	\$19,131,878	\$20,472,413
Operating grants and contributions	255,762	321,315			255,762	321,315
Capital grants and contributions	25,186	92,550	7,887,287	7,208,336	7,912,473	7,300,886
General Revenues						
Property taxes	15,242,113	13,905,602			15,242,113	13,905,602
Sales tax	736,061	752,341			736,061	752,341
Franchise fees	1,712,041	1,664,777			1,712,041	1,664,777
Motor fuel taxes	1,543,369	1,572,643			1,543,369	1,572,643
Alcoholic beverage taxes	848,662	787,404			848,662	787,404
Grants and contributions not restricted to specific purposes	5,183,085	7,587,624			5,183,085	7,587,624
Interest & investment earnings	605,818	1,209,662	748,226	731,410	1,354,044	1,941,072
Miscellaneous	348,257	255,926			348,257	255,926
Donated assets	52,484	1,096,049			52,484	1,096,049
Forgiveness of debts		457,176				457,176
Loss on disposal of assets	(24,035)				(24,035)	
Total revenues	30,951,839	35,829,803	23,344,355	22,285,425	54,296,194	58,115,228
Program Expenses						
General government	6,282,618	9,151,159			6,282,618	9,151,159
Public safety	17,787,462	16,443,628			17,787,462	16,443,628
Public works	5,271,628	5,036,903			5,271,628	5,036,903
Culture and recreation	3,754,126	3,638,762			3,754,126	3,638,762
Administrative expense	20,681	27,578			20,681	27,578
Interest on long-term debt	467,792	671,813			467,792	671,813
Water			4,428,153	4,190,872	4,428,153	4,190,872
Wastewater			6,650,376	6,062,756	6,650,376	6,062,756
Sanitation			2,647,050	2,555,194	2,647,050	2,555,194
Other enterprise			1,324,535	1,241,646	1,324,535	1,241,646
Total expenses	33,584,307	34,969,843	15,050,114	14,050,468	48,634,421	49,020,311
Increase in net assets before special items and transfers	(2,632,468)	859,960	8,294,241	8,234,957	5,661,773	9,094,917
Transfers	1,362,106	1,839,617	(1,362,106)	(1,839,617)		
Prior period adjustments		95,442,923		42,173,951		195,683,141
Change in net assets	(1,270,362)	98,142,500	6,932,135	48,569,291	5,661,773	204,778,058
Net assets - beginning	130,437,152	32,294,652	148,809,509	100,240,218	279,246,661	132,534,870
Net assets - ending	\$129,166,790	\$130,437,152	\$155,741,644	\$148,809,509	\$284,908,434	\$337,312,928

CITY OF COEUR D'ALENE
Kootenai County, Idaho

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The General Fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General Fund was \$3,814,803. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total budgeted expenditures. Fund balance represents 13 percent of 2009 budgeted expenditures. Although the General Fund balance appears to be adequate, it must be stressed that the balance is needed to support operations until funds are received in January 2009 from the first current-year tax settlement.

The fund balance of the City's General Fund decreased \$1,057,509. The majority of the decrease can be attributed to a contribution by the General Fund to the 2006 General Obligation Bonds Capital Projects Fund to pay for a portion of building the new public library.

The General Obligation Bonds Debt Service Fund has a total fund balance of \$1,439,916 all of which is designated to pay future debt service payments on the City's General Obligation Bonds.

The 2006 General Obligation Bonds Capital Projects Fund has a total fund balance of \$609,448. The majority of these funds are designated for the remodeling of Fire Station 1.

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

Unreserved net assets of the enterprise funds at the end of the year amounted to \$26,962,183. The total increase in net assets for the funds was \$6,932,135. The majority of this increase in net assets came from contributed capital from developers - \$2,679,163 in the Water Fund and \$3,126,021 in the Wastewater Fund.

GENERAL FUND BUDGET HIGHLIGHTS

The City's General Fund budget was amended twice during the fiscal year. The amendments increased the General Fund budget before transfers out by \$677,547. The larger amendments were as follows: \$90,662 for a Byrne grant received by the Police Department, \$125,000 for expenditures made by the Drug Task Force, \$101,600 for a Sidewalks to Schools grant, and \$190,084 for street overlay projects. The amendments increased the General Fund budget for transfers out by \$1,438,800. The largest transfer out amendment was approved for a transfer from the General Fund to the 2006 General Obligation Bonds Capital Projects Fund. This amendment amounted to \$1,100,084. The original plan for constructing the new library included revenue from the sale of the old library building to be used for construction of the new library. At this time the City stills owns the old library building.

Actual General Fund revenues of \$25,219,268 and expenditures of \$26,599,821 were both within 5 percent of the final amended 2008 budget. Actual revenues were .49 percent less than the City's original budget and actual expenditures were 4.68 percent less than the City's original budget.

Overall expenditures before transfers were \$1,273,348 under the final amended budget and \$595,801 under the original budget. Overall revenues before transfers were \$124,896 under the final amended budget of \$25,344,164 and \$308,634 under the original budget of \$25,527,902.

CITY OF COEUR D'ALENE
Kootenai County, Idaho

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2008

CAPITAL ASSETS

The City's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of September 30, 2008, amounts to \$275,642,261. This investment in capital assets includes land, buildings, infrastructure, machinery and equipment and vehicles. This balance represents a net increase of \$4,102,192 from the prior year. Additional details of capital asset activity for the year can be found in Note 5 of the notes to basic financial statements.

As stated earlier the majority of the increase in the capital assets can be attributed to contributed capital from developers of water and wastewater lines.

LONG-TERM DEBT

The City's long-term bonded debt increased by \$15,577,833 in 2008; leaving a balance of \$28,332,490 at year-end. Additional details of long-term debt activity for the year can be found in Note 6 in the notes to basic financial statements.

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

State statutes limit the amount of general obligation debt a government entity may issue to 2 percent of assessed market value. The current debt limitation for the City is \$72,949,096 which is significantly higher than the City's net outstanding general obligation debt of \$9,332,915.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Nation is in a recession which is impacting private sector businesses as well as government. The Federal Government is economically stimulating the situation with hundreds of billions of dollars. The City of Coeur d'Alene may receive some of this stimulus money for special projects and possibly for adding staff in public safety.

The State of Idaho is seeing decreased revenues in sales tax, gas tax and corporate as well as personal income tax. The City will be impacted by the sales tax and gas tax revenue and has decreased its anticipated income by 8% as compared to the 2009 budget.

Next year's City budget will be very restricted due to the dramatic decrease in residential and commercial construction. The fee income from these two sources could be down over 40% from the 2007 actual income. The City relies on new construction revenue to maintain employee wage and benefit contracts. These fees are also critical to adding any new staff. New hires will only occur with new dedicated fund sources or through Federal allocations.

Any increases to fees greater than 5% will be carefully studied and brought forward to the Mayor and Council at a public hearing. The only fee increases being looked at this year will be for services that cost more to provide than the fee generated.

CITY OF COEUR D'ALENE
Kootenai County, Idaho

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2008

REQUESTS FOR INFORMATION

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

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

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City of Coeur d'Alene, Idaho

STATEMENT OF NET ASSETS
September 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Lake City Development Corporation
ASSETS				
Cash and cash equivalents	\$ 12,786,108	\$ 22,166,354	\$ 34,952,462	\$ 3,980,125
Investments	1,995,174		1,995,174	
Receivables:				
Taxes delinquent	467,565		467,565	117,025
Accounts receivable	500,084	2,083,554	2,583,638	6,808
Special assessments	657,070	78,481	735,551	
Notes receivable				2,715,312
Due from other governments	2,287,197		2,287,197	
Due from Lake City Development Corporation	150,000	22,074	172,074	
Deposits				11,036
Capital assets:				
Land	8,470,187	2,031,209	10,501,396	2,846,918
Other capital assets, net of accumulated depreciation	117,322,764	147,818,101	265,140,865	2,057,284
Unamortized issue costs, net of amortization	26,223	43,132	69,355	
Total assets	<u>144,662,372</u>	<u>174,242,905</u>	<u>318,905,277</u>	<u>11,734,508</u>
LIABILITIES				
Accounts payable	1,658,997	583,420	2,242,417	6,950
Accrued payroll and related costs				3,438
Due to other governments				22,170
Deposit	1,325		1,325	14,111
Accrued interest payable	67,837	193,826	261,663	37,576
Long-term liabilities:				
Due within one year	2,149,052	864,092	3,013,144	455,778
Due in more than one year	<u>11,618,371</u>	<u>16,859,923</u>	<u>28,478,294</u>	<u>9,589,354</u>
Total liabilities	<u>15,495,582</u>	<u>18,501,261</u>	<u>33,996,843</u>	<u>10,129,377</u>
NET ASSETS				
Invested in capital assets, net of related debt	114,153,246	128,779,461	242,932,707	1,393,413
Restricted for:				
Debt service	2,018,647		2,018,647	
Capital projects	609,448		609,448	
Other purposes	8,616,587		8,616,587	
Unrestricted	<u>3,768,862</u>	<u>26,962,183</u>	<u>30,731,045</u>	<u>211,718</u>
Total net assets	<u>\$ 129,166,790</u>	<u>\$ 155,741,644</u>	<u>\$ 284,908,434</u>	<u>\$ 1,605,131</u>

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

City of Coeur d'Alene, Idaho

STATEMENT OF ACTIVITIES
For the year ended September 30, 2008

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 6,282,618	\$ 4,423,036	\$ 37,362	
Public safety	17,787,462		130,501	
Public works	5,271,628		79,799	
Culture and recreation	3,754,126		8,100	\$ 25,186
Administrative expense	20,681			
Interest on long-term debt	467,792			
Total governmental activities	33,584,307	4,423,036	255,762	25,186
Business-type activities:				
Water	4,428,153	3,707,080		3,205,285
Wastewater	6,650,376	6,033,379		4,682,002
Sanitation	2,647,050	3,062,940		
Other Enterprise	1,324,535	1,905,443		
Total business-type activities	15,050,114	14,708,842		7,887,287
Total primary government	\$ 48,634,421	\$ 19,131,878	\$ 255,762	\$ 7,912,473
Component unit:				
Lake City Development Corporation	\$ 1,862,040	\$ 209,611		
Total component unit	\$ 1,862,040	\$ 209,611	\$	\$

General revenues:

- Property taxes, levied for general purposes
- Sales tax
- Franchise fees
- Motor fuel taxes
- Alcoholic beverage taxes
- Grants and contributions not restricted to specific purposes:
- Interest and investment earnings
- Miscellaneous
- Donated assets
- Loss on disposal of assets
- Transfers
- Total general revenues and transfers
- Change in net assets
- 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
\$ (1,822,220)		\$ (1,822,220)	
(17,656,961)		(17,656,961)	
(5,191,829)		(5,191,829)	
(3,720,840)		(3,720,840)	
(20,681)		(20,681)	
(467,792)		(467,792)	
<u>(28,880,323)</u>		<u>(28,880,323)</u>	
	\$ 2,484,212	2,484,212	
	4,065,005	4,065,005	
	415,890	415,890	
	580,908	580,908	
	<u>7,546,015</u>	<u>7,546,015</u>	
<u>(28,880,323)</u>	<u>7,546,015</u>	<u>(21,334,308)</u>	
			\$ (1,652,429)
			<u>(1,652,429)</u>
15,242,113		15,242,113	3,421,922
736,061		736,061	
1,712,041		1,712,041	
1,543,369		1,543,369	
848,662		848,662	
5,183,085		5,183,085	
605,818	748,226	1,354,044	95,490
348,257		348,257	30,981
52,484		52,484	
(24,035)		(24,035)	
1,362,106	(1,362,106)		
<u>27,609,961</u>	<u>(613,880)</u>	<u>26,996,081</u>	<u>3,548,393</u>
(1,270,362)	6,932,135	5,661,773	1,895,964
130,437,152	148,809,509	279,246,661	(290,833)
<u>\$ 129,166,790</u>	<u>\$ 155,741,644</u>	<u>\$ 284,908,434</u>	<u>\$ 1,605,131</u>

