

**CITY OF IOWA FALLS, IOWA**

**INDEPENDENT AUDITOR'S REPORTS**

**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FINDINGS**

**YEAR ENDED JUNE 30, 2006**

## Table of Contents

		<u>Page</u>
List of Principal Officials		1-2
Independent Auditor’s Report		3-4
Management’s Discussion and Analysis		5-11
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	12-13
Statement of Activities	B	14-15
Governmental Fund Financial Statements:		
Balance Sheet	C	16-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	20
Statement of Revenues, Expenditures and Changes in Fund Balances	E	21-22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	23
Proprietary Funds Financial Statements:		
Statement of the Net Assets – Enterprise Funds	G	24-27
Statement of Revenues, Expenses and Changes in Fund Net Assets – Enterprise Funds	H	28-29
Combined Statement of Cash Flows – Enterprise Funds	I	30-33
Notes to Financial Statements		34-61
Required Supplementary Information:	<u>Schedule</u>	
Budgetary Comparison Schedule of Receipts/Revenues, Disbursements/Expenses and Changes in Balances/Net Assets - Budget and Actual – All Governmental Funds, Proprietary Funds and Discretely Presented Component Unit		62-63
Budgetary Comparison Schedule – Budget to GAAP Reconciliation		64
Notes to Required Supplementary Information – Budgetary Reporting		65

Table of Contents (continued)

		<u>Page</u>
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	66-67
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	68-69
Bond and Note Maturities	3	70-72
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	4	73-74
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 <u>Government Auditing Standards</u>		75-76
Schedule of Findings		77-82

**City of Iowa Falls, Iowa**

**List of Principal Officials**

**June 30, 2006**

**(Before January 2006)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rocky Lavallo	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

**City of Iowa Falls, Iowa**

**List of Principal Officials**

**June 30, 2006**

**(After January 2006)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rocky Lavallo	Mayor	Jan 2008
Frankie Tjarks	Mayor Pro-tem	Jan 2008
John Allan	Council Member	Jan 2010
Jody Anderson	Council Member	Jan 2008
Diane Meier	Council Member	Jan 2008
Mark Messa	Council Member	Jan 2010
Darrel Steven Carlyle	City Manager	July 2007
Cynthia Ellingson	City Clerk/Finance Director	July 2007
Clark McNeal	Attorney	July 2007
Ron Kuhfus	Police Chief	July 2007
Rick Gustin	Fire Chief	Indefinite
Terry Tikovitsch	Library Director	Indefinite
Brian Lorenzen	Parks & Recreation Director	Indefinite
Merlin Clock	Streets/Sanitation Superintendent	Indefinite
Elvin Van Kooten	Building & Zoning Director	Indefinite
Robert Wright	Water/Wastewater Superintendent	Indefinite
Jolene Liekweg	Deputy City Clerk	July 2007
John Swartz	Hospital Board of Trustees, Chairman	Jan 2010
Diana Ruhl	Hospital Board of Trustees, Secretary	Jan 2008
Norman Kastendick	Hospital Board of Trustees	Jan 2008
Kraig Kasischke	Hospital Board of Trustees	Jan 2010
Mike Stensland	Hospital Board of Trustees	Jan 2008

## 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, 2006, 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, 2006, 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 15, 2006 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 5 through 11 and 62 through 65 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 two years ended June 30, 2005 (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 year ended June 30, 2004 (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.L.C  
Certified Public Accountants

December 15, 2006

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2006. 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, 2006 by \$28,739,357. Of this amount, \$5,953,974 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$1,097,721 during the year. Of this amount the assets of our governmental activities increased \$597,140 and the assets of our business-type activities increased by \$500,575.

### **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, sanitary sewer system and sanitation. 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, Sanitation 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, 2006.

