

CITY OF IOWA FALLS, IOWA

INDEPENDENT AUDITOR'S REPORTS

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2005

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City of Iowa Falls, Iowa

List of Principal Officials

June 30, 2005

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rocky Lavalle	Mayor	Jan 2006
Frankie Tjarks	Mayor Pro tem	Jan 2008
Jody Anderson	Council Member	Jan 2008
Diane Meier	Council Member	Jan 2008
Judy Crawford	Council Member	Jan 2006
Mark Messa	Council Member	Jan 2006
Brent Bury	City Manager	Jul 2005
Brent Hinson	City Clerk/Finance Director	Jul 2005
Clark McNeal	Attorney	Jul 2005
Doug Strike	Police Chief	Jul 2005
Rick Gustin	Fire Chief	Indefinite
Deanne Henry	Library Director	Indefinite
Brian Lorenzen	Park Superintendent	Indefinite
Merlin Clock	Street/Sanitation Superintendent	Indefinite
Elvin Van Kooten	Building and Zoning	Indefinite
Robert Wright	Water/Wastewater Superintendent	Indefinite
Jolene Liekweg	Deputy City Clerk	Jul 2005
Norm Kastendick	Hospital Board of Trustees	Jan 2008
Chris Weaver	Hospital Board of Trustees	Jan 2006
Diana Ruhl	Hospital Board of Trustees, Secretary	Jan 2008
Kraig Kasischke	Hospital Board of Trustees	Jan 2006
John Swartz	Hospital Board of Trustees, Chairman	Jan 2006
John O'Brien	Hospital Administrator	Indefinite
Betty Riley	Hospital Accountant	Indefinite

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Iowa Falls, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Iowa Falls' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hospital Fund, an Enterprise Fund. Those financial statements were audited by other independent auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hospital Fund, is based solely upon the report of the other independent auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards, 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Iowa Falls at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated December 13, 2005 on our consideration of the City of Iowa Falls' internal control over financial reporting and 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 internal control over financial reporting or 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.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 61 through 64 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Iowa Falls' basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (none of which is presented herein) and expressed an unqualified opinion on those financial statements. Other auditors previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2003 (none of which is presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Cornwell, Frideres, Maher & Associates, P.C
Certified Public Accountants

December 13, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Iowa Falls' Annual Financial Report presents the Management's Discussion and Analysis of the City's financial activities during the fiscal year ended June 30, 2005. The analysis focuses on the City's financial performance as a whole. Please read it in conjunction with the City's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Iowa Falls exceeded liabilities at June 30, 2005 by \$27,641,636. Of this amount, \$5,561,856 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$518,318 during the year. Of this amount the assets of our governmental activities decreased \$439,746 and the assets of our business-type activities increased by \$958,064.

USING THIS REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

Government-wide Financial Statements consists of a statement of net assets and a statement of activities. These provide information about the activities of the City as a whole and represent an overall view of the City's finances.

Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information, other than MD&A, provides information about the required budgetary comparison information.

Other Supplementary Information provides detailed information about the nonmajor special revenue funds.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The Government-wide statements report information about the City as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the City's assets and liabilities. All of the current year's

revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private sector companies. These two statements report the City's net assets, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors such as changes in the City's property tax base and the condition of the City's infrastructure are also important in making this decision.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into three kinds of activities:

- **Governmental Activities** - Most of the City's basic services are reported here, such as public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- **Business-Type Activities** - This activity include the waterworks the sanitary sewer system and the City's sanitation department. These activities are financed primarily by user charges.
- **Component Units** - These are operations that are legally separate from the City but for which the City is financially accountable. The City's discretely presented component unit is the Iowa Falls Municipal Airport Authority.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

The fund financial statements provide detailed information about individual, significant funds, not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City can establish other funds to control and manage money for particular purposes (such as construction or street projects) and to show that it is properly using certain revenues (such as tax increment financing revenues). The City has two kinds of funds:

Governmental Funds

The Governmental Funds account for most of the City's basic services. They focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include the General Fund; Special Revenue Funds such as Tax Increment Financing Revenues and Economic Development Loans; the Debt Service Fund; and the Capital Projects Fund. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The government fund statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The financial statements required for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

Proprietary Funds

Proprietary Funds account for the City's enterprise funds. These funds report services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business-type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The enterprise funds include the Water, Wastewater and Hospital funds, all considered to be major funds of the City. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets and a statement of cash flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as useful indicator of financial position. The following analysis shows the City's total net assets at June 30, 2005.

	Governmental Activities	Business Type Activities	Total
Current and other assets	\$ 6,317,737	9,106,272	15,424,009
Capital assets	12,410,946	13,758,688	26,169,634
Total assets	<u>18,728,683</u>	<u>22,864,960</u>	<u>41,593,643</u>
Long-term debt liabilities	4,837,006	4,787,622	9,624,628
Other liabilities	2,673,270	1,654,109	4,327,379
Total liabilities	<u>7,510,276</u>	<u>6,441,731</u>	<u>13,952,007</u>
Net assets:			
Invested in capital assets, net of related debt	7,760,946	8,935,772	16,696,718
Restricted	3,600,170	1,782,892	5,383,062
Unrestricted	<u>(142,709)</u>	<u>5,704,565</u>	<u>5,561,856</u>
Total net assets	<u>\$ 11,218,407</u>	<u>16,423,229</u>	<u>27,641,636</u>

Net assets of governmental activities decreased from FY 2004 by approximately \$439,746. Net assets of the business-type activities increased from FY 2004 by approximately \$958,064. The largest portion of the City's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Total unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements is approximately \$5.6 million.

The following analysis provides the changes in the net assets for the City's governmental and business-type activities.

	Governmental Activities	Business Type Activities	Total
Revenues:			
Program revenues:			
Charges for service	\$ 278,236	15,938,599	16,216,835
Operating grants, contributions and restricted interest	528,460	-	528,460
Capital grants, contributions and restricted interest	226,022	-	226,022
General revenues:			
Property tax for general purposes	1,300,764	-	1,300,764
Property tax for debt service	243,973	-	243,973
Tax increment financing revenues	1,118,553	-	1,118,553
Local option sales tax	409,637	-	409,637
Hotel/Motel Tax	79,612	-	79,612
Grants and contributions not restricted to specific purpose	-	-	-
Unrestricted investment earnings	154,952	121,071	276,023
Transfers	10,747	(39,719)	(28,972)
Loss on disposal of fixed assets	6,500	(16,106)	(9,606)
Miscellaneous	298,021	794,186	1,092,207
Total revenues	<u>3,622,759</u>	<u>16,798,031</u>	<u>21,453,508</u>
Program expenses:			
Public safety	1,201,197	-	1,201,197
Public works	825,813	-	825,813
Culture and recreation	842,276	-	842,276
Community and economic development	116,335	-	116,335
General government	178,328	-	178,328
Interest on long-term debt	191,739	-	191,739
Other debt costs	2,463	-	2,463
Capital Projects	1,771,199	-	1,771,199
Water	-	361,553	361,553
Wastewater	-	620,961	620,961
Hospital	-	14,139,848	14,139,848
Sanitation	-	718,889	718,889
Total expenses	<u>5,129,350</u>	<u>15,841,251</u>	<u>20,970,601</u>
Increase in net assets	(473,873)	956,780	482,907
Net assets July 1	<u>11,692,280</u>	<u>15,466,449</u>	<u>27,158,729</u>
Net assets June 30	<u>\$ 11,218,407</u>	<u>16,423,229</u>	<u>27,641,636</u>

The City of Iowa Falls decreased property tax rates by \$.55 in FY05 and there was a decrease of \$2,060,634 in taxable property valuation.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Iowa Falls completed its year, its governmental funds reported a total fund balance of \$3,473,322, which is less than the \$3,554,981 total fund balance at June 30, 2004.

The General Fund, the operating fund for the City of Iowa Falls, ended FY05 with a \$755,991 balance compared to the prior year ending fund balance of \$684,447.

The Tax Increment Financing Revenues Fund accounts for proceeds from the tax authorized by ordinance in the urban renewal district which are used to pay the principal and interest on indebtedness incurred for urban renewal redevelopment projects. This fund ended FY05 with a \$(1,055,637) deficit balance compared to the prior year ending deficit balance of \$(693,041). The deficit fund balance is a result of providing loans to other funds for urban renewal projects prior to collection of tax increment financing revenues.

The Economic Development Loans Fund, which accounts for economic development loans made to businesses operating in the City and to other City funds, ended FY05 with a \$1,514,055 balance compared to the prior year ending fund balance of \$1,459,304.

The Debt Service Fund ended FY05 with a \$78,464 balance compared to the prior year ending fund balance of \$74,741. Bond principal and interest payments increased by \$22281 in FY05.

The Capital Projects Fund ended FY05 with a \$23,320 balance compared to the prior year ending balance of \$6,085.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

The Water Fund, which accounts for the operation and maintenance of the City's water system, ended FY05 with a \$2,740,481 net asset balance compared to the prior year ending net asset balance of \$2,539,792.

The Wastewater Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended FY05 with a \$3,938,543 net asset balance compared to the prior year ending net asset balance of \$3,868,302.

The Hospital Fund, which accounts for the operation and maintenance of the Ellsworth Municipal Hospital, ended FY05 with a \$9,500,168 net asset balance compared to the prior year ending net asset balance of \$8,745,556.

BUDGETARY HIGHLIGHTS

During the year ended June 30, 2005, the City amended the budget twice. The first amendment was done in November 2004 to cover unbudgeted expenditures. The second amendment was made in May 2005 to cover unbudgeted expenditures. These amendments were mainly required to cover unplanned expenditures and expenditures associated with projects that carried over from the prior fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals and other

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infrastructure represents the value of the resources utilized to provide services to citizens. Capital assets for governmental activities totaled \$12,410,946 (net of accumulated depreciation) at June 30, 2005. Capital assets for business-type activities totaled \$13,758,688 (net of accumulated depreciation) at June 30, 2005.

The major capital outlays for governmental activities during the year included, construction of the turn-lanes at Cadet Road and 115th Street and Fire Training Tower.

For business-type activities, major additions included equipment for the hospital.

Construction in progress at June 30, 2005 for governmental activities primarily consists of the North RISE and street projects.