City of Coeur d'Alene, Idaho

**BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2008**

	General	General Obligation Bonds	2006 General Obligation Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Funds</u>	<u>Funds</u>
ASSETS					
Cash and cash equivalents	\$ 2,487,682	\$ 1,287,000	\$ 610,295	\$ 8,401,131	\$ 12,786,108
Investments				1,995,174	1,995,174
Receivables:					
Taxes delinquent	418,302	24,827		24,436	467,565
Accounts receivable	280,083	206,916		13,085	500,084
Special assessments				657,070	657,070
Due from other governments	2,247,717			39,480	2,287,197
Due from LCDC	150,000				150,000
Due from other funds	267,327				267,327
Total assets	<u>\$ 5,851,111</u>	<u>\$ 1,518,743</u>	<u>\$ 610,295</u>	<u>\$ 11,130,376</u>	<u>\$ 19,110,525</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,618,006		\$ 847	\$ 40,144	\$ 1,658,997
Due to other funds				267,327	267,327
Deposits				1,325	1,325
Deferred revenues	418,302	\$ 24,827		681,246	1,124,375
Total liabilities	<u>2,036,308</u>	<u>24,827</u>	<u>847</u>	<u>990,042</u>	<u>3,052,024</u>
Fund balances:					
Reserved for:					
Special revenue funds				8,616,587	8,616,587
Capital projects			609,448		609,448
Debt service		1,493,916		524,731	2,018,647
Unreserved:					
Designated	373,681				373,681
Undesignated, reported in:					
General fund	3,441,122				3,441,122
Special revenue fund				555,467	555,467
Capital projects fund				443,549	443,549
Total fund balances	<u>3,814,803</u>	<u>1,493,916</u>	<u>609,448</u>	<u>10,140,334</u>	<u>16,058,501</u>
Total liabilities and fund balances	<u>\$ 5,851,111</u>	<u>\$ 1,518,743</u>	<u>\$ 610,295</u>	<u>\$ 11,130,376</u>	<u>\$ 19,110,525</u>

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

City of Coeur d'Alene, Idaho

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
September 30, 2008**

Total fund balances at September 30, 2008 - Governmental Funds		\$ 16,058,501
Cost of capital assets at September 30, 2008	\$ 167,564,755	
Less: Accumulated depreciation as of September 30, 2008		
Buildings	(4,108,887)	
Equipment	(9,510,640)	
Infrastructure	(27,302,634)	
Other improvements	<u>(849,643)</u>	125,792,951
Deferred charges - bond issue costs net of amortization		26,223
Elimination of deferred revenue		1,124,375
Accrued interest		(67,837)
Long-term liabilities at September 30, 2008		
Certificates of participation	(565,000)	
Special assessments	(1,496,290)	
General obligation debt	(9,332,915)	
Bond premium net of amortization	(177,663)	
Compensated absences	<u>(2,195,555)</u>	<u>(13,767,423)</u>
Net assets at September 30, 2008		<u>\$ 129,166,790</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, 2008

	General	General Obligation Bonds	2006 General Obligation Bonds	Other Governmental Funds	Total Governmental Funds
	Fund	Debt Service	Capital Projects		
REVENUES					
Taxes	\$ 13,078,656	\$ 995,684		\$ 1,158,963	\$ 15,233,303
Licenses and permits	3,423,722	1,141,360			4,565,082
Intergovernmental	7,531,073			366,231	7,897,304
Charges for services	398,975			1,320,971	1,719,946
Fines and forfeits	506,848			18,675	525,523
Assessments collected				194,485	194,485
Investment income				145,805	145,805
Unrealized gain on investments				43,647	43,647
Interest	142,277	68,621	\$ 21,107	184,361	416,366
Contributions				19,347	19,347
Miscellaneous	137,717			210,540	348,257
Total revenues	<u>25,219,268</u>	<u>2,205,665</u>	<u>21,107</u>	<u>3,663,025</u>	<u>31,109,065</u>
EXPENDITURES					
Current:					
General government	4,996,492			1,147,057	6,143,549
Public safety	14,587,252		74,970		14,662,222
Public works	4,553,574				4,553,574
Culture and recreation	2,073,490			1,123,811	3,197,301
Administrative expense				20,681	20,681
Capital outlay	389,013		1,978,391	591,353	2,958,757
Debt service:					
Principal payments		1,641,026		311,408	1,952,434
Interest and fiscal agent fees		468,707	11,900	92,968	573,575
Total expenditures	<u>26,599,821</u>	<u>2,109,733</u>	<u>2,065,261</u>	<u>3,287,278</u>	<u>34,062,093</u>
(Deficiency) excess of revenues					
(under) over expenditures	<u>(1,380,553)</u>	<u>95,932</u>	<u>(2,044,154)</u>	<u>375,747</u>	<u>(2,953,028)</u>
OTHER FINANCING SOURCES (USES)					
Debt issuance			573,941		573,941
Operating transfers in	2,077,136		978,830	1,309,379	4,365,345
Operating transfers out	<u>(1,754,092)</u>		<u>(73,141)</u>	<u>(1,176,006)</u>	<u>(3,003,239)</u>
Total other financing sources (uses)	<u>323,044</u>		<u>1,479,630</u>	<u>133,373</u>	<u>1,936,047</u>
Net change in fund balances	<u>(1,057,509)</u>	<u>95,932</u>	<u>(564,524)</u>	<u>509,120</u>	<u>(1,016,981)</u>
Fund balances - beginning of year	4,872,312	1,397,984	1,173,972	9,631,214	17,075,482
Fund balances - end of year	<u>\$ 3,814,803</u>	<u>\$ 1,493,916</u>	<u>\$ 609,448</u>	<u>\$ 10,140,334</u>	<u>\$ 16,058,501</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, 2008

Total net changes in fund balances for year ended September 30, 2008	\$ (1,016,981)
Add: Capital outlay which is considered expenditures	2,958,757
Less: Depreciation expense for the year ended September 30, 2008	(4,310,796)
Less: Loss on asset disposal	(24,035)
Elimination of interfund revenues and expenditures:	
Add: Interfund transfers out	3,003,239
Less: Interfund transfers in	(3,003,239)
Less: Change in compensated absence accrual for the year ended September 30, 2008	(228,392)
Add: Capital lease payments considered as an expenditure	457,176
Add: Debt principal payments considered as an expenditure	1,495,258
Add: Donated fixed asset additions	52,484
Less: Debt issuance considered as other financing source income	(573,941)
Add: Change in accrued interest	79,560
Less: Deferred charges - bond issuance costs	26,223
Add: Difference between revenue earned on property taxes on modified accrual basis versus revenue on property taxes on accrual basis	8,810
Less: Difference between revenue earned on special assessments on modified accrual basis versus revenue on special assessments on accrual basis	<u>(194,485)</u>
Change in net assets for year ended September 30, 2008	<u><u>\$ (1,270,362)</u></u>

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

City of Coeur d'Alene, Idaho

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 September 30, 2008

	Business-type Activities - Enterprise Funds				
	Water Fund	Wastewater Fund	Sanitation Fund	Other Enterprise	Total Current Year
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,420,698	\$ 19,429,594	\$ 87,887	\$ 1,228,175	\$ 22,166,354
Receivables:					
Accounts, net of allowance for uncollectible accounts of \$23,353	792,074	817,715	276,430	197,335	2,083,554
Special assessments receivable		78,481			78,481
Due from Lake City Development Corp.	22,074				22,074
Total current assets	<u>2,234,846</u>	<u>20,325,790</u>	<u>364,317</u>	<u>1,425,510</u>	<u>24,350,463</u>
Non-current assets:					
Bond issuance cost, net of amortization		43,132			43,132
		<u>43,132</u>			<u>43,132</u>
Capital assets:					
Land	380,925	1,528,020		122,264	2,031,209
Other capital assets, net of accumulated depreciation	60,674,728	82,770,772		4,372,601	147,818,101
Total capital assets, net of accumulated depreciation	<u>61,055,653</u>	<u>84,298,792</u>		<u>4,494,865</u>	<u>149,849,310</u>
Total non-current assets	<u>61,055,653</u>	<u>84,341,924</u>		<u>4,494,865</u>	<u>149,892,442</u>
Total assets	<u>63,290,499</u>	<u>104,667,714</u>	<u>364,317</u>	<u>5,920,375</u>	<u>174,242,905</u>
LIABILITIES					
Current liabilities:					
Accounts payable	235,379	292,788	105	55,148	583,420
Accrued interest		193,826			193,826
Current portion of compensated absences	13,270	7,225			20,495
Current portion of long-term debt		843,597			843,597
Total current liabilities	<u>248,649</u>	<u>1,337,436</u>	<u>105</u>	<u>55,148</u>	<u>1,641,338</u>
Non-current liabilities:					
Compensated absences	142,449	198,994		36,455	377,898
Bonds payable, net of unamortized discounts		16,482,025			16,482,025
Total non-current liabilities	<u>142,449</u>	<u>16,681,019</u>		<u>36,455</u>	<u>16,859,923</u>
Total liabilities	<u>391,098</u>	<u>18,018,455</u>	<u>105</u>	<u>91,603</u>	<u>18,501,261</u>
NET ASSETS					
Invested in capital assets, net of related debt	61,055,653	66,973,170		750,638	128,779,461
Unreserved	1,843,748	19,676,089	364,212	5,078,134	26,962,183
Total net assets	<u>\$ 62,899,401</u>	<u>\$ 86,649,259</u>	<u>\$ 364,212</u>	<u>\$ 5,828,772</u>	<u>\$ 155,741,644</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, 2008**