	Governmental Activities	Business Type Activities	Total
Current and other assets	\$ 6,884,749	9,499,798	16,384,547
Capital assets	<u>12,906,741</u>	<u>13,759,088</u>	<u>26,665,829</u>
Total assets	<u>19,791,490</u>	<u>23,258,886</u>	<u>43,050,376</u>
Long-term debt liabilities	4,569,733	4,785,969	9,355,702
Other liabilities	<u>3,406,203</u>	<u>1,549,113</u>	<u>4,955,316</u>
Total liabilities	<u>7,975,936</u>	<u>6,335,082</u>	<u>14,311,018</u>
Net assets:			
Invested in capital assets,			
Net of related debt	8,521,741	9,026,061	17,547,802
Restricted	3,433,271	1,804,310	5,237,581
Unrestricted	<u>(139,458)</u>	<u>6,093,432</u>	<u>5,953,974</u>
Total net assets	<u>\$ 11,815,554</u>	<u>16,923,803</u>	<u>28,739,357</u>

Net assets of governmental activities increased from FY 2005 by approximately \$597,140. Net assets of the business-type activities increased from FY 2005 by approximately \$500,575. 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 \$5.95 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	\$ 294,255	17,415,835	17,710,090
Operating grants, contributions and restricted interest	494,704	-	494,704
Capital grants, contributions and restricted interest	329,728	-	329,728
General revenues:			
Property tax for general purposes	1,228,400	-	1,228,400
Property tax for debt service	249,561	-	249,561
Tax increment financing revenues	1,285,753	-	1,285,753
Local option sales tax	452,724	-	452,724
Hotel/Motel Tax	79,450	-	79,450
Grants and contributions not restricted to specific purpose	-	-	-
Unrestricted investment earnings	202,671	30,345	233,016
Transfers	(15,346)	(28,484)	(43,830)
Loss on disposal of fixed assets	(22,297)	(9,478)	(31,775)
Miscellaneous	249,804	924,977	1,174,781
Total revenues	<u>4,829,407</u>	<u>18,333,195</u>	<u>23,162,602</u>
Program expenses:			
Public safety	1,137,710	-	1,201,197
Public works	861,045	-	825,813
Culture and recreation	763,284	-	842,276
Community and economic development	150,964	-	116,335
General government	138,480	-	178,328
Interest on long-term debt	185,322	-	191,739
Other debt costs	2,813	-	2,463
Capital Projects	992,649	-	1,771,199
Water	-	499,860	361,553
Wastewater	-	722,113	620,961
Hospital	-	15,974,684	14,139,848
Sanitation	-	635,963	718,889
Total expenses	<u>4,232,267</u>	<u>17,832,620</u>	<u>22,064,887</u>
Increase in net assets	597,140	500,575	1,097,715
Net assets July 1	<u>11,218,414</u>	<u>16,423,229</u>	<u>27,641,636</u>
Net assets June 30	<u>\$ 11,815,554</u>	<u>16,923,803</u>	<u>28,739,357</u>

The City of Iowa Falls decreased property tax rates by \$.35 in FY06 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 \$3,356,756, which is less than the \$3,473,322 total fund balance at June 30, 2005.

The General Fund, the operating fund for the City of Iowa Falls, ended FY06 with a \$663,637 balance compared to the prior year ending fund balance of \$755,992.

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 FY06 with a \$(853,295) deficit balance compared to the prior year ending deficit balance of \$(1,152,393). 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 FY06 with a \$1,374,783 balance compared to the prior year ending fund balance of \$1,561,600.

The Debt Service Fund ended FY06 with a \$41,283 balance compared to the prior year ending fund balance of \$78,464. Bond principal and interest payments increased by \$25,005 in FY06.

The Capital Projects Fund ended FY06 with a (\$79,500) balance compared to the prior year ending balance of \$72,532.

### **INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS**

The Water Fund, which accounts for the operation and maintenance of the City's water system, ended FY06 with a \$2,956,212 net asset balance compared to the prior year ending net asset balance of \$2,740,481.

The Wastewater Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended FY06 with a \$4,081,194 net asset balance compared to the prior year ending net asset balance of \$3,938,543.

The Hospital Fund, which accounts for the operation and maintenance of the Ellsworth Municipal Hospital, ended FY06 with a \$9,575,903 net asset balance compared to the prior year ending net asset balance of \$9,500,168.

The Sanitation Fund, which accounts for the operations of solid waste collection and disposal, ended FY06 with a \$310,494 net asset balance compared to the prior year ending net asset balance of 244,037.