Long-Term Debt

At June 30, 2005 the City of Iowa Falls had \$4,837,006 in total long-term debt for the governmental activities. Total long-term debt in the business-type activities was \$5,147,223 at June 30, 2005. More detailed information about the City's long-term debt is provided below:

- The City had \$4,650,000.00 in total general obligation bonds/notes outstanding as of June 30, 2005.
- The City had \$4,566,413 in total revenue bonds/notes outstanding as of June 30, 2005, including \$2,208,414 in revenue notes payable by the Ellsworth Municipal Hospital.

During the year ended June 30, 2005, the City of Iowa Falls issued a total of \$900,000.00 in general obligation bonds. These bonds were issued to finance the City's 2005 street program, capital equipment, and a portion of the costs for the North RISE Paving Project.

ECONOMIC FACTORS

During the FY06 and FY07 budgets, several economic factors will affect the process of developing the budget. The City of Iowa Falls will experience a significant drop in General Fund revenues and expenditures from FY05 to FY06. The major factor that will play a role in these changes is the decrease in general property tax valuation for the 2005 and 2006 fiscal years and beyond.

Over the next few fiscal years there are several other economic items that could impact the City of Iowa Falls. Any changes in the Road Use Tax formula could substantially reduce the amount the City of Iowa Falls collects, and further reductions in property valuation will reduce the City's overall tax taking and make providing essential public services extremely difficult.

The General Fund is projected to end FY05 with an approximately \$348,736, fund balance, which is a 32.9% decrease from FY04.

The tax levy rates for FY05 are provided below:

General Levy	8.10
Aviation Levy	0.27
Emergency Levy	0.27
Debt Service Levy	1.96242

Trust and Agency Levy	4.62942
Tort Liability	1.05539
Total	16.28723

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information please contact Administration at City of Iowa Falls, 315 Stevens Street, P.O. Box 698, Iowa Falls, Iowa 50126 or call (641) 648-2527.

Basic Financial Statements

City of Iowa Falls, Iowa
Statement of Net Assets
June 30, 2005

Exhibit A

Assets	Primary Government			Component Unit
	Governmental Activities	Business- Type Activities	Total	Airport Authority
Cash	\$ 3,739,389	2,708,160	6,447,549	-
Receivables:				
Property tax:				
Delinquent	26,897	-	26,897	1,908
Succeeding year	1,396,438	-	1,396,438	22,194
Tax increment financing:				
Delinquent	10,877	-	10,877	-
Succeeding year	1,110,000	-	1,110,000	-
Economic development loans	157,033	-	157,033	-
Customer accounts and unbilled usage (net of allowances for uncollectibles of \$547,000)	-	3,165,547	3,165,547	-
Accounts	17,149	36,739	53,888	150
Accrued interest	17,457	16,669	34,126	-
Due from other governments	116,552	-	116,552	4,716
Due from other funds	(380,922)	380,922	-	-
Inventories	-	405,871	405,871	-
Prepaid expenses	91,074	165,742	256,816	1,997
Restricted assets:				
Cash	-	1,791,394	1,791,394	-
Accrued interest on restricted assets	-	11,100	11,100	-
Investment in affiliated organizations	-	404,404	404,404	-
Capital assets (net of accumulated depreciation)	12,410,946	13,758,688	26,169,634	842,605
Bond issuance costs	15,793	19,724	35,517	-
Total assets	18,728,683	22,864,960	41,593,643	873,570
Liabilities				
Accounts payable	88,668	585,290	673,958	854
Accrued interest payable	14,797	-	14,797	-
Salaries and benefits payable	63,367	497,202	560,569	-
Third-party payor settlements	-	192,414	192,414	-
Deferred revenue:				
Succeeding year property tax	1,396,438	-	1,396,438	22,194
Succeeding year tax increment financing	1,110,000	-	1,110,000	-

(continued)

City of Iowa Falls, Iowa
Statement of Net Assets
June 30, 2005

Exhibit A

	Primary Government			Component
	Business-		Total	<u>Units</u>
	<u>Governmental</u>	<u>Activities</u>		<u>Airport</u>
Liabilities (continued)	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Authority</u>
Liabilities payable from restricted assets:				
Customer deposits	-	19,602	19,602	-
Revenue bonds/notes payable	-	351,368	351,368	-
Accrued and matured interest payable	-	8,233	8,233	-
Long-term liabilities:				
Portion due or payable within one year:				
General obligation bonds/notes	615,000	-	615,000	-
Capital lease	-	119,530	119,530	-
Compensated absences	98,386	275,955	374,341	-
Portion due or payable after one year:				
General obligation bonds/notes	4,035,000	-	4,035,000	-
Revenue bonds/notes payable	-	4,215,045	4,215,045	-
Capital lease	-	136,973	136,973	-
Compensated absences	88,620	40,119	128,739	-
Total liabilities	<u>7,510,276</u>	<u>6,441,731</u>	<u>13,952,007</u>	<u>23,048</u>
Net Assets				
Invested in capital assets, net of related debt	7,760,946	8,935,772	16,696,718	842,605
Restricted for:				
Local option sales tax	1,242,493	-	1,242,493	-
Economic development loans	1,514,056	-	1,514,056	-
Carnegie library	690,084	-	690,084	-
Debt service	78,464	-	78,464	-
Revenue bond retirement	-	311,871	311,871	-
Wastewater replacement	-	125,234	125,234	-
Wastewater improvement	-	100,000	100,000	-
Capital improvements by donors	-	937,335	937,335	-
Bond indentures	-	308,452	308,452	-
Other purposes	127,229	-	127,229	-
Unrestricted	(194,865)	5,704,565	5,509,700	7,917
Total net assets	<u>\$ 11,218,407</u>	<u>16,423,229</u>	<u>27,641,636</u>	<u>850,522</u>

See notes to financial statements.

City of Iowa Falls, Iowa
Statement of Activities
Year ended June 30, 2005

	Program Revenues			
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:	<u>Expenses</u>	<u>Charges for Service</u>	<u>Interest</u>	<u>Interest</u>
Primary Government:				
Governmental activities:				
Public safety	\$ 1,201,197	103,884	37,184	4,088
Public works	825,813	12,355	465,569	-
Culture and recreation	842,276	135,404	21,400	-
Community and economic development	116,335	-	-	-
General government	178,328	24,245	4,307	-
Interest on long-term debt	191,739	-	-	-
Other debt costs	2,463	-	-	-
Capital projects	<u>1,771,199</u>	<u>2,348</u>	<u>-</u>	<u>221,934</u>
Total governmental activities	<u>5,129,350</u>	<u>278,236</u>	<u>528,460</u>	<u>226,022</u>
Business type activities				
Water	361,553	568,211	-	-
Wastewater	620,961	679,010	-	-
Hospital	14,139,848	14,055,639	-	-
Sanitation	<u>718,889</u>	<u>635,739</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>15,841,251</u>	<u>15,938,599</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 20,970,601</u>	<u>16,216,835</u>	<u>528,460</u>	<u>226,022</u>
Component Unit:				
Airport authority	<u>\$ 135,256</u>	<u>-</u>	<u>-</u>	<u>8,142</u>

General Revenues:

Property and other city tax levied for:

- General purposes
- Debt service

Tax increment financing

Local option sales tax

Hotel/motel tax

Unrestricted investment earnings

Miscellaneous

Transfers

Gain (loss) on disposal of fixed assets

Total general revenues

Change in net assets

Net assets beginning of year, as restated

Net asset end of year

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Airport Authority
(1,056,041)	-	(1,056,041)	-
(347,889)	-	(347,889)	-
(685,472)	-	(685,472)	-
(116,335)	-	(116,335)	-
(149,776)	-	(149,776)	-
(191,739)	-	(191,739)	-
(2,463)	-	(2,463)	-
(1,546,917)	-	(1,546,917)	-
(4,096,632)	-	(4,096,632)	-
-	206,658	206,658	-
-	58,049	58,049	-
-	(84,209)	(84,209)	-
-	(83,150)	(83,150)	-
-	97,348	97,348	-
(4,096,632)	97,348	(3,999,284)	-
-	-	-	(127,114)
1,300,764	-	1,300,764	25,822
243,973	-	243,973	-
1,118,553	-	1,118,553	-
409,637	-	409,637	-
79,612	-	79,612	-
154,952	121,071	276,023	-
298,021	794,186	1,092,207	17,405
10,747	(39,719)	(28,972)	28,972
6,500	(16,106)	(9,606)	-
3,622,759	859,432	4,482,191	72,199
(473,873)	956,780	482,907	(54,915)
11,692,280	15,466,449	27,158,729	905,437
\$ 11,218,407	16,423,229	27,641,636	850,522

City of Iowa Falls, Iowa
Balance Sheet
Governmental Funds
June 30, 2005

Assets	<u>General</u>	Special Revenue		
		<u>Tax Increment Financing Revenues</u>	<u>Economic Development Loans</u>	<u>Local Option Sales Tax</u>
Cash	\$ 736,589	-	739,981	900,099
Receivables:				
Property tax:				
Delinquent	14,232	-	-	-
Succeeding year	777,652	-	-	-
Tax increment financing:				
Delinquent	-	10,877	-	-
Succeeding year	-	1,110,000	-	-
Economic development loans	-	-	157,033	-
Accounts	17,149	-	-	-
Accrued interest	3,922	-	3,527	4,291
Due from other governments	10,426	-	-	37,912
Interfund receivable	12,185	-	819,118	300,191
Prepaid expenditures	73,075	-	-	-
Total assets	\$ 1,645,230	1,120,877	1,719,659	1,242,493
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 50,310	-	278	-
Salaries and benefits payable	55,810	-	-	-
Deferred revenue:				
Succeeding year property tax	777,652	-	-	-
Succeeding year tax increment financing	-	1,110,000	-	-
Other	5,467	3,110	157,782	-
Interfund payable	-	1,063,404	47,544	-
Total liabilities	889,239	2,176,514	205,604	-

Exhibit C

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
74,546	791,176	496,998	3,739,389
4,184	-	8,481	26,897
238,242	-	380,544	1,396,438
-	-	-	10,877
-	-	-	1,110,000
-	-	-	157,033
-	-	-	17,149
354	3,570	1,795	17,459
-	12,950	55,264	116,552
-	-	366,085	1,497,579
-	-	17,999	91,074
<u>317,326</u>	<u>807,696</u>	<u>1,327,166</u>	<u>8,180,447</u>
-	16,823	21,257	88,668
-	-	7,557	63,367
238,242	-	380,544	1,396,438
-	-	-	1,110,000
620	-	3,172	170,151
-	<u>767,553</u>	-	<u>1,878,501</u>
<u>238,862</u>	<u>784,376</u>	<u>412,530</u>	<u>4,707,125</u>

(continued)

City of Iowa Falls, Iowa
Balance Sheet
Governmental Funds
June 30, 2005

		Special Revenue		
	General	Tax Increment Financing Revenues	Economic Development Loans	Local Option Sales Tax
Liabilities and Fund Balances (continued)				
Fund balances:				
Reserved for:				
Prepaid expenditures	73,075	-	-	-
Debt service	-	-	-	-
Advances to other funds	12,185	-	771,574	300,191
Unreserved:				
Designated for library gifts and memorials	99,814	-	-	-
Designated for park gifts and memorials	10,682	-	-	-
Designated for future equipment purchases/capital improvements	108,241	-	-	-
Designated for building maintenance/ improvements	63,169	-	-	-
Undesignated:				
Reported in:				
General fund	388,825	-	-	-
Special revenue funds	-	(1,055,637)	742,481	942,302
Capital projects fund	-	-	-	-
Total fund balances	755,991	(1,055,637)	1,514,055	1,242,493
 Total liabilities and fund balances	\$ 1,645,230	1,120,877	1,719,659	1,242,493

See notes to financial statements.