	Business-type Activities - Enterprise Funds				Total
	Water Fund	Wastewater Fund	Sanitation Fund	Other Enterprise	
OPERATING REVENUES					
Services	\$ 3,707,080	\$ 6,033,379	\$ 3,062,940	\$ 1,905,443	\$ 14,708,842
OPERATING EXPENSES					
Administration	1,552,288	704,045		352,899	2,609,232
Maintenance				174,064	174,064
Pumping	689,561				689,561
Treatment	24,525	1,552,292			1,576,817
Collection		496,278			496,278
Transportation and distribution	112,001				112,001
Supplies				46,544	46,544
Contracted services			2,645,042	542,433	3,187,475
Depreciation	2,028,212	2,857,103		206,916	5,092,231
Bad debt	3,089	5,178	2,008	1,679	11,954
Total operating expenses	<u>4,409,676</u>	<u>5,614,896</u>	<u>2,647,050</u>	<u>1,324,535</u>	<u>13,996,157</u>
Operating (loss) income	<u>(702,596)</u>	<u>418,483</u>	<u>415,890</u>	<u>580,908</u>	<u>712,685</u>
NONOPERATING REVENUES (EXPENSES)					
Capitalization fees	526,122	1,555,981			2,082,103
Amortization	(8,310)	17,432			9,122
Investment income	84,835	614,984	4,643	43,764	748,226
Interest expense	(10,167)	(1,052,912)			(1,063,079)
Total nonoperating revenues (expenses)	<u>592,480</u>	<u>1,135,485</u>	<u>4,643</u>	<u>43,764</u>	<u>1,776,372</u>
Income before contributions and transfers	<u>(110,116)</u>	<u>1,553,968</u>	<u>420,533</u>	<u>624,672</u>	<u>2,489,057</u>
Capital contributions - tap fees	<u>2,679,163</u>	<u>3,126,021</u>			<u>5,805,184</u>
Operating transfers in	<u>1,589,317</u>	<u>17,110,123</u>		<u>165,000</u>	<u>18,864,440</u>
Operating transfers out	<u>(2,127,130)</u>	<u>(17,322,514)</u>	<u>(407,235)</u>	<u>(369,667)</u>	<u>(20,226,546)</u>
Change in net assets	<u>2,031,234</u>	<u>4,467,598</u>	<u>13,298</u>	<u>420,005</u>	<u>6,932,135</u>
Total net assets - beginning	<u>60,868,167</u>	<u>82,181,661</u>	<u>350,914</u>	<u>5,408,767</u>	<u>148,809,509</u>
Total net assets - ending	<u>\$ 62,899,401</u>	<u>\$ 86,649,259</u>	<u>\$ 364,212</u>	<u>\$ 5,828,772</u>	<u>\$ 155,741,644</u>

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

City of Coeur d'Alene, Idaho

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended September 30, 2008

	Water Fund	Wastewater Fund	Sanitation Fund	Other Proprietary Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 3,713,429	\$ 6,199,208	\$3,067,094	\$1,947,349	\$14,927,080
Payments to suppliers	(915,134)	(1,153,449)	(2,646,997)	(895,295)	(5,610,875)
Payments to employees	(1,319,692)	(1,738,711)		(333,548)	(3,391,951)
Net cash provided by operating activities	<u>1,478,603</u>	<u>3,307,048</u>	<u>420,097</u>	<u>718,506</u>	<u>5,924,254</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfers in	1,589,317	17,110,123		165,000	18,864,440
Operating transfers out	(2,127,130)	(17,322,514)	(407,235)	(369,667)	(20,226,546)
Net cash (used) by noncapital financing activities	<u>(537,813)</u>	<u>(212,391)</u>	<u>(407,235)</u>	<u>(204,667)</u>	<u>(1,362,106)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Bond payments	(305,000)	(544,535)			(849,535)
Loan payments		(8,312,280)			(8,312,280)
New debt issuance		15,000,000			15,000,000
Interest paid	27,307	(869,814)			(842,507)
Capital asset purchases	(2,045,804)	(2,443,830)		(223,195)	(4,712,829)
Capitalization Fees	526,122	1,555,981			2,082,103
Net cash (used) by financing activities	<u>(1,797,375)</u>	<u>4,385,522</u>		<u>(223,195)</u>	<u>2,364,952</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	74,668	614,984	4,643	43,764	738,059
Net cash provided by investing activities	<u>74,668</u>	<u>614,984</u>	<u>4,643</u>	<u>43,764</u>	<u>738,059</u>
Net (decrease) increase in cash and cash equivalents	(781,917)	8,095,163	17,505	334,408	7,665,159
Cash and cash equivalents, beginning of year	2,202,615	11,334,431	70,382	893,767	14,501,195
Cash and cash equivalents, end of year	<u>\$ 1,420,698</u>	<u>\$19,429,594</u>	<u>\$ 87,887</u>	<u>\$1,228,175</u>	<u>\$22,166,354</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating (loss) income	\$ (702,596)	\$ 418,483	\$ 415,890	\$ 580,908	\$ 712,685
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	2,028,211	2,857,103		206,917	5,092,231
(Increase) decrease in accounts receivable	(13,651)	37,688	4,154	41,906	70,097
Decrease in due from other funds		115,000			115,000
Decrease in due from special assessment receivable	20,000	13,141			33,141
Increase (decrease) in accounts payable	151,722	(154,208)	53	16,061	13,628
(Decrease) in due to other funds				(115,000)	(115,000)
(Decrease) increase in compensated absences	(5,083)	19,841		(12,286)	2,472
Net cash provided by operating activities	<u>\$ 1,478,603</u>	<u>\$ 3,307,048</u>	<u>\$ 420,097</u>	<u>\$ 718,506</u>	<u>\$ 5,924,254</u>

Non-cash capital and related financing activities:

\$2,679,163 of water lines were donated to the water fund by developers.

Developers during the year donated \$3,126,021 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, 2008**

	<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	\$ 7,597	\$ 1,133	\$ 144,839	
Investments	1,327,737			
Due from other government unit	3,756			
Accounts receivable	18,336		15,121	
Total assets	<u>1,357,426</u>	<u>1,133</u>	<u>159,960</u>	
LIABILITIES				
Deferred revenue	18,336			
Deposits held and due to others			159,960	
Due to other government unit		1,133		
Total liabilities	<u>18,336</u>	<u>1,133</u>	<u>159,960</u>	
NET ASSETS				
Held in trust for pension benefits	<u>\$ 1,339,090</u>	<u>\$</u>	<u>\$</u>	<u>\$ -</u>

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

City of Coeur d'Alene, Idaho

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended September 30, 2008**

	<u>Police Retirement Pension Trust Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 151,414
	<u>151,414</u>
Investment earnings:	
Interest	54,241
Net increase in the fair value of investments	<u>13,802</u>
Total investment earnings	<u>68,043</u>
Total additions	<u>219,457</u>
DEDUCTIONS	
Benefits	223,330
Trust fees	<u>6,460</u>
Total deductions	<u>229,790</u>
Change in net assets	(10,333)
Net assets, beginning of year	<u>1,349,423</u>
Net assets, end of year	<u><u>\$ 1,339,090</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, 2008

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 the fiscal year 2001. LCDC is the only component unit of the City.

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

The Agency operates on the same fiscal year as the City. Complete financial statements of the Agency can be obtained directly from:

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. 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, 2008

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

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

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

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, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2006 General Obligation Bonds - Capital Projects Fund is to administer expenditures for the purpose of the library building project and fire station remodels, construction and equipment purchases

General Obligation Bonds Debt Service Fund accounts for the servicing of general obligation bonds.

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the government's water, wastewater and sanitation functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grant contributions, and 3) capital grants and contributions, including special assessments. Internally, dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, wastewater and sanitation funds are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue the portion of cap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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, 2008

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, 2008 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, 2008

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

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

Inventory

The City had no significant inventories on September 30, 2008.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City contracted with an independent appraisal firm to perform a complete inventory of fixed assets in September 2007. Assets were valued at estimated historical costs, when original costs were not available. The City will continue to update this inventory. Donated fixed assets are capitalized at fair value on the date donated. Assets valued at \$5,000 or more which have a useful life of more than one year are capitalized.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

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

Long-Term Obligations

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

Bond Discounts, Bond Premiums and Issuance Costs

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

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

	<u>Years</u>
Bond premium, discounts, and issuance costs:	
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, 2008

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, 2008, the total compensated absences payable by the City was \$2,593,948.

Compensated absences are reported as follows in the financial statements:

Governmental activities	\$2,195,555
Business-type activities	<u>398,393</u>
	<u>\$2,593,948</u>

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, 2008

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 2007-08 Fiscal year were as follows: police retirement - .0099, liability insurance plan - .0070, library fund - .0688, general obligation bonds .0650 and general fund -.8493.

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, 2008 included the debt service fund LID #145 for (\$267,273).

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, 2008

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Cash Deposits

The carrying amounts of the City's deposits with financial institutions were \$1,101,497 and the bank balance was \$2,410,110. Cash on hand on September 30, 2008 was \$2,360. The bank balance was categorized as follows:

Amount insured by the FDIC or collateralized with securities held by the City in its name	\$2,170,953
Uncollateralized	<u>239,157</u>
Total bank balance	<u>\$2,410,110</u>

The carrying amounts of deposits, cash on hand and investments is as follows:

Deposits	\$ 1,101,497
Cash on hand	2,360
Investments	<u>37,325,085</u>
	<u>\$38,428,942</u>

The carrying amount of deposits, investments and cash on hand is shown in the financial statements as follows:

Governmental Activities-cash and cash equivalents	\$12,786,108
Governmental Activities-investments	1,995,174
Business-type Activities-cash and cash equivalents	22,166,354
Fiduciary Funds-Police-cash and cash equivalents	7,597
Fiduciary Funds-Police-investments	1,327,737
Fiduciary Funds-Sales Tax-cash and cash equivalents	1,133
Fiduciary Funds-Business Improvement-cash and cash equivalents	<u>144,839</u>
	<u>\$38,428,942</u>

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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.

	Category			Carrying Amount	Fair Market Value
	1	2	3		
Repurchase Agreements	\$2,759,324			\$ 2,759,324	\$ 2,759,324
U.S. Government Securities	<u>3,083,753</u>	\$ <u>0</u>	\$ <u>0</u>	3,083,753	3,083,753
Investment in State Investment Pool				<u>31,482,008</u>	<u>31,482,008</u>
 Total Investments				 <u>\$37,325,085</u>	 <u>\$37,325,085</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, 2008 do not include the \$31,482,008 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, 2008**

NOTE 3: ACCOUNTS RECEIVABLE

Enterprise accounts receivable consist of the following as of September 30, 2008:

Amounts due from customers	\$2,106,907
Less allowance for uncollectible accounts	<u>(23,353)</u>
	<u>\$2,083,554</u>

NOTE 4: SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable from benefited property owners of public improvements consist of the following as of September 30, 2008 and are recorded in the debt service fund:

Deferred principal amounts not currently due, but due at a future date	<u>\$735,291</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, 2008, is as follows:

Plant and equipment and accumulated depreciation are as follows:

	September 30, 2007	Additions	Deletions	Adjustments	September 30, 2008
Governmental activities:					
Land	\$ 8,470,187				\$ 8,470,187
Buildings	16,377,840	\$1,852,131		\$ (9,525)	18,220,446
Other Improvements	5,982,814	267,618		(3,624,733)	2,625,699
Equipment	14,676,338	728,605	\$(220,256)	678,237	15,862,924
Infrastructure	<u>119,266,591</u>	<u>162,887</u>		<u>2,956,021</u>	<u>122,385,499</u>
Total capital assets	<u>164,773,770</u>	<u>3,011,241</u>	<u>(220,256)</u>		<u>167,564,755</u>
Less: accumulated depreciation					
Buildings	3,583,427	534,985		(9,525)	4,108,887
Other Improvements	2,601,499	1,872,877		(3,624,733)	849,643
Equipment	8,805,370	223,254	196,221	678,237	9,510,640
Infrastructure	<u>22,666,933</u>	<u>1,679,680</u>		<u>2,956,021</u>	<u>27,302,634</u>
Total accumulated depreciation	<u>37,657,229</u>	<u>4,310,796</u>	<u>196,221</u>		<u>41,771,804</u>
Governmental activities					
capital assets net	<u>\$127,116,541</u>	<u>\$(1,299,555)</u>	<u>\$ 24,035</u>	<u>\$</u>	<u>\$125,792,951</u>