### **BUDGETARY HIGHLIGHTS**

During the year ended June 30, 2006, the City amended the budget once. The amendment was done in May, 2006 to cover unbudgeted revenues and

expenditures. Said amendment were mainly required to cover unplanned revenues / 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 infrastructure represents the value of the resources utilized to provide services to citizens. Capital assets for governmental activities totaled \$12,906,741 (net of accumulated depreciation) at June 30, 2006. Capital assets for business-type activities totaled \$13,759,087 (net of accumulated depreciation) at June 30, 2006.

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

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

### **Long-Term Debt**

At June 30, 2006 the City of Iowa Falls had \$4,542,808 in total long-term debt for the governmental activities. Total long-term debt in the business-type activities was \$5,317,996 at June 30, 2006. More detailed information about the City's long-term debt is provided below:

- The City had \$4,385,000.00 in total general obligation bonds/notes outstanding as of June 30, 2006.
- The City had \$4,596,051 in total revenue bonds/notes outstanding as of June 30, 2006, including \$2,411,051 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 \$350,000.00 in general obligation capital loan notes. These notes were issued to finance the City's 2005 street program, minor capital equipment, and a portion of the costs for the North RISE Paving Project.

## **ECONOMIC FACTORS**

During the FY07 and FY08 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 FY06 to FY07. The major factor that will play a role in these changes is the decrease in general property tax valuation for the 2006 and 2007 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 FY07 with an approximately \$649,312, fund balance, which is a 3% decrease from FY06.

The tax levy rates for FY07 are provided below:

General Levy	8.10000
Aviation Levy	0.27000
Emergency Levy	0.27000
Debt Service Levy	1.50509
Trust and Agency Levy	5.17980
Tort Liability	0.98621
<b>Total</b>	<b>16.31110</b>

### **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 the Office of the City Manager, City of Iowa Falls, 315 Stevens Street, Post Office 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, 2006

Exhibit A

Assets	Primary Government			Component <u>Unit</u>
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	<u>Airport Authority</u>
Cash	\$ 3,769,431	3,891,881	7,661,312	-
Receivables:				
Property tax:				
Delinquent	22,579	-	22,579	365
Succeeding year	1,432,182	-	1,432,182	22,703
Tax increment financing:				
Delinquent	12,886	-	12,886	-
Succeeding year	1,600,000	-	1,600,000	-
Economic development loans	110,761	-	110,761	-
Customer accounts and unbilled usage (net of allowances for uncollectibles of \$547,000)	-	2,815,219	2,815,219	-
Accounts	10,483	512,458	522,941	289
Accrued interest	28,961	35,903	64,864	-
Due from other governments	120,074	10,050	130,124	-
Due from other funds	(322,720)	322,720	-	-
Inventories	-	417,206	417,206	-
Prepaid expenses	85,732	201,812	287,544	6,988
Restricted assets:				
Cash	-	845,830	845,830	-
Investment in affiliated organizations	-	428,984	428,984	-
Capital assets (net of accumulated depreciation)	12,906,741	13,759,088	26,665,829	820,314
Bond issuance costs	14,380	17,735	32,115	-
<b>Total assets</b>	<b>19,791,490</b>	<b>23,258,886</b>	<b>43,050,376</b>	<b>850,659</b>
<b>Liabilities</b>				
Accounts payable	297,570	670,887	968,457	3,299
Accrued interest payable	14,167	-	14,167	-
Salaries and benefits payable	62,284	338,570	400,854	-
Third-party payor settlements	-	-	-	-
72				
Succeeding year property tax	1,432,182	-	1,432,182	22,703
Succeeding year tax increment financing	1,600,000	-	1,600,000	-
Other	-	-	-	88