Exhibit C

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
-	-	17,999	91,074
78,464	-	-	78,464
-	-	366,085	1,450,035
-	-	-	99,814
-	-	-	10,682
-	-	-	108,241
-	-	-	63,169
-	-	-	388,825
-	-	530,552	1,159,698
-	23,320	-	23,320
<u>78,464</u>	<u>23,320</u>	<u>914,636</u>	<u>3,473,322</u>
<u>317,326</u>	<u>807,696</u>	<u>1,327,166</u>	<u>8,180,447</u>

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets

June 30, 2005

Total governmental fund balances (page 18)	\$ 3,473,322
 <i>Amounts reported for governmental activities in the Statement of Net assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$18,885,677 and the accumulated depreciation is \$6,474,731.	12,410,946
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	170,151
Long-term liabilities, including bonds payable, accrued interest payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(4,851,805)
Other long-term assets are not available to pay current period debt and, therefore, are not included in the funds	<u>15,793</u>
Net assets of governmental activities (page 12)	<u><u>\$ 11,218,407</u></u>

See notes to financial statements.

City of Iowa Falls, Iowa
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2005

		Special Revenue	
		Tax	
		Increment	Economic
		Financing	Development
	<u>General</u>	<u>Revenues</u>	<u>Loans</u>
Revenues:			
Property tax	\$ 763,414	-	-
Tax increment financing	-	1,142,363	-
Other city tax	64,678	-	-
Licenses and permits	86,381	-	-
Use of money and property	18,377	-	51,551
Intergovernmental	74,165	-	-
Charges for service	136,768	-	-
Miscellaneous	254,316	-	17,512
Total revenues	1,398,099	1,142,363	69,063
Expenditures:			
Operating:			
Public safety	1,192,950	-	-
Public works	10,122	-	-
Culture and recreation	618,940	-	-
Community and economic development	110	49,204	2,386
General government	175,021	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	1,997,143	49,204	2,386
Excess (deficiency) of revenues over (under) expenditures	(599,044)	1,093,159	66,677
Other financing sources (uses):			
Operating transfers in	788,063	1,627	5,153
Operating transfers out	(122,628)	(1,507,191)	-
General obligation bonds issued	-	-	-
Discount on general obligation bonds	-	-	-
Total other financing sources (uses)	665,435	(1,505,564)	5,153
Net change in fund balances	66,391	(412,405)	71,830
Fund balances (deficit) beginning of year, as restated	689,600	(643,232)	1,442,225
Fund balances (deficit) end of year	\$ 755,991	(1,055,637)	1,514,055

See notes to financial statements.

Exhibit E

<u>Local Option Sales Tax</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
-	231,668	-	440,039	1,435,121
-	-	-	-	1,142,363
409,637	13,879	-	116,985	605,179
-	-	-	-	86,381
22,698	6,688	19,289	37,448	156,051
-	-	221,934	465,568	761,667
-	-	-	-	136,768
-	-	78,552	17,737	368,117
<u>432,335</u>	<u>252,235</u>	<u>319,775</u>	<u>1,077,777</u>	<u>4,691,647</u>
-	-	-	14,831	1,207,781
-	-	-	433,778	443,900
-	-	-	-	618,940
-	-	-	64,636	116,336
-	-	-	-	175,021
-	775,946	-	-	775,946
-	-	2,341,908	-	2,341,908
-	<u>775,946</u>	<u>2,341,908</u>	<u>513,245</u>	<u>5,679,832</u>
<u>432,335</u>	<u>(523,711)</u>	<u>(2,022,133)</u>	<u>564,532</u>	<u>(988,185)</u>
192,003	527,434	1,413,611	207,866	3,135,757
(582,329)	-	(286,607)	(626,255)	(3,125,010)
-	-	900,000	-	900,000
-	-	(4,715)	-	(4,715)
<u>(390,326)</u>	<u>527,434</u>	<u>2,022,289</u>	<u>(418,389)</u>	<u>906,032</u>
42,009	3,723	156	146,143	(82,153)
<u>1,200,484</u>	<u>74,741</u>	<u>23,164</u>	<u>768,493</u>	<u>3,555,475</u>
<u>1,242,493</u>	<u>78,464</u>	<u>23,320</u>	<u>914,636</u>	<u>3,473,322</u>

City of Iowa Falls, Iowa
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances -
 Governmental Funds to the Statement of Activities

Exhibit F

Year ended June 30, 2005

Net change in fund balances - Total governmental funds (page 21) \$ (82,153)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year as follows:

Expenditures for capital assets	709,557	
Depreciation expense	<u>(739,892)</u>	(30,335)

Because some revenues will not be collected for several months after the City's year end, they are not considered available revenues and are deferred in the governmental funds.

Property tax	(29,677)	
Other	<u>(17,238)</u>	(46,915)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year debt issues exceeded debt repayment as follows:

General obligation bonds issued	(900,000)	
Discount on general obligation bonds	4,715	
Principal repayments	585,000	
Amortize bond issuance costs	<u>(2,465)</u>	(312,750)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(927)	
Accrued interest on long-term debt	<u>(793)</u>	<u>(1,720)</u>

Change in net assets of governmental activities (page 14) \$ (473,873)

See notes to financial statements.

City of Iowa Falls, Iowa
Statement of Net Assets
Proprietary - Enterprise Funds

June 30, 2005

	<u>Water</u>	<u>Wastewater</u>
Assets		
Current assets:		
Cash	\$ 540,824	425,359
Receivables (net of allowance for uncollectibles):		
Customer accounts and unbilled usage	26,921	35,726
Accrued interest	2,576	4,584
Other	-	-
Interfund receivable	101,309	279,613
Inventories	14,347	-
Prepaid expenses	15,110	16,643
Noncurrent assets:		
Restricted assets:		
Cash:		
Customer deposits	19,602	-
Revenue bond and interest sinking account	-	-
Revenue debt service reserve account	-	311,871
Wastewater improvement account	-	100,000
Wastewater replacement account	-	125,234
Donations restricted for specific purpose	-	-
Accrued interest on restricted assets	-	-
Investment in affiliated organizations	-	-
Capital assets (net of accumulated depreciation)	2,083,318	5,043,130
Bond issuance costs	-	-
Total assets	<u>2,804,007</u>	<u>6,342,160</u>

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
1,602,215	139,762	2,708,160
3,064,981	37,919	3,165,547
8,844	665	16,669
36,739	-	36,739
-	-	380,922
391,524	-	405,871
116,348	17,641	165,742
-	-	19,602
23,727	-	23,727
284,725	-	596,596
-	-	100,000
-	-	125,234
926,235	-	926,235
11,100	-	11,100
404,404	-	404,404
6,540,000	92,240	13,758,688
19,724	-	19,724
<u>13,430,566</u>	<u>288,227</u>	<u>22,864,960</u>

(continued)

City of Iowa Falls, Iowa
Statement of Net Assets
Proprietary - Enterprise Funds
June 30, 2005

	<u>Water</u>	<u>Wastewater</u>
Liabilities		
Current liabilities:		
Accounts payable	14,110	7,557
Salaries and benefits payable	5,482	5,495
Compensated absences	10,074	10,074
Capital lease	-	-
Third-party payor settlement	-	-
Current liabilities payable from restricted assets:		
Customer deposits	19,602	-
Revenue bonds/notes payable	-	173,000
Accrued and matured interest payable	-	8,233
Noncurrent liabilities:		
Revenue bonds/notes payable	-	2,185,000
Capital lease	-	-
Compensated absences	<u>14,258</u>	<u>14,258</u>
Total liabilities	<u>63,526</u>	<u>2,403,617</u>
Net Assets		
Invested in capital assets net of related debt	2,083,318	2,685,130
Restricted for:		
Revenue bond retirement	-	311,871
Wastewater replacement	-	125,234
Wastewater improvement	-	100,000
Capital improvements by donors	-	-
Bond indentures	-	-
Unrestricted	<u>657,163</u>	<u>716,308</u>
Total net assets	<u>\$ 2,740,481</u>	<u>3,938,543</u>

See notes to financial statements.

Exhibit G

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
549,614	14,009	585,290
478,342	7,883	497,202
245,112	10,695	275,955
119,530	-	119,530
192,414	-	192,414
-	-	19,602
178,368	-	351,368
-	-	8,233
2,030,045	-	4,215,045
136,973	-	136,973
-	11,603	40,119
<u>3,930,398</u>	<u>44,190</u>	<u>6,441,731</u>
4,075,084	92,240	8,935,772
-	-	311,871
-	-	125,234
-	-	100,000
937,335	-	937,335
308,452	-	308,452
<u>4,179,297</u>	<u>151,797</u>	<u>5,704,565</u>
<u>9,500,168</u>	<u>244,037</u>	<u>16,423,229</u>

City of Iowa Falls, Iowa

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary - Enterprise Funds

Year ended June 30, 2005

	<u>Water</u>	<u>Wastewater</u>
Operating revenues:		
Charges for service	\$ 543,263	670,864
Miscellaneous	<u>35,565</u>	<u>8,631</u>
Total operating revenues	<u>578,828</u>	<u>679,495</u>
Operating expenses:		
Business type activities	<u>361,553</u>	<u>514,523</u>
Total operating expenses	<u>361,553</u>	<u>514,523</u>
Operating income (loss)	<u>217,275</u>	<u>164,972</u>
Non-operating revenues (expenses):		
Interest income	10,633	24,207
Miscellaneous revenue, primarily donations	-	-
Interest expense	-	(106,438)
Share of net gain/loss of hospital's affiliated organizations	-	-
Loss on disposal of capital assets	<u>-</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>10,633</u>	<u>(82,231)</u>
Excess deficiency of receipts over (under) disbursements	227,908	82,741
Operating transfer out	<u>(27,219)</u>	<u>(12,500)</u>
Change in net assets	200,689	70,241
Net assets beginning of year, as restated	<u>2,539,792</u>	<u>3,868,302</u>
Net assets end of year	<u>\$ 2,740,481</u>	<u>3,938,543</u>

See notes to financial statements.