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008**

NOTE 5: CAPITAL ASSETS (CONTINUED)

	September 30, 2007	Additions	Deletions	Adjustments	September 30, 2008
Business-type activities:					
Land	\$ 2,031,209				\$ 2,031,209
Réservoir	6,069,282				6,069,282
Wells and Booster Stations	6,872,499	\$ 735,667			7,608,166
Distribution System	66,667,647	2,762,233			69,429,880
Collection	30,731,731	4,282,076			35,013,807
Plant	78,531,203	1,216,007			79,747,210
Street Lights	775,932				775,932
Equipment	6,464,933	1,341,335	\$(24,864)	20,652	7,802,056
Improvements	5,852,543	180,695		(20,652)	6,012,586
Total capital assets	203,996,979	10,518,013	(24,864)		214,490,128
Less: accumulated depreciation					
Reservoir	1,513,357	263,059			1,776,416
Wells and Booster Stations	2,750,200	175,666			2,925,866
Distribution System	20,391,613	1,422,274			21,813,887
Collection	5,745,378	621,778			6,367,156
Plant	24,170,701	2,102,433			26,273,134
Street Lights	387,036	26,597			413,633
Equipment	2,553,838	335,939	24,864		2,864,913
Improvements	2,061,328	144,485			2,205,813
Total accumulated depreciation	59,573,451	5,092,231	24,864		64,640,818
Business-Type activities capital assets net	\$144,423,528	\$5,425,782	\$	\$	\$149,849,310

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

Governmental activities:	
General government	\$ 94,107
Public works	2,973,103
Culture and Recreations	701,655
Public Safety	541,931
Total depreciation expense – governmental activities	\$4,310,796

Business-type activities:	
Water	\$2,028,212
Waste water	2,857,103
Street lighting	26,596
Storm water	147,285
Public Parks	33,035
Total depreciation expense – business-type activities	\$5,092,231

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008**

NOTE 6: CHANGES IN LONG-TERM DEBT

Long-term liability activity for the year ended September 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds payable	\$ 10,275,000	\$ 573,941	\$(1,516,026)	\$ 9,332,915	\$1,573,095
Special assessment bonds payable	1,807,667		(311,377)	1,496,290	294,627
Deferred amounts:					
For issuance premium	<u>203,886</u>		<u>(26,223)</u>	<u>177,663</u>	<u>26,223</u>
Total bonds payable	12,286,553	573,941	(1,853,626)	11,006,868	1,893,945
Certificates of Participation	690,000		(125,000)	565,000	130,000
Compensated absences	<u>1,967,163</u>	<u>228,392</u>		<u>2,195,555</u>	<u>125,107</u>
Governmental activities Long-term liabilities	<u>\$14,943,716</u>	<u>\$ 802,333</u>	<u>\$(1,978,626)</u>	<u>\$13,767,423</u>	<u>\$2,149,052</u>
Business-type activities:					
Revenue bonds payable	\$ 3,006,108	\$15,000,000	\$ (849,534)	\$17,156,574	\$ 820,003
Deferred amounts:					
For issuance premium	<u>188,750</u>	<u>3,892</u>	<u>(23,594)</u>	<u>169,048</u>	<u>23,594</u>
Total bonds payable	3,194,858	15,003,892	(873,128)	17,325,622	843,597
State Loan Payable	8,312,280		(8,312,280)		
Compensated absences	<u>363,531</u>	<u>34,862</u>		<u>398,393</u>	<u>20,495</u>
Business-type activities Long-term liabilities	<u>\$ 11,870,669</u>	<u>\$15,038,754</u>	<u>\$(9,185,408)</u>	<u>\$17,724,015</u>	<u>\$ 864,092</u>

NOTE 7: BONDS AND LEASES PAYABLE

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

Revenue bonds payable from the wastewater fund at September 30, 2008 are composed of the following issues:

In December of 2007, the City of Coeur d'Alene issued \$15,000,000 of sewer revenue bonds. This obligation was issued for the purpose of paying a portion of the cost of construction and installation of additions and betterments to the sewer system of the City. The Series 2007 Bonds were sold to the State of Idaho Department of Environmental Quality at an aggregate price plus accrued interest.

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008**

NOTE 7: BONDS AND LEASES PAYABLE (CONTINUED)

Issue	FY End 30-Sep	Rate	Principal	Interest	Total
2007 Sewer Revenue Refunding Bonds					
	2009	3.75%	\$ 525,003	\$ 548,106	\$ 1,073,109
	2010	3.75%	544,875	528,234	1,073,109
	2011	3.75%	565,500	507,610	1,073,110
	2012	3.75%	585,587	487,522	1,073,109
	2013	3.75%	609,070	464,039	1,073,109
	2014	3.75%	632,124	440,985	1,073,109
	2015	3.75%	656,051	417,058	1,073,109
	2016	3.75%	679,826	393,283	1,073,109
	2017	3.75%	706,616	366,493	1,073,109
	2018	3.75%	733,363	339,746	1,073,109
	2019	3.75%	761,122	311,987	1,073,109
	2020	3.75%	789,176	283,934	1,073,110
	2021	3.75%	819,803	253,306	1,073,109
	2022	3.75%	850,834	222,275	1,073,109
	2023	3.75%	883,039	190,070	1,073,109
	2024	3.75%	916,058	157,051	1,073,109
	2025	3.75%	951,138	121,971	1,073,109
	2026	3.75%	987,140	85,969	1,073,109
	2027	3.75%	1,024,504	48,605	1,073,109
	2028	3.75%	524,637	9,864	534,501
			\$14,745,466	\$6,178,108	\$20,923,574

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	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
			\$2,415,000	\$507,500	\$2,922,500

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008**

NOTE 7: BONDS AND LEASES PAYABLE (CONTINUED)

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, 2008 consist of the following issue:

Issue	FY End	Rate	Principal	Interest	Total
	9-30				
2008 Public Safety Bonds:	2009	3.93%	\$ 3,095	\$ 22,485	\$ 25,580
	2010	3.93%	30,023	22,099	52,122
	2011	3.93%	25,693	20,962	46,655
	2012	3.93%	119,263	19,032	138,295
	2013	3.93%	123,428	14,305	137,733
	2014-2015	3.93%	271,413	13,385	284,798
Total 2008 Public Safety Bonds:			<u>\$572,915</u>	<u>\$112,268</u>	<u>\$685,183</u>

Issue	FY End	Rate	Principal	Interest	Total
	9-30				
2006 Public Safety and Library Bonds:	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	4.25%	780,000	220,962	1,000,962
	2013	4.25%	815,000	187,812	1,002,812
	2014-2018	4.25-4.50%	2,170,000	490,263	2,660,263
	2019-2023	4.50-5.00%	885,000	216,350	1,101,350
	2024-2025	4.50%	410,000	27,900	437,900
Total 2006 Public Safety and Library Bonds:			<u>\$7,215,000</u>	<u>\$1,991,900</u>	<u>\$9,206,900</u>

Issue	FY End	Rate	Principal	Interest	Total
	9-30				
2002 Street Improvement Refunding Bonds:	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>\$1,160,000</u>	<u>\$74,800</u>	<u>\$1,234,800</u>

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008**

NOTE 7: BONDS AND LEASES PAYABLE (CONTINUED)

Issue	FY End		Principal	Interest	Total
	9-30	Rate			
2000 Street Improvement Bonds:	2009	5.20%	\$ 190,000	\$ 17,423	\$ 207,423
	2010	5.30%	195,000	8,873	203,873
Total 2000 street improvement bonds			<u>385,000</u>	<u>26,296</u>	<u>411,296</u>
Total General Obligation Bonds			<u>\$9,332,915</u>	<u>\$2,205,264</u>	<u>\$11,538,179</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, 2008 from benefited property owners and, in the event of default, from the LID Guarantee fund is composed of the following issues:

Issue	FY End		Principal	Interest	Total
	30-Sep	Rate			
#124 & 125	2009	4.00%	\$ 42,577	\$ 7,101	\$ 49,678
	2010	4.00%	44,022	5,497	49,519
	2011	4.00%	45,783	3,736	49,519
	2012	4.00%	47,615	1,904	49,519
#127 & #128	2009	4.00%	42,527	7,319	49,846
	2010	4.00%	44,359	5,539	49,898
	2011	4.00%	46,133	3,764	49,897
	2012	4.00%	47,978	1,919	49,897
#129 & 132	2009	4.00%	34,523	14,612	49,135
	2010	4.00%	35,904	13,231	49,135
	2011	4.00%	37,340	11,795	49,135
	2012	4.00%	38,805	10,329	49,134
	2013	4.00%	40,386	8,749	49,135
	2014	4.00%	42,001	7,134	49,135
	2015	4.00%	43,681	5,453	49,134
	2016	4.00%	45,419	3,717	49,136
2017	4.00%	47,237	1,889	49,126	

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008**

NOTE 7: BONDS AND LEASES PAYABLE (CONTINUED)

Special Assessment Bonds (Continued)

<u>Issue</u>	<u>FY End 30-Sep</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
#130, 135 & 136	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
#143 & 144	2009	5.25%	20,000	1,050	21,050
#146	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>\$1,496,290</u>	<u>\$245,837</u>	<u>\$1,742,127</u>

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008**

NOTE 7: BONDS AND LEASES PAYABLE (CONTINUED)

Certificates of Participation are as follows at September 30, 2008. 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		Principal	Interest	Total
	30-Sep	Rate			
2001 Certificates of Participation:	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%	<u>155,000</u>	<u>8,913</u>	<u>163,913</u>
Total 2001 Certificates of Participation			<u>\$565,000</u>	<u>\$82,364</u>	<u>\$647,364</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	Compensated Absences	Certificates of Participation	Total (Memo Only)
Unknown			\$2,195,555		\$2,195,555
2009	\$1,573,095	\$ 294,627		\$130,000	1,997,722
2010	1,170,023	284,285		135,000	1,589,308
2011	1,015,693	239,256		145,000	1,399,949
2012	899,263	249,398		155,000	1,303,661
2013	938,428	160,386			1,098,814
Thereafter	<u>3,736,413</u>	<u>268,338</u>			<u>4,004,751</u>
	<u>\$9,332,915</u>	<u>\$1,496,290</u>	<u>\$2,195,555</u>	<u>\$565,000</u>	<u>13,589,760</u>
				Plus issuance premium - net	<u>177,663</u>
				Total Govt Long-term liabilities	<u>\$13,767,423</u>

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008**

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:

<u>Year</u>	<u>Wastewater 2008 Revenue Bonds</u>	<u>Wastewater 2004 Revenue Bonds</u>	<u>Compensated Absences</u>	<u>Total (Memo Only)</u>
Unknown			\$398,393	\$ 398,393
2009	\$ 525,003	\$ 295,000		820,003
2010	544,875	310,000		854,875
2011	565,500	325,000		890,500
2012	585,587	345,000		930,587
2013	609,070	360,000		969,070
Thereafter	11,915,431	780,000		12,695,431
	<u>\$14,745,466</u>	<u>\$2,415,000</u>	<u>\$398,393</u>	<u>\$17,558,859</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, 2008.

NOTE 8: INTERFUND TRANSACTIONS

Due to/from other funds as of September 30, 2008:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Debt Service Funds-LID 145	\$267,327
Total All Funds		\$267,327

Interfund transfers as of September 30, 2008:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,077,136	\$ 1,754,092
Debt Service Funds	57,940	7,940
Capital Projects	999,348	73,660
Special Revenue Funds	1,230,921	1,167,547
Enterprise Funds	18,864,440	20,226,546
Total	<u>\$23,229,785</u>	<u>\$23,229,785</u>

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

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008**

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, 2008, there were no liabilities in the insurance fund that were probable and could be reasonably estimated.