City of Iowa Falls, Iowa  
Statement of Net Assets  
June 30, 2006

Exhibit A

	Primary Government			Component
	<u>Governmental</u>	<u>Business-</u>	<u>Total</u>	<u>Units</u>
	<u>Activities</u>	<u>Type</u>		<u>Airport</u>
		<u>Activities</u>		<u>Authority</u>
<b>Liabilities (continued)</b>				
Liabilities payable from restricted assets:				
Revenue bonds/notes payable	-	532,027	532,027	-
Accrued and matured interest payable	-	7,629	7,629	-
Long-term liabilities:				
Portion due or payable within one year:				
General obligation bonds/notes	655,000	-	655,000	-
Capital lease	-	126,147	126,147	-
Compensated absences	134,630	567,485	702,115	-
Portion due or payable after one year:				
General obligation bonds/notes	3,730,000	-	3,730,000	-
Revenue bonds/notes payable	-	4,064,024	4,064,024	-
Capital lease	-	10,829	10,829	-
Compensated absences	50,103	17,484	67,587	-
<b>Total liabilities</b>	<b>7,975,936</b>	<b>6,335,082</b>	<b>14,311,018</b>	<b>26,090</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	8,521,741	9,026,061	17,547,802	820,314
Restricted for:				
Local option sales tax	1,313,615	-	1,313,615	-
Economic development loans	1,374,783	-	1,374,783	-
Carnegie library	703,590	-	703,590	-
Debt service	41,283	-	41,283	-
Revenue bond retirement	-	311,871	311,871	-
Wastewater replacement	-	149,234	149,234	-
Wastewater improvement	-	100,000	100,000	-
Capital improvements by donors	-	934,753	934,753	-
Bond indentures	-	308,452	308,452	-
Unrestricted	(139,458)	6,093,432	5,953,974	4,255
<b>Total net assets</b>	<b>\$ 11,815,554</b>	<b>16,923,803</b>	<b>28,739,357</b>	<b>824,569</b>

See notes to financial statements.

City of Iowa Falls, Iowa  
Statement of Activities  
Year ended June 30, 2006

		Program Revenues		
<b>Functions/Programs:</b>	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 1,137,710	82,710	15,781	7,229
Public works	861,045	4,534	440,396	-
Culture and recreation	763,284	147,032	38,527	-
Community and economic development	150,964	-	-	-
General government	138,480	30,728	-	-
Interest on long-term debt	185,322	-	-	-
Other debt costs	2,813	-	-	-
Capital projects	992,649	29,251	-	322,499
Total governmental activities	4,232,267	294,255	494,704	329,728
Business type activities				
Water	499,860	692,911	-	-
Wastewater	722,113	824,170	-	-
Hospital	15,974,684	15,203,406	-	-
Sanitation	635,963	695,348	-	-
Total business type activities	17,832,620	17,415,835	-	-
<b>Total primary government</b>	<b>\$ 22,064,887</b>	<b>17,710,090</b>	<b>494,704</b>	<b>329,728</b>
<b>Component Unit:</b>				
Airport authority	\$ 173,835	-	-	81,378
<b>General Revenues:</b>				
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				
72 Change in net assets				
Net assets beginning of year				
Net asset end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Airport Authority
(1,031,990)	-	(1,031,990)	-
(416,115)	-	(416,115)	-
(577,725)	-	(577,725)	-
(150,964)	-	(150,964)	-
(107,752)	-	(107,752)	-
(185,322)	-	(185,322)	-
(2,813)	-	(2,813)	-
(640,899)	-	(640,899)	-
<u>(3,113,580)</u>	<u>-</u>	<u>(3,113,580)</u>	<u>-</u>
-	193,051	193,051	-
-	102,057	102,057	-
-	(771,278)	(771,278)	-
-	59,385	59,385	-
<u>-</u>	<u>(416,785)</u>	<u>(416,785)</u>	<u>-</u>
<u>(3,113,580)</u>	<u>(416,785)</u>	<u>(3,530,365)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(92,457)</u>
1,228,400	-	1,228,400	22,285
249,561	-	249,561	-
1,285,753	-	1,285,753	-
452,724	-	452,724	-
79,450	-	79,450	-
202,671	30,345	233,016	-
249,804	924,977	1,174,781	11,472
(15,346)	(28,484)	(43,830)	32,747
(22,297)	(9,478)	(31,775)	-
<u>3,710,720</u>	<u>917,360</u>	<u>4,628,080</u>	<u>66,504</u>
597,140	500,575	1,097,715	(25,953)
<u>11,218,414</u>	<u>16,423,228</u>	<u>27,641,641</u>	<u>850,522</u>
<u>\$ 11,815,554</u>	<u>16,923,803</u>	<u>28,739,356</u>	<u>824,569</u>