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
14,055,639	622,702	15,892,468
<u>592,088</u>	<u>23,937</u>	<u>660,221</u>
<u>14,647,727</u>	<u>646,639</u>	<u>16,552,689</u>
<u>14,007,874</u>	<u>718,889</u>	<u>15,602,839</u>
<u>14,007,874</u>	<u>718,889</u>	<u>15,602,839</u>
<u>639,853</u>	<u>(72,250)</u>	<u>949,850</u>
82,742	3,489	121,071
128,579	-	128,579
(131,974)	-	(238,412)
51,518	-	51,518
<u>(16,106)</u>	<u>-</u>	<u>(16,106)</u>
<u>114,759</u>	<u>3,489</u>	<u>46,650</u>
754,612	(68,761)	996,500
<u>-</u>	<u>-</u>	<u>(39,719)</u>
754,612	(68,761)	956,781
<u>8,745,556</u>	<u>312,798</u>	<u>15,466,448</u>
<u>9,500,168</u>	<u>244,037</u>	<u>16,423,229</u>

City of Iowa Falls, Iowa
 Combined Statement of Cash Flows
 Proprietary - Enterprise Funds
 Year ended June 30, 2005

	<u>Water</u>	<u>Wastewater</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 599,557	706,870
Cash received from other revenues	-	-
Cash paid to suppliers and employees	<u>(389,403)</u>	<u>(318,835)</u>
Net cash provided by operating activities	<u>210,154</u>	<u>388,035</u>
Cash flows from noncapital financing activities:		
Advances to other funds, net of advance repayments	32,691	15,984
Transfers to other funds	(27,219)	(12,500)
Restricted and unrestricted contributions	-	-
Net cash provided by (used for) noncapital financing activities	<u>5,472</u>	<u>3,484</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of property and equipment	-	-
Acquisition of capital assets	(180,074)	(75,840)
Principal paid on revenue bonds/notes	-	(166,000)
Principal paid on capital lease	-	-
Interest paid on revenue bonds/notes	-	(107,018)
Interest paid on capital lease	-	-
Net cash used for capital and related financing activities	<u>(180,074)</u>	<u>(348,858)</u>
Cash flows from investing activities:		
Interest on investments	9,305	21,883
Decrease in investment in affiliated organizations	-	-
Net cash provided by investing activities	<u>9,305</u>	<u>21,883</u>
Net increase (decrease) in cash and cash equivalents	44,857	64,544
Cash and cash equivalents beginning of year	<u>515,569</u>	<u>897,920</u>
Cash and cash equivalents end of year	<u>\$ 560,426</u>	<u>962,464</u>

Exhibit I

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
13,186,916	655,647	15,148,990
611,585	-	611,585
<u>(12,915,415)</u>	<u>(671,260)</u>	<u>(14,294,913)</u>
<u>883,086</u>	<u>(15,613)</u>	<u>1,465,662</u>
-	-	48,675
-	-	(39,719)
<u>128,579</u>	<u>-</u>	<u>128,579</u>
<u>128,579</u>	<u>-</u>	<u>137,535</u>
4,500	-	4,500
(1,092,454)	-	(1,348,368)
(169,686)	-	(335,686)
(113,257)	-	(113,257)
(115,038)	-	(222,056)
(17,191)	-	(17,191)
<u>(1,503,126)</u>	<u>-</u>	<u>(2,032,058)</u>
82,152	3,207	116,547
<u>18,315</u>	<u>-</u>	<u>18,315</u>
<u>100,467</u>	<u>3,207</u>	<u>134,862</u>
(390,994)	(12,406)	(293,999)
<u>3,227,896</u>	<u>152,168</u>	<u>4,793,553</u>
<u>2,836,902</u>	<u>139,762</u>	<u>4,499,554</u>

(continued)

City of Iowa Falls, Iowa

Combined Statement of Cash Flows

Proprietary - Enterprise Funds

Year ended June 30, 2005

	<u>Water</u>	<u>Wastewater</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 217,275	164,972
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	95,522	202,817
(Increase) decrease in customer accounts receivable and unbilled usage and other accounts receivable	20,729	27,375
(Increase) decrease in inventories, at cost	6,947	-
(Increase) decrease in prepaid expenses	(452)	(176)
Increase (decrease) in accounts payable, excluding payables for assets capitalized	(137,371)	(14,482)
Increase in salaries payable	3,713	3,738
Increase in compensated absences	3,791	3,791
(Decrease) in third-party payor settlement	-	-
Net cash provided by operating activities	<u>\$ 210,154</u>	<u>388,035</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:		
Current assets:		
Cash	\$ 540,824	425,359
Restricted assets:		
Cash:		
Customer deposits	19,602	-
Revenue bond and interest sinking account	-	-
Revenue debt service reserve account	-	311,871
Wastewater improvement account	-	100,000
Wastewater replacement account	-	125,234
Donations restricted for specific purpose	-	-
Cash and cash equivalents at year end	<u>\$ 560,426</u>	<u>962,464</u>

See notes to financial statements.

Exhibit I

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
639,853	(72,250)	949,850
728,987	31,655	1,058,981
(744,424)	9,008	(687,312)
(48,088)	-	(41,141)
(21,069)	869	(20,828)
259,050	1,714	108,911
173,579	5,235	186,265
-	8,156	15,738
<u>(104,802)</u>	<u>-</u>	<u>(104,802)</u>
<u>883,086</u>	<u>(15,613)</u>	<u>1,465,662</u>
1,602,215	139,762	2,708,160
-	-	19,602
23,727	-	23,727
284,725	-	596,596
-	-	100,000
-	-	125,234
<u>926,235</u>	<u>-</u>	<u>926,235</u>
<u>2,836,902</u>	<u>139,762</u>	<u>4,499,554</u>

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

The City of Iowa Falls is a political subdivision of the State of Iowa located in Hardin County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Manager form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Iowa Falls provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. It also operates the airport and provides water, sewer and sanitation utilities.

The financial statements of the City of Iowa Falls have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the City of Iowa Falls has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Based on the foregoing criteria, the Ellsworth Municipal Hospital is considered to be part of the primary government and, therefore, the financial information is included in the City's financial statements. The financial activities of the Hospital are reflected in this report as an Enterprise Fund.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2005

Discretely Presented Component Unit

These financial statements present the City of Iowa Falls (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

The Iowa Falls Municipal Airport Authority (Authority) was established pursuant to Chapter 330A of the Code of Iowa to operate the City's airport facility. The Authority is governed by a five member board appointed by the Iowa Falls City Council. The board members serve at the pleasure of the City. The City annually provides significant operating subsidies to the Authority. In accordance with criteria set by the Governmental Accounting Standards Board, the Authority meets the definition of a component unit which should be discretely presented. The Authority is accounted for as a Proprietary Fund in these financial statements.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Hardin County Assessor's Conference Board, Region Six Planning Commission, Region Six Housing Authority, Hardin County Sanitary Solid Waste Disposal Commission, Hardin County Emergency Management Commission, Hardin County E911 Service Board, Mid Iowa Drug Task Force and the NE Iowa Hazardous Materials Response Group.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities 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 are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2005

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of

a

given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor funds.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2005

The City reports the following major Governmental Funds:

The General Fund is the general operating fund of the City. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Tax Increment Financing Revenues Fund is used to account for proceeds from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

The Economic Development Loans Fund is used to account for economic development loans made to businesses operating in the City and to other City funds.

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2005

The City reports the following major Enterprise Funds:

City's The Water Fund is the used to account for the operation and maintenance of the water system.

The Wastewater Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Hospital Fund is used to account for the operation and maintenance of Ellsworth Municipal Hospital.

The Sanitation Fund is used to account for the operation and maintenance of the City's garbage and landfill system.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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 City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2005

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The Proprietary funds of the City apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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 City's Enterprise Funds is charges to customers for sales and services. 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.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2005

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents – The cash balances of most City funds are pooled and invested in interest-bearing cash accounts or certificates of deposit. Interest on the pooled cash investments is recognized as revenue when earned and allocated to the funds on a systematic basis, or as provided by law. Cash investments are separately held by the Hospital Fund, for which interest is also recognized as revenue when earned. Investments consist of non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax and tax increment financing revenue receivable represent taxes collected by the County but not remitted to the City at June 30, 2005 and unpaid taxes. The succeeding year property tax and tax increment financing revenues receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax and tax increment financing revenues receivable have been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2005

Property tax and tax increment financing revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2004.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Enterprise Fund inventories of materials and supplies are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue bonds/notes are classified as restricted assets since their use is restricted by applicable bond/note indentures. Other restricted assets include donations restricted for specific purposes and customer deposits restricted for application to unpaid customer accounts or for refund to customers.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2005

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land, buildings and improvements	\$ 250
Equipment and vehicles	250
Infrastructure	25,000

Capital assets of the City is depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-50 years
Improvements other than buildings	20-50 years
Vehicles	10-15 years
Equipment	5-30 years
Infrastructure	15-20 years

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2005

Bond Issuance Costs – Bond issuance costs associated with general obligation and revenue bonds are deferred and amortized over the term of the bonds using the bond outstanding method which approximates the interest method.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax and tax increment financing revenues receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liabilities for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2005

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other financing uses.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported 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.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Per the Code of Iowa, disbursements may not legally exceed amounts budgeted by function. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the public works function.