	September 30 <u>2008</u>	September 30 <u>2007</u>
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Incurred claims	143,987	45,339
Claim payments	<u>143,987</u>	<u>45,339</u>
Unpaid claims, end of fiscal year	\$ <u> </u>	\$ <u> </u>

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

Health Insurance

Eligible employees of the City of Coeur d'Alene 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.

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008**

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, 2008, 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.

CONDENSED STATEMENT OF NET ASSETS

	Water Funds	Wastewater Funds
Assets:		
Current assets	\$2,212,772	\$20,325,790
Due from Urban Renewal Agency	22,074	
Bond issuance cost and bond discounts net of amortization		43,132
Capital assets	61,055,653	84,298,792
Total assets	63,290,499	104,667,714
Liabilities:		
Current liabilities	248,649	1,337,436
Noncurrent liabilities	142,449	16,681,019
Total liabilities	391,098	18,018,455
Net assets:		
Invested in capital assets, net of related debt	61,055,653	66,973,170
Unrestricted	1,843,748	19,676,089
Total net assets	\$62,899,401	\$86,649,259

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008**

NOTE 11: SEGMENT INFORMATION FOR ENTERPRISE FUNDS (CONTINUED)

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

	<u>Water Funds</u>	<u>Wastewater Funds</u>
Charges for services	\$ 3,707,080	\$ 6,033,379
Depreciation expense	(2,028,212)	(2,857,103)
Other operating expenses	<u>(2,381,464)</u>	<u>(2,757,793)</u>
Operating income	(702,596)	418,483
Nonoperating revenues (expenses):		
Capitalization fees	526,122	1,555,981
Investment earnings	84,835	614,984
Interest expense	(10,167)	(1,052,912)
Amortization	(8,310)	17,432
Capital contributions	2,679,163	3,126,021
Operating transfer out	<u>(537,813)</u>	<u>(212,391)</u>
Change in net assets	2,031,234	4,467,598
Beginning net assets	<u>60,868,167</u>	<u>82,181,661</u>
Ending net assets	<u>\$62,899,401</u>	<u>\$86,649,259</u>

CONDENSED STATEMENT OF CASH FLOWS

	<u>Water Funds</u>	<u>Wastewater Funds</u>
Net cash provided (used) provided by:		
Operating activities	\$ 1,478,603	\$ 3,307,048
Noncapital financing activities	(537,813)	(212,391)
Capital and related financing activities	(1,797,375)	4,385,522
Investing activities	<u>74,668</u>	<u>614,984</u>
Net change	(781,917)	8,095,163
Beginning cash and cash equivalents	<u>2,202,615</u>	<u>11,334,431</u>
Ending cash and cash equivalents	<u>\$ 1,420,698</u>	<u>\$19,429,594</u>

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2008

NOTE 12: DESIGNATED FUND BALANCES

General fund balances designated for specific purposes consisted of the following as of September 30, 2008.

Repavement of Rotary Tennis Courts	\$ 35,884
LID Reserve	80,000
KCJA Drug Task Force	88,064
Police Drug Dog	2,850
Bellerive Subdivision Agreement	25,000
Sick Leave Option 2	<u>141,883</u>
Total designated	<u>\$373,681</u>

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.

Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. The Corporation does not have a deposit policy for custodial risk. The carrying amount of the Corporation's deposits is \$3,980,125 and the bank balance is \$3,992,895. As of September 30, 2008, \$3,266,471 of the Corporation's bank balance was exposed to custodial credit risk as follows.

Amount insured by FDIC	\$ 726,424
Uninsured and uncollateralized	<u>3,266,471</u>
	<u>\$3,992,895</u>

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008**

NOTE 13: COMPONENT UNIT DISCLOSURES (CONTINUED)

Capital Assets

Activity for Lake City Development Corporation fiscal year ended September 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$2,488,918	\$358,000		\$2,846,918
Total capital assets not being depreciated	<u>2,488,918</u>	<u>358,000</u>	<u> </u>	<u>2,846,918</u>
Capital assets being depreciated:				
Buildings and sites	<u>2,302,889</u>	<u> </u>	<u> </u>	<u>2,302,889</u>
Total capital assets being depreciated	<u>2,302,889</u>	<u> </u>	<u> </u>	<u>2,302,889</u>
Less accumulated depreciation for:				
Buildings and sites	<u>185,297</u>	<u>60,308</u>	<u> </u>	<u>245,605</u>
Total accumulated depreciation	<u>185,297</u>	<u>60,308</u>	<u> </u>	<u>245,605</u>
Total capital assets, being depreciated, net	<u>2,117,592</u>	<u>(60,308)</u>	<u> </u>	<u>2,057,284</u>
Governmental activities capital assets, net	<u>\$4,606,510</u>	<u>\$297,692</u>	<u>\$ -</u>	<u>\$4,904,202</u>

Agency Notes Payable

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

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

On April 1, 2008, in lieu of remitting the balloon payment due, the Corporation refinanced the balance through Washington Trust Bank. The total amount refinanced was \$752,047. Repayment terms are monthly payments due the first of each month, bearing interest at the rate of 4.0%. A balloon payment in the amount of \$555,676 is due April 1, 2013. The annual requirement to retire the debt is as follows:

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008**

NOTE 13: COMPONENT UNIT DISCLOSURES (CONTINUED)

Fiscal year ending September 30,	Rate	Principal	Interest	Total
2009	4.00%	\$ 37,827	\$ 29,191	\$ 67,018
2010	4.00%	39,390	27,628	67,018
2011	4.00%	41,018	25,999	67,017
2012	4.00%	42,714	24,304	67,018
2013	4.00%	575,783	13,367	589,150
		<u>\$ 736,732</u>	<u>\$ 120,489</u>	<u>\$ 857,221</u>

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:

Fiscal Year Ending September 30,	Rate	Principal	Interest	Total
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%	47,972	1,868	49,840
		<u>\$ 53,784</u>	<u>\$ 9,058</u>	<u>\$ 62,842</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%.

On January 10, 2008 the Corporation refinanced this note payable through Washington Trust Bank. The total amount refinanced was \$45,765. Repayment terms are monthly payments due the tenth of each month, bearing interest at the rate of 4.17%. A balloon payment in the amount of \$33,941.3 is due January 10, 2013. The annual requirements to retire the debt are as follows:

Fiscal year ending September 30,	Rate	Principal	Interest	Total
2009	4.17%	\$ 2,297	\$ 1,830	\$ 4,127
2010	4.17%	2,396	1,730	4,126
2011	4.17%	2,499	1,627	4,126
2012	4.17%	2,607	1,519	4,126
2013	4.17%	34,489	482	34,971
		<u>\$ 44,288</u>	<u>\$ 7,188</u>	<u>\$ 51,476</u>

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2008

NOTE 13: COMPONENT UNIT DISCLOSURES (CONTINUED)

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:

Fiscal Year Ending September 30,	Rate	Principal	Interest	Total
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%	42,504	1,549	44,053
		<u>\$ 54,233</u>	<u>\$ 8,768</u>	<u>\$ 63,001</u>

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:

Fiscal Year Ending September 30,	Rate	Principal	Interest	Total
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%	217,656	7,335	224,991
		<u>\$ 260,301</u>	<u>\$ 64,383</u>	<u>\$ 324,684</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:

Fiscal Year Ending September 30,	Rate	Principal	Interest	Total
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%	51,864	612	52,476
		<u>\$ 69,663</u>	<u>\$ 21,113</u>	<u>\$ 90,776</u>

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2008

NOTE 13: COMPONENT UNIT DISCLOSURES (CONTINUED)

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 September 30,	Rate	Principal	Interest	Total
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%	73,975	1,074	75,049
		<u>\$ 91,983</u>	<u>\$ 32,443</u>	<u>\$ 124,426</u>

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:

Fiscal Year Ending September 30,	Rate	Principal	Interest	Total
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%	113,085	5,000	118,085
		<u>\$133,352</u>	<u>\$54,893</u>	<u>\$188,245</u>

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008**

NOTE 13: COMPONENT UNIT DISCLOSURES (CONTINUED)

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>
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%	140,457	5,209	145,666
		<u>\$173,159</u>	<u>\$48,239</u>	<u>\$221,398</u>

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>
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%	181,129	7,905	189,034
		<u>\$215,292</u>	<u>\$88,130</u>	<u>\$303,422</u>

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008**

NOTE 13: COMPONENT UNIT DISCLOSURES (CONTINUED)

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, 2016. The annual requirements to retire the debt are as follows:

Fiscal Year Ending September 30,	Rate	Principal	Interest	Total
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%	262,025	1,047	263,072
		<u>\$329,562</u>	<u>\$100,082</u>	<u>\$429,644</u>

On February 17, 2006, 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, 2016. The annual requirements to retire the debt are as follows:

Fiscal Year Ending September 30,	Rate	Principal	Interest	Total
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%	218,162	6,956	225,118
		<u>\$233,893</u>	<u>\$109,078</u>	<u>\$342,971</u>

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008**

NOTE 13: COMPONENT UNIT DISCLOSURES (CONTINUED)

On April 21, 2006, 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, 2016. The annual requirements to retire the debt are as follows:

Fiscal Year Ending September 30,	Rate	Principal	Interest	Total
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%	430,255	14,146	444,401
		<u>\$535,463</u>	<u>\$184,217</u>	<u>\$719,680</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. A balloon payment of \$53,607 was originally due on May 31, 2007 but was refinanced. The new repayment terms are 59 monthly payments of \$346.84, due the first day of each month, bearing interest at the rate of 4.710%. A balloon payment in the amount of \$44,850 is due April 25, 2012. The annual requirements to retire the debt are as follows:

Fiscal Year Ending September 30,	Rate	Principal	Interest	Total
2009	4.71%	\$ 1,753	\$ 2,409	\$ 4,162
2010	4.71%	1,838	2,324	4,162
2011	4.71%	1,928	2,234	4,162
2012	4.71%	45,671	1,260	46,931
		<u>\$51,190</u>	<u>\$8,227</u>	<u>\$59,417</u>

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008**

NOTE 13: COMPONENT UNIT DISCLOSURES (CONTINUED)

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. The original arrangement provided for a balloon payment in the amount of \$117,654 due June 25, 2007. During 2007 this debt was refinanced. The new repayment terms are 59 monthly payments of \$734.90, due on the 25th day of each month, bearing interest at the rate of 4.710%. 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>
2009	4.71%	\$ 3,714	\$ 5,105	\$ 8,819
2010	4.71%	3,895	4,924	8,819
2011	4.71%	4,086	4,733	8,819
2012	4.71%	96,773	2,669	99,442
		<u>\$108,468</u>	<u>\$17,431</u>	<u>\$125,899</u>

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. The original arrangement provided for a balloon payment in the amount of \$64,320, due in June of 2007. During 2007 this debt was refinanced. The new repayment terms are 59 monthly payments of \$517.22, due on the 1st day of each month, bearing interest at the rate of 5.25%. 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>
2009	5.25%	\$ 3,091	\$ 3,115	\$ 6,206
2010	5.25%	3,258	2,949	6,207
2011	5.25%	3,433	2,774	6,207
2012	5.25%	50,894	1,959	52,853
		<u>\$60,676</u>	<u>\$10,797</u>	<u>\$71,473</u>