City of Iowa Falls, Iowa  
Balance Sheet  
Governmental Funds  
June 30, 2006

	<u>General</u>	<u>Special Revenue</u>			
		<u>Tax Increment Financing Revenues</u>	<u>Economic Development Loans</u>	<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>
<b>Assets</b>					
Cash	\$ 677,957	-	831,968	21,542	1,084,713
Receivables:					
Property tax:					
Delinquent	12,403	-	-	-	-
Succeeding year	788,795	-	-	-	-
Tax increment financing:					
Delinquent	-	12,886	-	-	-
Succeeding year	-	1,600,000	-	-	-
Economic development loans	-	-	110,761	-	-
Accounts	10,483	-	-	-	-
Accrued interest	5,438	-	6,497	-	8,476
Due from other governments	4,343	-	-	39,401	39,161
Interfund receivable	-	-	537,097	-	181,265
Prepaid expenditures	64,720	-	-	21,012	-
<b>Total assets</b>	<u>\$ 1,564,139</u>	<u>1,612,886</u>	<u>1,486,323</u>	<u>81,955</u>	<u>1,313,615</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 54,430	-	30	16,333	-
Salaries and benefits payable	51,818	-	-	10,466	-
Deferred revenue:					
Succeeding year property tax	788,795	-	-	-	-
Succeeding year tax increment financing	-	1,600,000	-	-	-
Other	5,459	2,099	111,510	-	-
Interfund payable	-	864,083	-	-	-
<b>Total liabilities</b>	<u>900,502</u>	<u>2,466,182</u>	<u>111,540</u>	<u>26,799</u>	<u>-</u>

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
38,354	602,042	512,855	3,769,431
3,547	-	6,629	22,579
207,847	-	435,540	1,432,182
-	-	-	12,886
-	-	-	1,600,000
-	-	-	110,761
-	-	-	10,483
299	4,629	3,622	28,961
-	19,323	17,846	120,074
-	-	309,062	1,027,424
-	-	-	85,732
<u>250,047</u>	<u>625,994</u>	<u>1,285,554</u>	<u>8,220,513</u>
-	219,433	7,344	297,570
-	-	-	62,284
207,847	-	435,540	1,432,182
-	-	-	1,600,000
917	-	1,592	121,577
-	486,061	-	1,350,144
<u>208,764</u>	<u>705,494</u>	<u>444,476</u>	<u>4,863,757</u>

City of Iowa Falls, Iowa  
Balance Sheet  
Governmental Funds  
June 30, 2006

	<u>General</u>	<u>Special Revenue</u>			
		<u>Tax Increment Financing Revenues</u>	<u>Economic Development Loans</u>	<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>
<b>Liabilities and Fund Balances (continued)</b>					
Fund balances:					
Reserved for:					
Prepaid expenditures	64,720	-	-	-	-
Debt service	-	-	-	-	-
Advances to other funds	-	-	537,097	-	181,265
Unreserved:					
Designated for library gifts and memorials	97,853	-	-	-	-
Designated for park gifts and memorials	7,013	-	-	-	-
Designated for future equipment purchases/capital improvements	74,735 16,189	-	-	-	-
Designated for building maintenance/ Undesignated:					
Reported in:					
General fund	403,127	-	-	-	-
Special revenue funds	-	(853,296)	837,686	55,156	1,132,350
Capital projects fund	-	-	-	-	-
Total fund balances	<u>663,637</u>	<u>(853,296)</u>	<u>1,374,783</u>	<u>55,156</u>	<u>1,313,615</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,564,139</u>	<u>\$ 1,612,886</u>	<u>\$ 1,486,323</u>	<u>\$ 81,955</u>	<u>\$ 1,313,615</u>

See notes to financial statements.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
-	-	-	64,720
41,283	-	-	41,283
-	-	309,062	1,027,424
-	-	-	97,853
-	-	-	7,013
-	-	-	74,735
-	-	-	16,189
-	-	-	403,127
-	-	532,016	1,703,912
-	(79,500)	-	(79,500)
<u>41,283</u>	<u>(79,500)</u>	<u>841,078</u>	<u>3,356,756</u>
<u>\$ 250,047</u>	<u>\$ 625,994</u>	<u>\$ 1,285,554</u>	<u>\$ 8,220,513</u>