(2) **Cash**

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standard Board Statement No. 3.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with needs and use of the City.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2005

(3) Allowances or Collection Losses

Allowances have been made for estimated collection losses on the following receivable amounts:

	Gross Receivables	Allowance For Collection Losses	Net Receivables
Customer accounts, Hospital Fund	\$ 3,611,981	547,000	3,064,981
	=====	=====	=====

(4) Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year (as restated)	Increases	Decreases	Balance End of Year
<u>Primary Government</u>				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 835,920	---	---	835,920
Construction in progress - infrastructure	37,150	200,357	(100,746)	136,761
Construction in progress - other	<u>693,112</u>	<u>248,156</u>	<u>(734,929)</u>	<u>206,339</u>
Total capital assets not being depreciated	<u>1,566,182</u>	<u>448,513</u>	<u>(835,675)</u>	<u>1,179,020</u>
Capital assets being depreciated:				
Buildings	4,908,117	734,929	---	5,643,046
Improvements other than buildings	2,991,269	---	---	2,991,269
Equipment and vehicles	2,281,312	261,044	(77,516)	2,464,840
Infrastructure, street network	<u>6,506,756</u>	<u>100,746</u>	<u>---</u>	<u>6,607,502</u>
Total capital assets being depreciated	<u>16,687,454</u>	<u>1,096,719</u>	<u>(77,516)</u>	<u>17,706,657</u>
Less accumulated depreciation for:				
Buildings	495,336	110,899	---	606,235
Improvements other than buildings	752,549	142,768	---	895,317
Equipment and vehicles	1,411,565	187,499	(77,516)	1,521,548
Infrastructure, street network	<u>3,152,905</u>	<u>298,726</u>	<u>---</u>	<u>3,451,631</u>
Total accumulated depreciation	<u>5,812,355</u>	<u>739,892</u>	<u>(77,516)</u>	<u>6,474,731</u>
Total capital assets being depreciated, net	<u>10,875,099</u>	<u>356,827</u>	<u>---</u>	<u>11,231,926</u>
Governmental activities capital assets, net	<u>\$ 12,441,281</u>	<u>805,340</u>	<u>(835,675)</u>	<u>12,410,946</u>
	=====	=====	=====	=====

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2005

	Balance Beginning of Year (as restated)	Increases	Decreases	Balance End of Year
Business type activities:				
Capital assets not being depreciated:				
Land	\$ 683,257	10,000	---	693,257
Construction in progress	<u>215,038</u>	<u>416,545</u>	<u>(425,193)</u>	<u>206,390</u>
Total capital assets not being depreciated	<u>898,295</u>	<u>426,545</u>	<u>(425,193)</u>	<u>899,647</u>
Capital assets being depreciated:				
Buildings	5,004,026	493,551	---	5,497,577
Improvements other than buildings	688,093	---	---	688,093
Equipment and vehicles	9,619,987	428,272	(161,212)	9,887,047
Infrastructure, water and sewer network	<u>9,541,860</u>	<u>425,193</u>	<u>---</u>	<u>9,967,053</u>
Total capital assets being depreciated	<u>24,853,966</u>	<u>1,347,016</u>	<u>(161,212)</u>	<u>26,039,770</u>
Less accumulated depreciation for:				
Buildings	2,281,547	150,887	---	2,432,434
Improvements other than buildings	454,704	62,018	---	516,722
Equipment and vehicles	6,021,894	619,493	(140,599)	6,500,788
Infrastructure, water and sewer network	<u>3,506,199</u>	<u>224,586</u>	<u>---</u>	<u>3,730,785</u>
Total accumulated depreciation	<u>12,264,344</u>	<u>1,056,984</u>	<u>(140,599)</u>	<u>13,180,729</u>
Total capital assets being depreciated, net	<u>12,589,622</u>	<u>290,032</u>	<u>(20,613)</u>	<u>12,859,041</u>
Business type activities capital assets, net	\$ 13,487,917	716,577	(445,806)	13,758,688
	=====	=====	=====	=====

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2005

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
Public safety	\$ 113,164
Public works	367,119
Culture and recreation	251,489
General government	<u>8,120</u>
Total depreciation expense – governmental activities	\$ 739,892 =====
Business type activities:	
Water	\$ 95,522
Wastewater	202,817
Hospital	726,990
Sanitation	<u>31,655</u>
Total depreciation expense – business type activities	\$ 1,056,984 =====

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2005

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Discretely presented component unit:				
Capital assets not being depreciated:				
Land	\$ 55,875	---	---	55,875
Construction in progress	<u>55,875</u>	<u>3,426</u>	<u>---</u>	<u>3,426</u>
Total capital assets not being depreciated	<u>55,875</u>	<u>3,426</u>	<u>---</u>	<u>59,301</u>
Capital assets being depreciated:				
Buildings	148,524	---	---	148,524
Improvements other than buildings	25,388	5,388	---	30,776
Equipment and vehicles	133,746	---	---	133,746
Infrastructure, runway network	<u>1,387,290</u>	<u>---</u>	<u>---</u>	<u>1,387,290</u>
Total capital assets being depreciated	<u>1,694,948</u>	<u>5,388</u>	<u>---</u>	<u>1,700,336</u>
Less accumulated depreciation for:				
Buildings	131,066	2,182	---	133,248
Improvements other than buildings	21,581	1,432	---	23,013
Equipment and vehicles	63,587	8,135	---	71,722
Infrastructure, runway network	<u>629,032</u>	<u>60,017</u>	<u>---</u>	<u>689,049</u>
Total accumulated depreciation	<u>845,266</u>	<u>71,766</u>	<u>---</u>	<u>917,032</u>
Total capital assets being depreciated, net	<u>849,682</u>	<u>(66,378)</u>	<u>---</u>	<u>783,304</u>
Airport authority capital assets, net	\$ 905,557	(62,952)	---	842,605
	=====	=====	=====	=====
Total depreciation expense – discretely presented component unit			\$ 71,766	
			=====	

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2005

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes:					
General and corporate purpose	\$ 4,335,000	900,000	585,000	4,650,000	615,000
Compensated absences	<u>186,078</u>	<u>87,793</u>	<u>86,865</u>	<u>187,006</u>	<u>98,386</u>
Total	<u>\$ 4,521,078</u>	<u>987,793</u>	<u>671,865</u>	<u>4,837,006</u>	<u>713,386</u>
	=====	=====	=====	=====	=====
	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Business type activities:					
Revenue bonds/notes:					
Wastewater	\$ 2,524,000	---	166,000	2,358,000	173,000
Hospital	2,378,100	---	169,686	2,208,414	178,369
Capital lease	369,758	---	113,256	256,502	119,529
Compensated absences	<u>300,336</u>	<u>36,342</u>	<u>20,604</u>	<u>316,074</u>	<u>275,955</u>
Total	<u>\$ 5,572,194</u>	<u>36,342</u>	<u>469,546</u>	<u>5,138,990</u>	<u>746,853</u>
	=====	=====	=====	=====	=====

The government-wide Statement of Activities includes \$351,368 of the long-term liabilities due within one year for business type activities in “liabilities payable from restricted assets.”

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2005

Bonded Debt

General obligation bonds/notes:

Eight issues of unmatured general obligation bonds/notes, totaling \$4,650,000, are outstanding at June 30, 2005. General obligation bonds/notes bear interest with rates ranging from 1.75% to 5.40% and mature in varying annual amounts ranging from \$50,000 to \$215,000, with the final maturities due in the year ending June 30, 2017.

Revenue bonds/notes:

Two issues of unmatured revenue bonds/notes, totaling \$4,566,414, are outstanding at June 30, 2005. These bonds/notes bear interest at rates of 4.19% to 5.00% and mature in varying annual amounts ranging from \$173,000 to \$265,873, with the final maturities due in the year ending June 30, 2016.

The resolutions providing for the issuance of the revenue bonds/notes include the following provisions:

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate wastewater and hospital bond and interest sinking accounts for the purpose of making the bond/note principal and interest payments when due.
- (c) Additional monthly transfers shall be made to separate wastewater and hospital debt service reserve accounts until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying bond/note principal and interest payments due when insufficient money is available in the sinking accounts.
- (d) Additional monthly transfers of \$2,000 to the wastewater improvement and replacement accounts shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2005

- (e) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds/notes falling due in the same year.

During the year ended June 30, 2005, the City was in compliance with the revenue bond/note provisions.

Details of bond/notes payable at June 30, 2005 are as follows:

Governmental activities:	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2005
General obligation bonds/notes:						
Corporate purpose	Oct 1, 2003	1.40-2.95%	Jun 1, 2009	\$ 50,000-55,000	\$ 260,000	\$ 210,000
Corporate purpose	Oct 1, 2003	1.40-4.00%	Jun 1, 2014	60,000-80,000	700,000	640,000
Corporate purpose	Oct 1, 2004	2.00-4.00%	Jun 1, 2017	65,000-90,000	900,000	900,000
Corporate purpose	Jul 1, 1999	4.80-5.00%	Jun 1, 2014	145,000-215,000	2,400,000	1,620,000
Capital loan notes	Jul 1, 2000	5.15-5.40%	Jun 1, 2006	50,000	230,000	50,000
Capital loan notes	Oct 15, 2001	2.45-4.00%	Jun 1, 2009	110,000-130,000	800,000	485,000
Essential corporate purpose	Oct 15, 2002	1.65-2.85%	Jun 1, 2008	50,000-55,000	265,000	165,000
Essential corporate purpose	Dec 15, 2002	2.40-4.00%	Jun 1, 2013	60,000-80,000	700,000	<u>580,000</u>
Total governmental activities						\$ <u>4,650,000</u>
Business type activities:						
Revenue bonds/notes:						
Wastewater revenue capital loan notes, series 1996	Feb 16, 1996	4.19%	Jun 1, 2016	\$156,000-261,000	\$ 4,745,000	\$ 2,358,000
Hospital revenue bond, series 1998	Nov 1, 1998	5.00%	Jun 1 2015	10,810-264,770	3,000,000	<u>2,208,414</u>
Total business type activities						<u>4,566,414</u>
Total						\$ <u>9,216,414</u> =====

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2005

A summary of the annual bond/note principal and interest requirements to maturity by type of bond/note is as follows:

Year Ending June 30,	<u>General Obligation</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2006	\$ 615,000	177,558	792,558	
2007	575,000	157,700	732,700	
2008	595,000	138,726	733,726	
2009	565,000	117,861	682,861	
2010	395,000	96,579	491,579	
2011-2015	1,730,000	228,876	1,958,876	
2015-2017	<u>175,000</u>	<u>10,515</u>	<u>185,515</u>	
Total	\$ <u>4,650,000</u>	<u>927,815</u>	<u>5,577,815</u>	
	=====	=====	=====	
Year Ending June 30,	<u>Revenue</u>			<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2006	\$ 351,368	205,157	556,525	1,349,083
2007	367,494	188,783	556,277	1,288,977
2008	385,107	171,648	556,755	1,290,481
2009	403,170	153,687	556,857	1,239,718
2010	420,866	134,876	555,742	1,047,321
2011-2015	2,377,408	365,040	2,742,448	4,701,324
2016	<u>261,000</u>	<u>10,936</u>	<u>271,936</u>	<u>457,451</u>
Total	\$ <u>4,566,413</u>	<u>1,230,127</u>	<u>5,796,540</u>	<u>11,374,355</u>
	=====	=====	=====	=====

As of June 30, 2005, the general obligation debt issued by the City did not exceed its legal debt margin computed as follows:

Actual valuation	\$ <u>196,091,669</u>
Debt limit – 5% of total actual valuation	9,804,583
Debt applicable to debt limit:	
General obligation bonded debt outstanding	<u>4,650,000</u>
Legal debt margin	\$ <u>5,154,583</u>
	=====

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2005

Other Than Bonded Debt

As of June 30, 2005 this debt consisted of the following:

During the year ended June 30, 2003, the City entered into a lease-purchase agreement on behalf of Ellsworth Municipal Hospital for equipment. The lease is for five years, has an effective interest rate of 5.18% and requires monthly payments of \$10,871.