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008**

NOTE 13: COMPONENT UNIT DISCLOSURES (CONTINUED)

During the 2006-2007 Fiscal year, the LCDC agreed to fund Coeur d'Alene Public Library construction costs totaling \$250,000 in five equal payments of \$50,000 over a five year period. One payment was made in fiscal year 2006-2007 and one in 2007-2008 leaving the remainder to be paid off over three years. The present value and repayment terms based on an imputed interest rate of 0.00% are as follows:

Fiscal year ending September 30,	Rate	Principal	Interest	Payment
2009	5.40%	\$ 50,000	-	\$ 50,000
2010	5.40%	50,000	-	50,000
2011	5.40%	50,000	-	50,000
		<u>\$150,000</u>	<u>-</u>	<u>\$150,000</u>

During the 2006-2007 fiscal year, the LCDC agreed to fund Kroc Community Center construction costs pertaining to LCDC approved public improvements totaling \$500,000 payable in five equal payments of \$100,000 over a five year period. One payment was made in fiscal year 2007-2008, leaving the remainder to be paid off over four years. The Present value and repayment terms based on an imputed interest rate of 0.00% are as follows:

Fiscal year ending September 30,	Rate	Principal	Interest	Payment
2009	0.00%	\$100,000	-	\$100,000
2010	0.00%	100,000	-	100,000
2011	0.00%	100,000	-	100,000
2012	0.00%	100,000	-	100,000
		<u>\$400,000</u>	<u>-</u>	<u>\$400,000</u>

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2008

NOTE 13: COMPONENT UNIT DISCLOSURES (CONTINUED)

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

Fiscal year ending September 30,	Rate	Principal	Interest	Total
2009	4.50%	\$ 8,360	\$ 16,180	\$ 24,540
2010	4.50%	8,735	15,805	24,540
2011	4.50%	9,128	15,412	24,540
2012	4.50%	9,539	15,001	24,540
2013	4.50%	9,866	14,674	24,540
2014	4.64%	10,013	14,527	24,540
2015	4.64%	10,498	14,042	24,540
2016	4.64%	11,006	13,534	24,540
2017	4.64%	11,539	13,001	24,540
2018	4.64%	270,066	9,406	279,472
		<u>\$ 358,750</u>	<u>\$ 141,582</u>	<u>\$ 500,332</u>

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

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2008

NOTE 13: COMPONENT UNIT DISCLOSURES (CONTINUED)

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

Fiscal year ending September 30,	Rate	Principal	Interest	Total
2009	4.35%	\$ 187,905	\$ 151,175	\$ 339,080
2010	4.35%	196,079	143,001	339,080
2011	4.35%	204,608	134,472	339,080
2012	4.35%	213,508	125,572	339,080
2013	4.35%	222,796	116,284	339,080
2014	4.35%	232,488	106,592	339,080
2015	4.35%	242,601	96,479	339,080
2016	4.35%	253,154	85,926	339,080
2017	4.35%	<u>1,722,156</u>	<u>37,457</u>	<u>1,759,613</u>
		<u>\$ 3,475,295</u>	<u>\$ 996,958</u>	<u>\$4,472,253</u>

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

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008**

NOTE 13: COMPONENT UNIT DISCLOSURES (CONTINUED)

The following is a summary of debt activity for the year ended September 30, 2008:

	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due in One Year
Kimbal Property	\$ 14,159		\$ 14,159		
Gridley Property	10,430		10,430		
Library site	769,319		32,587	\$ 736,732	\$ 37,827
630 N. Lincoln Way	52,861		1,671	51,190	1,753
728 Sherman Avenue	112,009		3,541	108,468	3,714
620 N. Lincoln Way	55,542		1,758	53,784	1,848
622 N. Lincoln Way	46,264		1,976	44,288	2,297
618 N. Lincoln Way	63,609		2,933	60,676	3,091
612 N. Lincoln Way	56,904		2,671	54,233	2,772
515 W. Garden Ave.	267,683		7,382	260,301	7,740
626 N. Lincoln Way	72,906		3,243	69,663	3,140
632 Lincoln Way	94,912		2,929	91,983	3,057
604 Lincoln Way	136,896		3,544	133,352	3,710
608 Lincoln Way	177,794		4,635	173,159	4,851
211 N. 4th Street	221,170		5,878	215,292	6,153
Mill River Project variable rate bond	3,799,931		3,799,931		
Mill River Project fixed rate bond		3,750,000	274,705	3,475,295	187,905
712 E. Young Ave	337,776		8,214	329,562	8,605
813-817 N. 4th St	239,697		5,804	233,893	6,079
301 E. Lakeside Ave	547,713		12,250	535,463	12,876
North Idaho Centennial Trail Foundation	2,509,048			2,509,048	
Library construction grant	175,662	24,338	50,000	150,000	50,000
Kroc Center Grant		500,000	100,000	400,000	100,000
845 N. 4th Street & 839 N. 3rd Street		360,783	2,033	358,750	8,360
	<u>\$ 9,762,285</u>	<u>\$ 4,635,121</u>	<u>\$ 4,352,274</u>	<u>\$ 10,045,132</u>	<u>\$ 455,778</u>

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, Idaho 83702.

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

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2008

NOTE 14: DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the period October 01, 2007 through September 30, 2008, 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 \$2,454,785, \$2,180,378, and \$1,978,538 for the three years ended September 30, 2008, 2007, and 2006, 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.

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

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

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

(Continued)

City of Coeur d'Alene, Idaho

NOTES TO THE FINANCIAL STATEMENTS September 30, 2008

NOTE 14: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Single-Employer Defined Benefit Pension Plan (Continued)

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, 2007. 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 4% and investment returns of 6%. 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 \$25,878 and U.S. Government issues of \$1,318,750. 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.

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.

(Continued)

City of Coeur d'Alene, Idaho

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008**

NOTE 14: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Policy (Continued)

For GASB purposes, the ARC must be calculated based on certain parameters required for disclosure purposes. The actuarial has computed the ARC using the Entry Age Normal Cost Method. Under this method the projected benefits are allocated on a level basis as a percentage of salary over the earnings of each individual between entry age and assumed exit age. The amount allocated to each year is called the Normal Cost and the portion of the Actuarial Present Value of all benefits not provided for by future Normal Cost payments is called the Actuarial Accrued Liability. Since all members have already retired, the amount of the annual Normal Cost is zero. The Unfunded Actuarial Accrued Liability (UAAL) is the Actuarial Accrued Liability minus the actuarial value of the Fund's assets.

For GASB reporting purposes, Table 1 presents the ARC as of the valuation date, assuming the UAL is amortized as a level dollar amount over 18.2 years. This is within the maximum period allowed under the GASB reporting rules. The amortization period is open.

The UAL and the percentage funded by assets are shown in the Required Supplementary Information, the Schedule of Funding Progress. Table 1 discloses the annual pension costs; percentage of annual pension cost contributed and NPO for the year ended September 30, 2008. 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)	\$143,396
Interest to EOY*	<u>8,604</u>
ARC at EOY	152,000
Interest on NPO	(83)
Adjustment to NPO	<u>108</u>
Annual Pension Cost (APC)	152,025
Employer Contributions	<u>152,000</u>
Change in NPO	25
NPO at BOY	<u>(1,381)</u>
NPO at EOY	<u>\$ (1,356)</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, 2008

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.

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, 2008

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 13,131,906	\$ 12,853,413	\$ 13,078,656	\$ 225,243
Licenses and permits	3,546,300	3,372,925	3,423,722	50,797
Intergovernmental	7,393,217	7,719,195	7,531,073	(188,122)
Charges for services	664,329	684,878	398,975	(285,903)
Fines and forfeits	416,132	408,000	506,848	98,848
Interest	355,868	198,000	142,277	(55,723)
Miscellaneous	20,150	107,753	137,717	29,964
Total revenues	<u>25,527,902</u>	<u>25,344,164</u>	<u>25,219,268</u>	<u>(124,896)</u>
EXPENDITURES				
Current:				
General government	5,540,008	5,528,655	4,996,492	532,163
Public safety	14,536,418	14,908,367	14,587,252	321,115
Public works	4,374,158	4,665,002	4,553,574	111,428
Culture and recreation	2,211,926	2,204,900	2,073,490	131,410
Capital outlay	533,112	566,245	389,013	177,232
Total expenditures	<u>27,195,622</u>	<u>27,873,169</u>	<u>26,599,821</u>	<u>1,273,348</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(1,667,720)</u>	<u>(2,529,005)</u>	<u>(1,380,553)</u>	<u>1,148,452</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,794,293	1,819,762	2,077,136	257,374
Operating transfers out	(305,913)	(1,744,713)	(1,754,092)	(9,379)
Total other financing sources (uses)	<u>1,488,380</u>	<u>75,049</u>	<u>323,044</u>	<u>247,995</u>
Net change in fund balances	<u>(179,340)</u>	<u>(2,453,956)</u>	<u>(1,057,509)</u>	<u>1,396,447</u>
Fund balances - beginning of year	1,938,905	2,453,956	4,872,312	2,418,356
Fund balances - end of year	<u>\$ 1,759,565</u>	<u>\$ -</u>	<u>\$ 3,814,803</u>	<u>\$ 3,814,803</u>

**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%
9/30/07	150,639	152,000	99.10%
9/30/08	152,000	152,000	100.00%

*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	43.65%	\$0*	N/A
9/30/05	1,392,263	3,103,307	1,711,044	44.68%	\$0*	N/A
9/30/06	1,362,500	2,959,310	1,596,810	46.04%	\$0*	N/A
9/30/07	1,349,423	2,789,756	1,440,333	48.37%	\$0*	N/A
9/30/08	1,349,423	2,789,756	1,440,333	48.37%	\$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)
September 30, 2007	152,024	99%	(1,381)
September 30, 2008	152,025	100%	(1,356)

ANNUAL DEVELOPMENT OF PENSION COSTS*

Fiscal Year Ending	ARC at EOY	Interest on NPO	Annual Pension Cost Adjust (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)	(2,766)	(76)	13.10	(207)	(2,766)
9/30/07	152,000	(187)	(211)	152,024	152,639	1,385	(1,381)	1,361	13.10	(211)	(1,381)
9/30/08	152,000	(83)	(108)	152,025	152,000	25	(1,356)	-0-	12.80	(108)	(1,356)