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

June 30, 2006

<b>Total governmental fund balances (page 19 )</b>	<b>\$ 3,356,756</b>
<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 \$19,795,470 and the accumulated depreciation is \$6,888,729.	12,906,741
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	121,577
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.	(4,583,900)
Other long-term assets are not available to pay current period debt and, therefore, are not included in the funds	<u>14,380</u>
<b>Net assets of governmental activities (page 13)</b>	<b><u><u>\$ 11,815,554</u></u></b>

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, 2006

		Special	
	<u>General</u>	Tax Increment Financing Revenues	Economic Development Loans
Revenues:			
Property tax	\$ 750,942	-	-
Tax increment financing	-	1,286,764	-
Other city tax	62,170	-	-
Licenses and permits	52,250	-	-
Use of money and property	30,606	-	63,774
Intergovernmental	56,656	-	-
Charges for service	137,101	-	-
Miscellaneous	226,344	-	42,552
Total revenues	1,316,069	1,286,764	106,326
Expenditures:			
Operating:			
Public safety	1,200,746	-	-
Public works	14,523	-	-
Culture and recreation	578,525	-	-
Community and economic development	936	48,771	1,953
General government	123,957	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	1,918,687	48,771	1,953
Excess (deficiency) of revenues over (under) expenditures	(602,618)	1,237,993	104,373
	(602,618)	1,237,993	104,373
Other financing sources (uses):			
Operating transfers in	622,393	56,602	-
Operating transfers out	(112,130)	(995,498)	(291,190)
General obligation bonds issued	-	-	-
Discount on general obligation bonds	-	-	-
Total other financing sources (uses)	510,263	(938,896)	(291,190)
Net change in fund balances	(92,355)	299,097	(186,817)
	755,992	(1,152,393)	1,561,600
Fund balances (deficit) end of year	\$ 663,637	(853,295)	1,374,783

See notes to financial statements.

Exhibit E

Revenue					
<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
-	-	232,391	-	379,290	1,362,623
-	-	-	-	-	1,286,764
-	452,724	16,873	-	134,259	666,026
-	-	-	-	-	52,250
-	44,303	12,662	27,215	39,140	217,700
440,396	-	-	322,499	-	819,551
-	-	-	-	-	137,101
-	-	-	71,198	33,514	373,608
<u>440,396</u>	<u>497,027</u>	<u>261,926</u>	<u>420,912</u>	<u>586,203</u>	<u>4,915,623</u>
-	-	-	-	34,008	1,234,754
551,314	-	-	-	-	565,837
-	-	-	-	-	578,525
-	-	-	-	85,006	136,666
-	-	-	-	-	123,957
-	-	800,951	-	-	800,951
-	-	-	1,924,758	-	1,924,758
<u>551,314</u>	<u>-</u>	<u>800,951</u>	<u>1,924,758</u>	<u>119,014</u>	<u>5,365,448</u>
(110,918)	497,027	(539,025)	(1,503,846)	467,189	(449,825)
(110,918)	497,027	(539,025)	(1,503,846)	467,189	(449,825)
113,916	14,719	501,844	1,023,996	120	2,333,590
-	(440,623)	-	(20,784)	(488,711)	(2,348,936)
-	-	-	350,000	-	350,000
-	-	-	(1,398)	-	(1,398)
<u>113,916</u>	<u>(425,904)</u>	<u>501,844</u>	<u>1,351,814</u>	<u>(488,591)</u>	<u>333,256</u>
2,998	71,123	(37,181)	(152,032)	(21,402)	(116,570)
<u>52,158</u>	<u>1,242,492</u>	<u>78,464</u>	<u>72,532</u>	<u>862,480</u>	<u>3,473,325</u>
<u>55,155</u>	<u>1,313,615</u>	<u>41,283</u>	<u>(79,500)</u>	<u>841,078</u>	<u>3,356,756</u>

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

Year ended June 30, 2006

**Net change in fund balances - Total governmental funds (page 22 )** (116,570)

*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	1,181,862	
Depreciation expense	(663,770)	
Gains/(Losses) on sale of assets	<u>(22,297)</u>	495,795

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	(4,785)	
Other	<u>(43,790)</u>	(48,575)

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	(350,000)	
Discount on general obligation bonds	1,400	
Principal repayments	615,000	
Amortize bond issuance costs	<u>(2,813)</u>	263,587

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	2,273	
Accrued interest on long-term debt	<u>630</u>	<u>2,903</u>

**Change in net assets of governmental activities (page 15 )** \$ 597,140

See notes to financial statements.