The above lease is payable solely from net revenues of the Hospital and does not constitute a liability of the City. The following is a schedule of future minimum lease payments and the present value of net minimum lease payments under the agreement:

Year Ending <u>June 30,</u>	<u>Amount</u>
2006	\$ 130,452
2007	130,452
2008	<u>10,875</u>
Total minimum lease payments	271,779
Less amount representing interest	<u>15,277</u>
 Present value of net minimum lease payments	 \$ 256,502 =====

Payments under the above agreement during the year ended June 30, 2005 totaled \$130,452.

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2005

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Payroll Tax Levy	\$ 428,004
	Road Use	69,344
	Local Option Sales Tax	200,384
	Capital Projects	64,906
	Enterprise:	
	Water	12,500
	Sewer	12,500
	Airport Authority	425
Special Revenue		
TIF	General	1,627
LOST	General	32,968
	Capital Projects	144,316
	Enterprise:	
	Water	14,719
Economic Development		
Loans	Capital Projects	5,153
Carnegie – Ellsworth		
Building Maintenance	Capital Projects	850
Payroll Tax Levy	General	38,130
	Special Revenue	
	Road Use	29,588
Road Use	General	37,880
	Special Revenue	
	Payroll Tax Levy	78,418
	Capital Projects	23,000

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2005

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	Special Revenue	
	TIF	283,718
	Local Option Sales Tax	243,229
Capital Projects	Capital Projects	487
	General	3,143
	Special Revenue:	
	Local Option Sales Tax	139,098
	TIF	1,271,370
Component Unit – Airport	General	28,497
	Special Revenue	
	Hotel/Motel Tax	<u>900</u>
Total		\$ 3,165,154 =====

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(7) Interfund Assets/Liabilities

Interfund Receivable/Payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue:	
	Tax Increment Financing Revenues	\$ 8,296
	Capital Projects	3,890
Special Revenue:	Special Revenue:	
Economic Development Loans	Tax Increment Financing Revenues	565,183
	Capital Projects	253,935
Local Option Sales Tax	Special Revenue:	
	Tax Increment Financing Revenues	23,841
	Capital Projects	276,350

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2005

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Carnegie-Ellsworth Endowment	Special Revenue: Tax Increment Financing Revenues	360,894
Carnegie-Ellsworth Maintenance	Special Revenue: Tax Increment Financing Revenues	5,191
Enterprise: Water	Special Revenue: Tax Increment Financing Revenues	50,000
	Capital Projects	51,308
Wastewater	Special Revenue: Tax Increment Financial Revenues	50,000
	Economic Development Loans	47,544
	Capital Project	<u>182,069</u>
Total		\$ 1,878,501 =====

These balances result from interfund loans to finance projects. Repayments will be made from future revenues.

(8) Economic Development Loans Receivable

The City has various long-term loans receivable totaling \$157,033 as of June 30, 2005 due from businesses located in Iowa Falls. The loans were financed with the proceeds of two U.S. Department of Housing and Urban Development Action Grants and one Community Development Block Grant.

The first loan of \$36,417 as of June 30, 2005 requires monthly payments of \$736, including interest at 3% until November 1, 2004, at which time a balloon payment is due. This loan is collateralized by a second mortgage on all real estate of the business.

A second loan of \$3,881 as of June 30, 2005 requires monthly payments of \$174, including interest at 3%, until May 1, 2007. This loan is secured by a second security interest in the equipment, machinery and general business assets of the business.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2005

A third loan of \$6,899 as of June 30, 2005 requires monthly payments of \$309, including interest at 3%, until May 1, 2007. This loan is secured by a second security interest in the equipment, machinery and general business assets of the business.

A fourth loan of \$26,869 as of June 30, 2005 requires monthly payments of \$483, including interest of 3%, until June 1, 2006, at which time a balloon payment is due. This loan is secured by a first mortgage agreement on all land and buildings on all real estate of the business.

A fifth loan of \$40,000 as of June 30, 2005 requires annual payments of \$10,000, plus interest of 3%, until March 1, 2006. The loan is secured by assignment contract and mortgage.

A sixth loan of \$42,968 as of June 30, 2005 requires monthly payments of \$898, including interest at 3%, until July 1, 2007. This loan is collateralized by a lien on the building and a subordinate security interest in the equipment and machinery of the business. No payments have been received on this loan since 2003. A judgement has been filed against this company.

(9) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issued a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.907%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$474,211, \$423,948, and \$411,927, respectively, equal to the required contributions for each year.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2005

(10) Industrial Development Revenue Bonds

The City has issued a total of \$16,325,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$7,325,000 is outstanding at June 30, 2005. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

(11) Deficit Balances

As of June 30, 2005, funds with deficit balances were as follows:

Special Revenue, Tax Increment Financing Revenues Fund	\$ 1,055,637 =====
---	-----------------------

This deficit balance is a result of transferring funds to the Debt Service Fund and the Capital Projects, Tax Increment Financing Capital Projects Fund in excess of available funds. This deficit will be eliminated upon collection of tax increment financing revenues.

(12) Joint Financing Agreement

The City is a member of the Hardin County Solid Waste Disposal Commission. The Hardin County Solid Waste Disposal Commission entered into a 28E agreement with the Butler County Solid Waste Commission and the Wright County Area Landfill Authority which established the Rural Iowa Waste Management Association (Association). During the year ended June 30, 1996, the Rural Iowa Waste Management Association issued \$830,000 of Solid Waste Revenue Bonds pursuant to Chapter 28F.9 of the Code of Iowa. The principal and interest on the bonds are payable solely from and secured by the net revenues of the facilities operated by the Association. The balance outstanding at June 30, 2005 is \$530,000.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2005

(13) Risk Management

The City of Iowa Falls and the Ellsworth Municipal Hospital are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(14) Hospital Affiliated Organizations

Iowa Falls Clinic

During 1998, the Ellsworth Municipal Hospital entered into a joint venture agreement with North Iowa Mercy Health Center for the formation of Iowa Falls Clinic (the Clinic). The Clinic provides, develops, and coordinates all clinical medical services to residents, visitors and employees of Hardin County and the surrounding area.

The Hospital is a 50% owner of this Clinic and shares 50% of income or losses from the Clinic operations. The Hospital recognized its share of the venture's income of \$42,676 for the year ended June 30, 2005 in non-operating revenues (expenses).

The Hospital provides space and contracted services for the daily operations of the Clinic. Total receipts for rent revenue and contracted services for the year ended June 30, 2005 were \$179,821. During the year, the Hospital forgave accounts receivable from the Clinic totaling 0. As of June 30, 2005, the Hospital recorded a receivable from the clinic of \$26,036 relating to these services.

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2005

Summarized financial information from the financial statements of Iowa Falls Clinic as of and for the year ended June 30, 2005 is as follows:

Assets	\$ 765,156
Liabilities	(185,242)
Net Assets	\$ 579,914
	=====
Net Revenues	\$ 3,220,602
	=====
Net Income	\$ 85,353
	=====

Greenbelt Home Care

During 1999, the Ellsworth Municipal Hospital entered into a joint venture of Greenbelt Home Care as a 16.16% partner, and shares income or loss in this percentage. During the year ended June 30, 2001, the ownership share of one of the partners was dissolved and assumed by the remaining partners. As a result, the Hospital's ownership in Greenbelt Home Care was 20% at June 30, 2003. The Hospital recognized \$8,842 as its 20% share of the joint venture's income for the year ended June 30, 2005 in non-operating revenues (expenses). Subsequent to year end the hospital agreed to forgive \$26,444 of the loan to Greenbelt Home Care in exchange for a 30% partnership interest in Greenbelt Home Care.

Ellsworth Municipal Hospital Foundation

During 2003, the Ellsworth Municipal Hospital Foundation, a related organization, was organized under the provisions of Internal Revenue Code Section 501(c)(3). The Foundation is organized and operated exclusively to benefit Ellsworth Municipal Hospital and the Hospital is the sole corporate member of the Foundation. During the year ended June 30, 2003, the Hospital transferred assets totaling \$83,794 to the Foundation. As of June 30, 2005, the Foundation had a payable to the Hospital in the amount of \$2,237, which is recorded with other receivables on the balance sheet of the Hospital. As of June 30, 2005, the Foundation had total assets of \$360,077, net assets of \$357,840, and received contributions totaling \$122,552.

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2005

(15) Construction Commitments

The City has committed to various construction projects. The City has entered into the following contracts: 2005 streets for \$56,454, North Rise Project for \$643,845 and Airport Fuel Facility for \$41,746. As of June 30, 2005 the only payments made were for engineering fees.