FINANCIAL SECTION

OTHER SUPPLEMENTARY INFORMATION

City of Coeur d'Alene, Idaho

**COMBINING BALANCE SHEET - BY FUND TYPE
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2008**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 7,165,059	\$ 792,523	\$ 443,549	\$ 8,401,131
Investments	1,995,174			1,995,174
Receivables:				
Taxes delinquent	24,436			24,436
Accounts	13,085			13,085
Assessments:				
Delinquent		260		260
Deferred		656,810		656,810
Due from other governments	39,480			39,480
Total assets	<u>\$ 9,237,234</u>	<u>\$ 1,449,593</u>	<u>\$ 443,549</u>	<u>\$ 11,130,376</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 40,144			\$ 40,144
Due to other funds		\$ 267,327		267,327
Deposits	600	725		1,325
Deferred revenues	24,436	656,810		681,246
Total liabilities	<u>65,180</u>	<u>924,862</u>		<u>990,042</u>
Fund balances:				
Reserved	8,616,587	524,731		9,141,318
Unreserved, undesignated	555,467		\$ 443,549	999,016
Total fund balances	<u>9,172,054</u>	<u>524,731</u>	<u>443,549</u>	<u>10,140,334</u>
Total liabilities and fund balances	<u>\$ 9,237,234</u>	<u>\$ 1,449,593</u>	<u>\$ 443,549</u>	<u>\$ 11,130,376</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, 2008**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Taxes	\$ 1,158,963			\$ 1,158,963
Intergovernmental	366,231			366,231
Charges for services	1,320,971			1,320,971
Fines and forfeits	18,675			18,675
Assessments collected		\$ 194,485		194,485
Investment income	145,805			145,805
Unrealized gain on investments	43,647			43,647
Interest	184,361			184,361
Contributions			\$ 19,347	19,347
Miscellaneous	175,472			175,472
Penalty and interest		35,068		35,068
Total revenues	<u>3,414,125</u>	<u>229,553</u>	<u>19,347</u>	<u>3,663,025</u>
EXPENDITURES				
Current:				
General government	1,147,057			1,147,057
Culture and recreation	1,123,811			1,123,811
Administrative expenses			20,681	20,681
Capital outlay	591,353			591,353
Debt service:				
Principal payments		311,408		311,408
Interest, fees and other		92,968		92,968
Total expenditures	<u>2,862,221</u>	<u>404,376</u>	<u>20,681</u>	<u>3,287,278</u>
Excess (deficiency) of revenues over (under) expenditures	<u>551,904</u>	<u>(174,823)</u>	<u>(1,334)</u>	<u>375,747</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,230,921	57,940	20,518	1,309,379
Operating transfers out	<u>(1,167,547)</u>	<u>(7,940)</u>	<u>(519)</u>	<u>(1,176,006)</u>
Total other financing sources (uses)	<u>63,374</u>	<u>50,000</u>	<u>19,999</u>	<u>133,373</u>
Net change in fund balances	615,278	(124,823)	18,665	509,120
Fund balances - beginning of year	<u>8,556,776</u>	<u>649,554</u>	<u>424,884</u>	<u>9,631,214</u>
Fund balances - end of year	<u>\$ 9,172,054</u>	<u>\$ 524,731</u>	<u>\$ 443,549</u>	<u>\$ 10,140,334</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, 2008

	Library	Cemetery	Annexation Fees	Impact Fees	Parks Capital Improvements	Insurance
ASSETS						
Cash and cash equivalents	\$ 50,662	\$ 75,212	\$ 467,078	\$ 3,401,337	\$ 648,252	\$ 1,922,234
Investments						
Receivables:						
Taxes delinquent	14,188					10,248
Accounts		8,872			4,213	
Due from other governments	25,982				4,480	2,653
Total assets	<u>\$ 90,832</u>	<u>\$ 84,084</u>	<u>\$ 467,078</u>	<u>\$ 3,401,337</u>	<u>\$ 656,945</u>	<u>\$ 1,935,135</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 7,209	\$ 4,574		\$ 2,168	\$ 10,998	\$ 1,075
Deposits						
Deferred revenues	14,188					10,248
Total liabilities	<u>21,397</u>	<u>4,574</u>		<u>2,168</u>	<u>10,998</u>	<u>11,323</u>
Fund balances:						
Reserved	69,435			3,399,169	645,947	1,923,812
Unreserved, undesignated		79,510	\$ 467,078			
Total fund balances	<u>69,435</u>	<u>79,510</u>	<u>467,078</u>	<u>3,399,169</u>	<u>645,947</u>	<u>1,923,812</u>
Total liabilities and fund balances	<u>\$ 90,832</u>	<u>\$ 84,084</u>	<u>\$ 467,078</u>	<u>\$ 3,401,337</u>	<u>\$ 656,945</u>	<u>\$ 1,935,135</u>

Cemetery Perpetual Care	Reforestation	Art Commission	Jewett House	Playground	KCATT	Public Art	KMPO	Total Nonmajor Special Revenue Funds
\$ 1,995,174	\$ 193,831	\$ 1,201	\$ 7,815	\$ 3,124	\$ 3,378	\$ 371,950	\$ 18,985	\$ 7,165,059 1,995,174
	6,365							24,436 13,085 39,480
<u>\$ 1,995,174</u>	<u>\$ 200,196</u>	<u>\$ 1,201</u>	<u>\$ 7,815</u>	<u>\$ 3,124</u>	<u>\$ 3,378</u>	<u>\$ 371,950</u>	<u>\$ 18,985</u>	<u>\$ 9,237,234</u>
	\$ 1,256	\$ 107	\$ 5,503 600	\$ 429		\$ 6,825		\$ 40,144 600 24,436
	<u>1,256</u>	<u>107</u>	<u>6,103</u>	<u>429</u>		<u>6,825</u>		<u>65,180</u>
\$ 1,995,174	198,940					365,125	\$ 18,985	8,616,587
		1,094	1,712	2,695	\$ 3,378			555,467
<u>1,995,174</u>	<u>198,940</u>	<u>1,094</u>	<u>1,712</u>	<u>2,695</u>	<u>3,378</u>	<u>365,125</u>	<u>18,985</u>	<u>9,172,054</u>
<u>\$ 1,995,174</u>	<u>\$ 200,196</u>	<u>\$ 1,201</u>	<u>\$ 7,815</u>	<u>\$ 3,124</u>	<u>\$ 3,378</u>	<u>\$ 371,950</u>	<u>\$ 18,985</u>	<u>\$ 9,237,234</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, 2008

	Library	Cemetery	Annexation Fees	Impact Fees	Parks Capital Improvements	Insurance
REVENUES						
Taxes	\$ 1,051,397					\$ 107,566
Intergovernmental	1,735				\$ 25,186	
Charges for services	8,166	\$ 118,410	\$ 377,250	\$ 695,489	115,776	
Fines and forfeits	18,675					
Investment income		931	9,001	122,845		
Unrealized gain on investments						
Interest	3,099				18,591	74,638
Miscellaneous	7,430	9,730			13,587	
Total revenues	<u>1,090,502</u>	<u>129,071</u>	<u>386,251</u>	<u>818,334</u>	<u>173,140</u>	<u>182,204</u>
EXPENDITURES						
Current:						
General government		226,093				405,314
Culture and recreation	1,004,097				119,714	
Capital outlay	69,752	34,892			486,709	
Total expenditures	<u>1,073,849</u>	<u>260,985</u>			<u>606,423</u>	<u>405,314</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,653</u>	<u>(131,914)</u>	<u>386,251</u>	<u>818,334</u>	<u>(433,283)</u>	<u>(223,110)</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in		243,413			527,648	111,243
Operating transfers out		(33,188)	(230,000)	(512,620)	(4,975)	
Total other financing sources (uses)		<u>210,225</u>	<u>(230,000)</u>	<u>(512,620)</u>	<u>522,673</u>	<u>111,243</u>
Net change in fund balances	16,653	78,311	156,251	305,714	89,390	(111,867)
Fund balances - beginning of year	52,782	1,199	310,827	3,093,455	556,557	2,035,679
Fund balances - end of year	<u>\$ 69,435</u>	<u>\$ 79,510</u>	<u>\$ 467,078</u>	<u>\$ 3,399,169</u>	<u>\$ 645,947</u>	<u>\$ 1,923,812</u>

Cemetery Perpetual Care	Reforestation	Art Commission	Jewett House	Playground	KCATT	Public Art	KMPO	Total Nonmajor Special Revenue Funds
	\$ 6,365	\$ 5,880					\$ 332,945	\$ 1,158,963
	898	43		\$ 175	\$ 121	\$ 10,201	1,590	366,231
\$ 43,647								1,320,971
80,634	6,606		\$ 793					18,675
	59,681		7,836	240		76,968		145,805
<u>124,281</u>	<u>73,550</u>	<u>5,923</u>	<u>8,629</u>	<u>415</u>	<u>121</u>	<u>87,169</u>	<u>334,535</u>	<u>3,414,125</u>
10,024	77,037	6,923	31,110	2,369		41,216	346,971	1,147,057
								1,123,811
<u>10,024</u>	<u>77,037</u>	<u>6,923</u>	<u>31,110</u>	<u>2,369</u>		<u>41,216</u>	<u>346,971</u>	<u>591,353</u>
114,257	(3,487)	(1,000)	(22,481)	(1,954)	121	45,953	(12,436)	2,862,221
								551,904
53,188	197,934	1,000	10,000			86,495		1,230,921
(190,000)	(196,764)							(1,167,547)
<u>(136,812)</u>	<u>1,170</u>	<u>1,000</u>	<u>10,000</u>			<u>86,495</u>		<u>63,374</u>
(22,555)	(2,317)		(12,481)	(1,954)	121	132,448	(12,436)	615,278
2,017,729	201,257	1,094	14,193	4,649	3,257	232,677	31,421	8,556,776
<u>\$ 1,995,174</u>	<u>\$ 198,940</u>	<u>\$ 1,094</u>	<u>\$ 1,712</u>	<u>\$ 2,695</u>	<u>\$ 3,378</u>	<u>\$ 365,125</u>	<u>\$ 18,985</u>	<u>\$ 9,172,054</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 #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.

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.

City of Coeur d'Alene, Idaho

Debt Service Funds

(Continued)

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, 2008**

	<u>LID</u> <u>#124/125</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	\$ 26,460	\$ 25,824	\$ 195,175	\$ 94,592
Receivables:				
Delinquent	169			
Deferred	16,809	31,427	73,775	64,331
Total assets	<u>\$ 43,438</u>	<u>\$ 57,251</u>	<u>\$ 268,950</u>	<u>\$ 158,923</u>
 LIABILITIES AND FUND BALANCE				
Liabilities:				
Deposits				
Due to other funds				
Deferred revenue	<u>\$ 16,809</u>	<u>\$ 31,427</u>	<u>\$ 73,775</u>	<u>\$ 64,331</u>
Total liabilities	<u>16,809</u>	<u>31,427</u>	<u>73,775</u>	<u>64,331</u>
 Fund balances:				
Reserved	<u>26,629</u>	<u>25,824</u>	<u>195,175</u>	<u>94,592</u>
Total fund balances	<u>26,629</u>	<u>25,824</u>	<u>195,175</u>	<u>94,592</u>
Total liabilities and fund balance	<u>\$ 43,438</u>	<u>\$ 57,251</u>	<u>\$ 268,950</u>	<u>\$ 158,923</u>

LID #133/139 & 142	LID #137/138 & 140	LID #143/144	LID #145	LID #146	LID Guarantee Fund	Total Nonmajor Debt Service Funds
		\$ 6,689		\$ 174,804	\$ 268,979	\$ 792,523
			\$ 54	37		260
		12,526	267,273	190,669		656,810
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,215</u>	<u>\$ 267,327</u>	<u>\$ 365,510</u>	<u>\$ 268,979</u>	<u>\$ 1,449,593</u>
					\$ 725	\$ 725
			\$ 267,327			267,327
		\$ 12,526	267,273	\$ 190,669		656,810
		12,526	534,600	190,669	725	924,862
		6,689	(267,273)	174,841	268,254	524,731
		6,689	(267,273)	174,841	268,254	524,731
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,215</u>	<u>\$ 267,327</u>	<u>\$ 365,510</u>	<u>\$ 268,979</u>	<u>\$ 1,449,593</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, 2008**