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

June 30, 2006

	<u>Water</u>	<u>Wastewater</u>
<b>Assets</b>		
Current assets:		
Cash	\$ 745,211	500,482
Receivables (net of allowance for uncollectibles):		
Customer accounts and unbilled usage	77,708	95,931
Accrued interest	5,820	8,286
Other	-	-
Interfund receivable	107,285	215,435
Due from other governments	5,025	5,025
Inventories	25,509	-
Prepaid expenses	14,849	15,825
Noncurrent assets:		
Restricted assets:		
Cash:		
Revenue debt service reserve account	-	311,871
Wastewater improvement account	-	100,000
Wastewater replacement account	-	149,234
Investment in affiliated organizations	-	-
Capital assets (net of accumulated depreciation)	2,010,077	4,925,886
Bond issuance costs	-	-
<b>Total assets</b>	<b>2,991,484</b>	<b>6,327,975</b>

Exhibit G

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
2,531,800	114,388	3,891,881
2,579,842	61,738	2,815,219
20,905	892	35,903
512,458	-	512,458
-	-	322,720
-	-	10,050
391,697	-	417,206
154,309	16,829	201,812
284,725	-	596,596
-	-	100,000
-	-	149,234
428,984	-	428,984
6,667,839	155,286	13,759,088
17,735	-	17,735
<u>13,590,294</u>	<u>349,133</u>	<u>23,258,886</u>

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

June 30, 2006

	<u>Water</u>	<u>Wastewater</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	8,225	21,639
Salaries and benefits payable	6,508	6,241
Compensated absences	17,120	19,357
Capital lease	-	-
Current liabilities payable from restricted assets:		
Revenue bonds/notes payable	-	180,000
Accrued and matured interest payable	-	7,629
Noncurrent liabilities:		
Revenue bonds/notes payable	-	2,005,000
Capital lease	-	-
Compensated absences	3,420	6,915
<b>Total liabilities</b>	<u>35,272</u>	<u>2,246,781</u>
<b>Net Assets</b>		
Invested in capital assets net of related debt	2,010,077	2,740,886
Restricted for:		
Revenue bond retirement	-	311,871
Wastewater replacement	-	149,234
Wastewater improvement	-	100,000
Capital improvements by donors	-	-
Bond indentures	-	-
Unrestricted	946,135	779,203
<b>Total net assets</b>	<u>\$ 2,956,212</u>	<u>4,081,194</u>

See notes to financial statements.

Exhibit G

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
626,897	14,126	670,887
317,424	8,397	338,570
522,043	8,966	567,485
126,147	-	126,147
352,027	-	532,027
-	-	7,629
2,059,024	-	4,064,024
10,829	-	10,829
-	7,149	17,484
<u>4,014,391</u>	<u>38,638</u>	<u>6,335,082</u>
4,119,812	155,286	9,026,061
-	-	311,871
-	-	149,234
-	-	100,000
934,753	-	934,753
308,452	-	308,452
4,212,886	155,208	6,093,432
<u>9,575,903</u>	<u>310,494</u>	<u>16,923,803</u>

City of Iowa Falls, Iowa

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary - Enterprise Funds

Year ended June 30, 2006

	<u>Water</u>
Operating revenues:	
Charges for service	\$ 665,986
Miscellaneous	34,177
Total operating revenues	<u>700,163</u>
Operating expenses:	
Business type activities	<u>499,860</u>
Total operating expenses	<u>499,860</u>
Operating income (loss)	<u>200,303</u>
Non-operating revenues (expenses):	
Interest income	27,052
Miscellaneous revenue, primarily donations	-
Interest expense	-
Share of net gain/loss of hospital's affiliated organizations	-
Gain/(Loss) on disposal of capital assets	<u>(9,109)</u>
Total non-operating revenues (expenses)	<u>17,944</u>
Excess of receipts over disbursements	218,247
Operating transfer in	24,703
Operating transfer out	<u>(27,219)</u>
Change in net assets	215,731
Net assets beginning of year	<u>2,740,481</u>
Net assets end of year	<u>\$ 2,956,212</u>

See notes to financial statements.