(16) Restatement of Beginning Balances

The government-wide financial statements report the City's governmental and business type activities. Beginning net assets for governmental and business type activities has been restated to include capital assets and interfund loans of July 1, 2004 not previously reported:

Primary Government:

Governmental activities:

Net assets, June 30, 2004 as previously reported	\$ 11,658,153
Capital assets	33,634
Interfund assets/liabilities	<u>493</u>
Net assets, July 1, 2004 as restated	\$ 11,692,280 =====

Business type activities:

Net assets, June 30, 2004 as previously reported	\$ 15,465,165
Capital assets	1,777
Interfund assets/liabilities	<u>(493)</u>
Net assets, July 1, 2004 as restated	\$ 15,466,449 =====

Required Supplementary Information

City of Iowa Falls, Iowa
 Budgetary Comparison Schedule of
 Receipts/Revenues, Disbursements/Expenses and Changes in Balances/Net Assets -
 Budget and Actual
 All Governmental and Proprietary Funds and the
 Discretely Presented Component Unit
 Required Supplementary Information
 Year ended June 30, 2005

	Funds Budgeted on Cash Basis - Actual				
	Governmental <u>Fund Types</u>	Proprietary Fund Type -		Component Unit - Airport <u>Authority</u>	<u>Total</u>
		Enterprise <u>(excluding Hospital)</u>			
Receipts/Revenues:					
Property tax	\$ 1,432,545	-	22,480		1,455,025
Tax increment financing	1,143,528	-	-		1,143,528
Other city tax	594,187	-	1,912		596,099
Licenses and permits	76,835	-	-		76,835
Use of money and property	91,802	34,396	16,108		142,306
Intergovernmental	762,606	-	-		762,606
Charges for service	129,889	1,894,089	-		2,023,978
Special assessments	312	-	-		312
Miscellaneous	373,690	67,982	1,148		442,820
Total receipts/revenues	<u>4,605,394</u>	<u>1,996,467</u>	<u>41,648</u>		<u>6,643,509</u>
Disbursements/Expenses:					
Public safety	1,186,066	-	-		1,186,066
Public works	429,770	-	70,620		500,390
Culture and recreation	599,796	-	-		599,796
Community and economic development	55,644	-	-		55,644
General government	184,795	-	-		184,795
Debt service	775,946	-	-		775,946
Capital projects	2,416,102	-	-		2,416,102
Business type activities	-	1,908,429	-		1,908,429
Total disbursements/expenses	<u>5,648,119</u>	<u>1,908,429</u>	<u>70,620</u>		<u>7,627,168</u>
Excess (deficiency) of receipts/revenues over (under) disbursements/expenses	(1,042,725)	88,038	(28,972)		(983,659)
Other financing sources, net	<u>857,356</u>	<u>8,957</u>	<u>28,972</u>		<u>895,285</u>
Excess (deficiency) of receipts/revenues and other financing sources over (under) disbursements/expenses and other financing uses	(185,369)	96,995	-		(88,374)
Balances/net assets beginning of year	<u>3,924,758</u>	<u>1,565,657</u>	<u>-</u>		<u>5,490,415</u>
Balances/net assets end of year	<u>\$ 3,739,389</u>	<u>1,662,652</u>	<u>-</u>		<u>5,402,041</u>

See accompanying independent auditor's report.

Funds Budgeted
on GAAP Basis

- Actual

Proprietary

Fund Type

Hospital

Total

Budgeted Amounts

Final to

Actual

Variance

Actual

Original

Final

-	1,455,025	1,462,602	1,462,602	(7,577)
-	1,143,528	1,100,000	1,100,000	43,528
-	596,099	530,341	590,341	5,758
-	76,835	53,500	53,500	23,335
82,742	225,048	103,302	105,502	119,546
-	762,606	988,720	1,002,017	(239,411)
14,055,639	16,079,617	14,389,589	18,085,970	(2,006,353)
-	312	-	-	312
772,185	1,215,005	131,800	187,255	1,027,750
<u>14,910,566</u>	<u>21,554,075</u>	<u>18,759,854</u>	<u>22,587,187</u>	<u>(1,033,112)</u>

-	1,186,066	1,124,256	1,219,623	33,557
-	500,390	472,694	476,794	(23,596)
-	599,796	615,253	659,283	59,487
-	55,644	10,600	1,134,700	1,079,056
-	184,795	144,605	192,308	7,513
-	775,946	755,452	776,147	201
-	2,416,102	1,514,141	2,592,118	176,016
14,155,954	16,064,383	14,116,846	17,333,219	1,268,836
<u>14,155,954</u>	<u>21,783,122</u>	<u>18,753,847</u>	<u>24,384,192</u>	<u>2,601,070</u>

754,612	(229,047)	6,007	(1,797,005)	1,567,958
-	<u>895,285</u>	<u>335,000</u>	<u>895,285</u>	-

754,612	666,238	341,007	(901,720)	1,567,958
<u>8,745,556</u>	<u>14,235,971</u>	<u>10,985,952</u>	<u>12,425,482</u>	<u>1,810,489</u>
<u>9,500,168</u>	<u>14,902,209</u>	<u>11,326,959</u>	<u>11,523,762</u>	<u>3,378,447</u>

City of Iowa Falls, Iowa

Budgetary Comparison Schedule-Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds			Proprietary Funds		
				Enterprise (Excluding Hospital)		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 4,605,394	86,253	4,691,647	1,996,467	(53,176)	1,943,291
Expenditures	<u>(5,648,119)</u>	<u>(31,712)</u>	<u>(5,679,831)</u>	<u>(1,908,429)</u>	<u>207,026</u>	<u>(1,701,403)</u>
Net	(1,042,725)	54,541	(988,184)	88,038	153,850	241,888
Other financing sources (uses)	857,356	48,676	906,032	8,957	(48,676)	(39,719)
Beginning fund balances	<u>3,924,758</u>	<u>(369,283)</u>	<u>3,555,475</u>	<u>1,565,657</u>	<u>5,155,235</u>	<u>6,720,892</u>
Ending fund balances	<u>\$ 3,739,389</u>	<u>(266,066)</u>	<u>3,473,323</u>	<u>1,662,652</u>	<u>5,260,409</u>	<u>6,923,061</u>

	Discretely Presented Component Unit		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 70,620	9,721	80,341
Expenses	<u>(70,620)</u>	<u>(64,636)</u>	<u>(135,256)</u>
Net	-	(54,915)	(54,915)
Beginning fund balance	<u>-</u>	<u>905,437</u>	<u>905,437</u>
Ending fund balance	<u>\$ -</u>	<u>850,522</u>	<u>850,522</u>

See accompanying independent auditor's report.

City of Iowa Falls, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund

In accordance with the Code of Iowa, the City Council annually adopts a budget following

required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of disbursements known as functions, not by fund or fund type. These 9 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, two budget amendments increased budgeted disbursements by \$5,630,345, revenues by \$3,827,333 and other financing sources by \$56,0285. These budget amendments are reflected in the final budgeted amounts.

The City of Iowa Falls prepares its budget on the cash basis except for hospital operations which are budgeted in accordance with U.S. generally accepted accounting principles. The Budgetary Comparison Schedule is a comparison of the cash basis receipts and disbursements and revenues and expenses of the Hospital Fund with the budget adopted and amended by the City Council.

Other Supplementary Information

City of Iowa Falls, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

	Special		
	<u>Road</u>	<u>Hotel</u>	<u>Payroll</u>
	<u>Use Tax</u>	<u>Motel Tax</u>	<u>Tax</u>
			<u>Levy</u>
Assets			
Cash	\$ 28,372	36,047	92,014
Receivables:			
Property tax:			
Delinquent	-	-	8,481
Succeeding year	-	-	380,544
Accrued interest	-	172	-
Due from other governments	33,792	21,472	-
Interfund receivable	-	-	-
Prepaid expenditures	17,999	-	-
Total assets	\$ 80,163	57,691	481,039
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 20,450	-	-
Salaries and benefits payable	7,557	-	-
Deferred revenue:			
Succeeding year property tax	-	-	380,544
Other	-	-	3,172
Total liabilities	28,007	-	383,716
Fund balances:			
Reserved for:			
Prepaid expenditures	17,999	-	-
Advance to other funds	-	-	-
Unreserved, undesignated	34,157	57,691	97,323
Total fund balances	52,156	57,691	97,323
Total liabilities and fund balances	\$ 80,163	57,691	481,039

See accompanying independent auditor's report.

Schedule 1

Revenue			
<u>Carnegie- Ellsworth Endowment</u>	<u>Carnegie- Ellsworth Maintenance</u>	<u>Volunteer Fire Department</u>	<u>Total</u>
198,646	124,570	17,349	496,998
-	-	-	8,481
-	-	-	380,544
-	1,540	83	1,795
-	-	-	55,264
360,894	5,191	-	366,085
-	-	-	17,999
<u>559,540</u>	<u>131,301</u>	<u>17,432</u>	<u>1,327,166</u>
-	757	50	21,257
-	-	-	7,557
-	-	-	380,544
-	-	-	3,172
<u>-</u>	<u>757</u>	<u>50</u>	<u>412,530</u>
-	-	-	17,999
360,894	5,191	-	366,085
<u>198,646</u>	<u>125,353</u>	<u>17,382</u>	<u>530,552</u>
<u>559,540</u>	<u>130,544</u>	<u>17,382</u>	<u>914,636</u>
<u>559,540</u>	<u>131,301</u>	<u>17,432</u>	<u>1,327,166</u>

City of Iowa Falls, Iowa

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances

Nonmajor Governmental Funds

Year ended June 30, 2005

	Road Use <u>Tax</u>	Hotel/Motel <u>Tax</u>	Payroll Tax <u>Levy</u>
Revenues:			
Property tax	\$ -	-	440,039
Other city tax	-	79,612	37,373
Use of money and property	-	573	-
Intergovernmental	465,568	-	-
Miscellaneous	-	1,000	-
Total revenues	<u>465,568</u>	<u>81,185</u>	<u>477,412</u>
Expenditures:			
Operating:			
Public safety	-	-	-
Public works	433,778	-	-
Community and economic development	-	53,525	-
Total expenditures	<u>433,778</u>	<u>53,525</u>	<u>-</u>
Excess of revenues over expenditures	<u>31,790</u>	<u>27,660</u>	<u>477,412</u>
Other financing sources (uses):			
Transfers in	139,298	-	67,718
Transfers out	<u>(118,932)</u>	<u>(900)</u>	<u>(506,423)</u>
Total other financing sources (uses):	<u>20,366</u>	<u>(900)</u>	<u>(438,705)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	52,156	26,760	38,707
Fund balances beginning of year, as restated	<u>-</u>	<u>30,931</u>	<u>58,616</u>
Fund balances end of year	<u>\$ 52,156</u>	<u>57,691</u>	<u>97,323</u>

See accompanying independent auditor's report.