	<u>LID</u> <u>#124/125</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	\$ 6,703	\$ 9,422	\$ 7,928	\$ 31,983
Penalty and interest	653	1,937	2,926	4,296
Total revenues	<u>7,356</u>	<u>11,359</u>	<u>10,854</u>	<u>36,279</u>
EXPENDITURES				
Bond principal	41,162	40,937	29,309	75,000
Interest, fees and other	8,729	9,326	20,216	29,035
Total expenditures	<u>49,891</u>	<u>50,263</u>	<u>49,525</u>	<u>104,035</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(42,535)</u>	<u>(38,904)</u>	<u>(38,671)</u>	<u>(67,756)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in				
Operating transfers out				
Total other financing sources (uses)				
Net change in fund balances	<u>(42,535)</u>	<u>(38,904)</u>	<u>(38,671)</u>	<u>(67,756)</u>
Fund balances - beginning of year	69,164	64,728	233,846	162,348
Fund balances - end of year	<u>\$ 26,629</u>	<u>\$ 25,824</u>	<u>\$ 195,175</u>	<u>\$ 94,592</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>
\$ 14,312		\$ 12,177	\$ 39,449	\$ 61,257	\$ 11,254	\$ 194,485
(238)		1,299		14,717	9,478	35,068
<u>14,074</u>		<u>13,476</u>	<u>39,449</u>	<u>75,974</u>	<u>20,732</u>	<u>229,553</u>
40,000		20,000		65,000		311,408
2,085		2,328		21,249		92,968
<u>42,085</u>		<u>22,328</u>		<u>86,249</u>		<u>404,376</u>
(28,011)		(8,852)	39,449	(10,275)	20,732	(174,823)
7,940					50,000	57,940
					(7,940)	(7,940)
<u>7,940</u>					<u>42,060</u>	<u>50,000</u>
(20,071)		(8,852)	39,449	(10,275)	62,792	(124,823)
20,071		15,541	(306,722)	185,116	205,462	649,554
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,689</u>	<u>\$(267,273)</u>	<u>\$ 174,841</u>	<u>\$ 268,254</u>	<u>\$ 524,731</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.

Government Way-Dalton Avenue to Hanley Avenue: To administer expenditures for the purpose of reconstructing and widening of Government Way from Dalton Avenue to Hanley 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, 2008

	<u>Seltice Way</u>	<u>4th Street</u>
ASSETS		
Cash and cash equivalents	\$ 90,402	\$ 1,428
Total assets	<u>\$ 90,402</u>	<u>\$ 1,428</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Total liabilities	<u> </u>	<u> </u>
Fund balances:		
Unreserved, undesignated	\$ 90,402	\$ 1,428
Total fund balances	<u>90,402</u>	<u>1,428</u>
Total liabilities and fund balances	<u>\$ 90,402</u>	<u>\$ 1,428</u>

Govt Way Phase II	4th St. Lunceford To Dalton	15th St. Lunceford To Dalton	Ironwood	Nonmajor Capital Project Funds
\$ 13,192	\$ 27,545	\$ 230,982	\$ 80,000	\$ 443,549
<u>\$ 13,192</u>	<u>\$ 27,545</u>	<u>\$ 230,982</u>	<u>\$ 80,000</u>	<u>\$ 443,549</u>
\$ 13,192	\$ 27,545	\$ 230,982	\$ 80,000	\$ 443,549
13,192	27,545	230,982	80,000	443,549
<u>\$ 13,192</u>	<u>\$ 27,545</u>	<u>\$ 230,982</u>	<u>\$ 80,000</u>	<u>\$ 443,549</u>

City of Coeur d'Alene, Idaho

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECTS FUNDS
For the Year Ended September 30, 2008**

	Seltice Way	4th Street	Govt Way Phase II
REVENUES			
Contributions			
Total revenues			
EXPENDITURES			
Administrative expense			
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures			
OTHER FINANCING SOURCES (USES)			
Operating transfers in			
Operating transfers out			
Total other financing sources (uses)			
Net change in fund balances			
Fund balance - beginning of year	\$ 90,402	\$ 1,428	\$ 13,192
Fund balance - end of year	\$ 90,402	\$ 1,428	\$ 13,192

4th St. Lunceford To Dalton	Gov't Way to Hanley	Atlas Signals	15th St Lunceford to Dalton	Ironwood	Nonmajor Capital Projects Funds
\$ 3,629			\$ 15,718		\$ 19,347
3,629			15,718		19,347
681	\$ 20,000				20,681
681	20,000				20,681
2,948	(20,000)		15,718		(1,334)
518	20,000				20,518
		\$ (519)			(519)
518	20,000	(519)			19,999
3,466		(519)	15,718		18,665
24,079		519	215,264	\$ 80,000	424,884
\$ 27,545	\$ -	\$ -	\$ 230,982	\$ 80,000	\$ 443,549

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, 2008**

	Business-type Activities - Nonmajor Enterprise Funds				
	Wastewater Property Management	Street Lighting	Public Parking Lot	Stormwater Management	Total Nonmajor Enterprise Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 60,668	\$ 143,011	\$ 591,546	\$ 432,950	\$ 1,228,175
Receivables:					
Accounts, net of allowance for uncollectible accounts		45,464	19,720	132,151	197,335
Total current assets	<u>60,668</u>	<u>188,475</u>	<u>611,266</u>	<u>565,101</u>	<u>1,425,510</u>
Non-current assets:					
Capital assets:					
Land			122,264		122,264
Other capital assets, net of accumulated depreciation		362,299	266,075	3,744,227	4,372,601
Total capital assets (net of accumulated depreciation)		<u>362,299</u>	<u>388,339</u>	<u>3,744,227</u>	<u>4,494,865</u>
Total non-current assets		<u>362,299</u>	<u>388,339</u>	<u>3,744,227</u>	<u>4,494,865</u>
Total assets	<u>60,668</u>	<u>550,774</u>	<u>999,605</u>	<u>4,309,328</u>	<u>5,920,375</u>
LIABILITIES					
Current liabilities:					
Accounts payable		28,584	11,133	15,431	55,148
Total current liabilities		<u>28,584</u>	<u>11,133</u>	<u>15,431</u>	<u>55,148</u>
Non-current liabilities:					
Compensated absences				36,455	36,455
Total non-current liabilities				<u>36,455</u>	<u>36,455</u>
Total liabilities		<u>28,584</u>	<u>11,133</u>	<u>51,886</u>	<u>91,603</u>
NET ASSETS					
Invested in fixed assets, net of related debt		362,299	388,339		750,638
Unreserved	60,668	159,891	600,133	4,257,442	5,078,134
Total net assets	<u>\$ 60,668</u>	<u>\$ 522,190</u>	<u>\$ 988,472</u>	<u>\$ 4,257,442</u>	<u>\$ 5,828,772</u>

City of Coeur d'Alene, Idaho

COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended September 30, 2008

	<u>Business-type Activities - Nonmajor Enterprise Funds</u>				
	<u>Wastewater Property Management</u>	<u>Street Lighting</u>	<u>Public Parking Lot</u>	<u>Stormwater Management</u>	<u>Total Nonmajor Enterprise Funds</u>
OPERATING REVENUES					
Services		\$ 466,722	\$ 144,720	\$ 1,294,001	\$ 1,905,443
OPERATING EXPENSES					
Administration				352,899	352,899
Maintenance		14,097	16,379	143,588	174,064
Supplies				46,544	46,544
Contracted services		406,857	67,500	68,076	542,433
Depreciation		26,596	33,035	147,285	206,916
Bad debt expense		596		1,083	1,679
Total operating expenses		<u>448,146</u>	<u>116,914</u>	<u>759,475</u>	<u>1,324,535</u>
Operating income		<u>18,576</u>	<u>27,806</u>	<u>534,526</u>	<u>580,908</u>
NONOPERATING REVENUES					
Investment income		5,751	21,645	16,368	43,764
Total nonoperating revenues		<u>5,751</u>	<u>21,645</u>	<u>16,368</u>	<u>43,764</u>
Income before contributions and transfers		24,327	49,451	550,894	624,672
Operating transfers in		165,000			165,000
Operating transfers out		<u>(78,903)</u>	<u>(83,860)</u>	<u>(206,904)</u>	<u>(369,667)</u>
Change in net assets		110,424	(34,409)	343,990	420,005
Total net assets - beginning	\$ 60,668	411,766	1,022,881	3,913,452	5,408,767
Total net assets - ending	<u>\$ 60,668</u>	<u>\$ 522,190</u>	<u>\$ 988,472</u>	<u>\$ 4,257,442</u>	<u>\$ 5,828,772</u>

City of Coeur d'Alene, Idaho

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUND TYPES
For the Year Ended September 30, 2008

	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		\$466,584	\$ 188,186	\$1,292,579	\$1,947,349
Payments to suppliers		(427,049)	(72,858)	(395,388)	(895,295)
Payments to employees				(333,548)	(333,548)
Net cash provided by operating activities		<u>39,535</u>	<u>115,328</u>	<u>563,643</u>	<u>718,506</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfers in		165,000			165,000
Operating transfers out		(78,903)	(83,860)	(206,904)	(369,667)
Net cash provided (used) by noncapital financing activities		<u>86,097</u>	<u>(83,860)</u>	<u>(206,904)</u>	<u>(204,667)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital asset purchases			(27,901)	(195,294)	(223,195)
Net cash (used) by financing activities			<u>(27,901)</u>	<u>(195,294)</u>	<u>(223,195)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income		5,751	21,645	16,368	43,764
Net cash provided by investing activities		<u>5,751</u>	<u>21,645</u>	<u>16,368</u>	<u>43,764</u>
Net increase in cash and cash equivalents		131,383	25,212	177,813	334,408
Cash and cash equivalents, beginning of year	\$ 60,668	11,628	566,334	255,137	893,767
Cash and cash equivalents, end of year	<u>\$ 60,668</u>	<u>\$143,011</u>	<u>\$591,546</u>	<u>\$ 432,950</u>	<u>\$1,228,175</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income		\$ 18,576	\$ 27,806	\$ 534,526	\$ 580,908
Adjustments to reconcile operating income to net cash (used) provided by operating activities:					
Depreciation		26,596	33,036	147,285	206,917
(Increase) decrease in accounts receivable		(138)	43,466	(1,422)	41,906
(Decrease) increase in accounts payable		(5,499)	11,020	10,540	16,061
(Decrease) in due to other funds				(115,000)	(115,000)
(Decrease) in compensated absences				(12,286)	(12,286)
Net cash provided by operating activities		<u>\$ 39,535</u>	<u>\$ 115,328</u>	<u>\$ 563,643</u>	<u>\$ 718,506</u>

REPORT REQUIRED BY THE GAO



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, Idaho, as of and for the year ended September 30, 2008, which collectively comprise the City of Coeur d'Alene, Idaho's basic financial statements and have issued our report thereon dated March 24, 2009. 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Coeur d'Alene's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Coeur d'Alene's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of City of Coeur d'Alene's financial statements that is more than inconsequential will not be prevented or detected by the City of Coeur d'Alene's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Coeur d'Alene's internal control.

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

Compliance and Other Matters

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

- 91 -



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Count On Us To Care

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

We noted certain matters that we reported to management of City of Coeur d'Alene, in a separate letter dated March 24, 2009.

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, Idaho
March 24, 2009