Schedule 2

<u>Carnegie- Ellsworth Endowment</u>	<u>Carnegie- Ellsworth Maintenance</u>	<u>Volunteer Fire Department</u>	<u>Total</u>
-	-	-	440,039
-	-	-	116,985
-	35,233	1,642	37,448
-	-	-	465,568
-	1	16,736	17,737
<u>-</u>	<u>35,234</u>	<u>18,378</u>	<u>1,077,777</u>
-	-	14,831	14,831
-	-	-	433,778
-	11,111	-	64,636
<u>-</u>	<u>11,111</u>	<u>14,831</u>	<u>513,245</u>
<u>-</u>	<u>24,123</u>	<u>3,547</u>	<u>564,532</u>
-	850	-	207,866
<u>-</u>	<u>-</u>	<u>-</u>	<u>(626,255)</u>
<u>-</u>	<u>850</u>	<u>-</u>	<u>(418,389)</u>
-	24,973	3,547	146,143
<u>559,540</u>	<u>105,571</u>	<u>13,835</u>	<u>768,493</u>
<u>559,540</u>	<u>130,544</u>	<u>17,382</u>	<u>914,636</u>

City of Iowa Falls, Iowa

Bond and Note Maturities

June 30, 2005

Year Ending June 30,	General Obligation					
	Corporate Purpose		Corporate Purpose		Corporate Purpose	
	Issued Oct 1, 2003		Issued Oct 1, 2003		Issued Oct 1, 2004	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2006	1.75 %	\$ 50,000	1.75 %	\$ 65,000	2.00 %	\$ 65,000
2007	2.25	50,000	2.25	65,000	2.35	65,000
2008	2.60	55,000	2.60	65,000	2.55	65,000
2009	2.95	55,000	2.95	70,000	2.80	70,000
2010		-	3.30	70,000	3.00	70,000
2011		-	3.55	70,000	3.20	70,000
2012		-	3.70	75,000	3.35	75,000
2013		-	3.85	80,000	3.55	80,000
2014		-	4.00	80,000	3.70	80,000
2015		-		-	3.80	85,000
2016		-		-	3.90	85,000
2017		-		-	4.00	90,000
Total		<u>\$ 210,000</u>		<u>\$ 640,000</u>		<u>\$ 900,000</u>

Year Ending June 30,	General Obligation Bonds/Notes				
	Essential		Essential		Total
	Corporate Purpose		Corporate Purpose		
Issued Oct 15, 2002		Issued Dec 15, 2002			
	Interest		Interest		
	Rates	Amount	Rates	Amount	
2006	2.35 %	\$ 55,000	2.40 %	\$ 65,000	615,000
2007	2.60	55,000	2.75	65,000	575,000
2008	2.85	55,000	3.00	70,000	595,000
2009		-	3.25	70,000	565,000
2010		-	3.50	75,000	395,000
2011		-	3.75	75,000	400,000
2012		-	3.85	80,000	425,000
2013		-	4.00	80,000	445,000
2014		-		-	375,000
2015		-		-	85,000
2016		-		-	85,000
2017		-		-	90,000
Total		<u>\$ 165,000</u>		<u>\$ 580,000</u>	<u>4,650,000</u>

See accompanying independent auditor's report.

Schedule of Revenues by Source and Expenditures by Function -
All Governmental Funds

For the Last Three Years

	Modified Accrual Basis		
	2005	2004	2003
Revenues:			
Property tax	\$ 1,435,121	1,545,978	1,428,398
Tax increment financing revenue	1,142,363	885,271	781,318
Other city tax	605,179	567,995	582,462
Licenses and permits	86,381	60,721	41,528
Use of money and property	156,051	82,696	95,151
Intergovernmental	761,667	955,757	1,394,722
Charges for service	136,768	133,319	146,660
Miscellaneous	<u>368,117</u>	<u>377,068</u>	<u>348,223</u>
Total	<u>\$ 4,691,647</u>	<u>4,608,805</u>	<u>4,818,462</u>
Expenditures:			
Operating:			
Public safety	\$ 1,207,781	1,052,954	1,092,281
Public works	443,900	432,051	436,786
Culture and recreation	618,940	561,258	668,445
Community and economic development	116,335	201,158	438,733
General government	175,021	321,840	335,867
Debt service	775,946	753,665	697,591
Capital projects	<u>2,341,908</u>	<u>1,622,095</u>	<u>2,586,624</u>
Total	<u>\$ 5,679,831</u>	<u>4,945,021</u>	<u>6,256,327</u>

See accompanying independent auditor's report.

Independent Auditor's Report on Compliance over Financial Reporting and on Compliance
and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Iowa Falls, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 13, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Iowa Falls' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Iowa Falls' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Iowa Falls and other parties to whom the City of Iowa Falls may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Iowa Falls during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Cornwell, Frideres, Maher & Associates, P.C.
Certified Public Accountants

December 13, 2005

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-05 Official Depositories – A resolution naming official depositories has been approved by the City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

II-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the public works function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-C-05 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-D-05 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2005

II-E-05 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Marlyn Humphrey, Fire Department, owner of Iowa Falls Fire Extinguisher Company	First aid kits and smoke alarms	\$ 300
Steve Henry, Fire Secretary/ Treasurer, owner of Iowa Falls Glass	Room shades, per bid windows, keys, door strikes for fire station	487
Diane Meier, Council Member, husband owner of Midwest Animal Health	Vet services and supplies	146
Rick Gustin, Fire Chief Owner of Iowa Falls Heating & A/C	Heating & air conditioning maintenance & supplies	12,110

The transaction with the Fire Chief appears to represent a conflict of interest since it was entered into without competitive bidding in accordance with Chapter 362.5(10) of the Code of Iowa. The other transactions do not appear to represent conflicts of interest as the transactions with each individual were less than \$1,500 during the fiscal year.

Recommendation – The City should comply with Chapter 362.5 of the Code of Iowa and have competitive bidding if transactions with City officials will exceed \$1,500 during the fiscal year.

Response – We will comply with the Code requirements in the future.

Conclusion – Response accepted.

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2005

II-F-05 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-G-05 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

II-H-05 Revenue Bonds and Notes – The City has complied with the revenue bond and note provisions.

II-I-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

II-J-05 Capitalization Policy – It was noted during the course of our audit that the capitalization policy for land, buildings and improvements and equipment and vehicles requires the City to capitalize all assets over \$250.

Recommendation – City officials should review their policy and consider raising the dollar amount.

Response – We will review our policy.

Conclusion – Response accepted.

II-K-05 Other Information Required by Bond Resolution

Insurance – The following insurance policies were in force at June 30, 2005:

<u>Insurer</u>	<u>Description</u>	<u>Amount</u>	<u>Expiration Date</u>
Employer’s Mutual	Property coverage	\$ 17,889,834	Apr 1, 2006

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2005

Insurer	Description	Amount	Expiration Date
Employer's Mutual	Liability coverage:		
	General aggregate	2,000,000	Apr 1, 2006
	Products aggregate	2,000,000	Apr 1, 2006
	Personal injury	1,000,000	Apr 1, 2006
	Each occurrence	1,000,000	Apr 1, 2006
	Fire damage	100,000	Apr 1, 2006
	Medical expense	5,000	Apr 1, 2006
Employer's Mutual	Inland Marine:		
	Contractor's equipment	636,926	Apr 1, 2006
	Data processing	192,269	Apr 1, 2006
	Valuable papers	650,000	Apr 1, 2006
	Miscellaneous property	46,028	Apr 1, 2006
Employer's Mutual	Automobile coverage:		
	Liability	1,000,000	Apr 1, 2006
	Auto medical	5,000	Apr 1, 2006
	Uninsured motorist	50,000	Apr 1, 2006
	Underinsured motorist	50,000	Apr 1, 2006
	Comprehensive/collision	Lesser of cash value or cost of repair	Apr 1, 2006
Employer's Mutual	Worker's compensation:		
	Bodily injury by accident	500,000	Apr 1, 2006
	Bodily injury by disease	500,000	Apr 1, 2006
	Policy limit	500,000	Apr 1, 2006

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2005

<u>Insurer</u>	<u>Description</u>	<u>Amount</u>	<u>Expiration Date</u>
Employer's Mutual	Umbrella:		
	Retained limit	10,000	Apr 1, 2006
	Occurrence limit	3,000,000	Apr 1, 2006
	Aggregate limit	3,000,000	Apr 1, 2006
Employer's Mutual	Linebacker:		
	Each loss	1,000,000	Apr 1, 2006
	Aggregate	1,000,000	Apr 1, 2006
Old Republic Insurance Company	Airport liability:		
	Combined single:		
	Each occurrence	1,000,000	Jul 1, 2005
	Malpractice aggregate	1,000,000	Jul 1, 2005
	Fire damage	50,000	Jul 1, 2005
	Medical expense	1,500	Jul 1, 2005
	Hangarkeepers-per aircraft	200,000	Jul 1, 2005
	Hangarkeepers-per occurrence	200,000	Jul 1, 2005
Personal injury and advertising injury aggregate limit	1,000,000	Jul 1, 2005	
United National Insurance Company	Airport public officials and employees' liability	1,000,000	Jul 1, 2005
Allied Insurance Company	Public employees' blanket bond	100,000	Continuous until canceled

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2005

Statistical Information:

Description	Amount
Customers served at June 30, 2005 – water	2,252
Customers served at June 30, 2005 – sewer	2,229

Water rates in effect at June 30, 2005:

Per month:

- First 1,000 gallons - \$3.47 minimum charge
- 1,000 to 20,000 gallons - \$2.75 per 1,000 gallons
- Over 20,000 gallons - \$2.36 per 1,000 gallons

Sewer rates in effect at June 30, 2005:

Minimum charge per month of \$5.00 plus \$3.70 per 1,000 gallons of water used

Users who contribute wastewater, the strength of which is greater than normal domestic wastewater, and users who contribute more than an average of fifty thousand gallons per day during the entire current billing period, are charged the following rates for the excess concentration:

Flow in excess of fifty thousand gallons per day	\$0.59 per 1000 gallons
Biochemical oxygen demand	\$0.19 per pound
Suspended solids	\$0.13 per pound
NH ₃ -N	\$0.48 per pound