Exhibit H

<u>Wastewater</u>	<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
814,836	15,203,406	680,247	17,364,475
<u>19,533</u>	<u>728,545</u>	<u>15,901</u>	<u>798,156</u>
<u>834,369</u>	<u>15,931,951</u>	<u>696,148</u>	<u>18,162,631</u>
<u>622,737</u>	<u>15,974,684</u>	<u>635,963</u>	<u>17,733,244</u>
<u>622,737</u>	<u>15,974,684</u>	<u>635,963</u>	<u>17,733,244</u>
<u>211,632</u>	<u>(42,733)</u>	<u>60,185</u>	<u>429,387</u>
46,292	85,268	4,158	162,770
-	20,118	-	20,118
(99,375)	(132,425)	-	(231,800)
-	156,961	-	156,961
-	(371)	1,102	(8,377)
<u>(53,083)</u>	<u>129,551</u>	<u>5,260</u>	<u>99,672</u>
158,549	86,818	65,445	529,059
4,102	-	1,013	29,818
<u>(20,000)</u>	<u>(11,083)</u>	<u>-</u>	<u>(58,303)</u>
142,651	75,735	66,458	500,575
<u>3,938,543</u>	<u>9,500,168</u>	<u>244,036</u>	<u>16,423,228</u>
<u>4,081,194</u>	<u>9,575,903</u>	<u>310,494</u>	<u>16,923,803</u>

City of Iowa Falls, Iowa  
 Combined Statement of Cash Flows  
 Proprietary - Enterprise Funds  
 Year ended June 30, 2006

	<u>Water</u>	<u>Wastewater</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 629,774	774,164
Cash received from other revenues	-	-
Cash paid to suppliers and employees	<u>(420,763)</u>	<u>(407,867)</u>
Net cash provided by operating activities	<u>209,011</u>	<u>366,297</u>
Cash flows from noncapital financing activities:		
Net Transfers	(13,517)	43,255
Restricted and unrestricted contributions	<u>-</u>	<u>-</u>
Net cash provided by (used for) noncapital financing activities	<u>(13,517)</u>	<u>43,255</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of property and equipment	-	-
Acquisition of capital assets	(34,518)	(80,040)
Principal paid on long-term debt	-	(173,000)
Proceeds frp, issuance of long-term debt	-	-
Interest paid on long-term debt	-	(99,979)
Capital contribution	<u>-</u>	<u>-</u>
Net cash used for capital and related financing activities	<u>(34,518)</u>	<u>(353,019)</u>
Cash flows from investing activities:		
Interest on investments	23,808	42,590
Increase in investment in affiliated organizations	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>23,808</u>	<u>42,590</u>
Net increase (decrease) in cash and cash equivalents	184,784	99,123
Cash and cash equivalents beginning of year	<u>560,427</u>	<u>962,464</u>
	<u>\$ 745,211</u>	<u>1,061,587</u>

Exhibit I

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
15,046,131	673,431	17,123,500
691,743	(1,102)	690,641
<u>(15,075,713)</u>	<u>(609,367)</u>	<u>(16,513,710)</u>
<u>662,161</u>	<u>62,962</u>	<u>1,300,431</u>
-	1,013	30,751
<u>11,618</u>	<u>-</u>	<u>11,618</u>
<u>11,618</u>	<u>1,013</u>	<u>42,369</u>
3,683	-	3,683
(873,444)	(93,280)	(1,081,282)
(416,889)	-	(589,889)
500,000	-	500,000
(132,694)	-	(232,673)
<u>8,500</u>	<u>-</u>	<u>8,500</u>
<u>(910,844)</u>	<u>(93,280)</u>	<u>(1,391,661)</u>
84,307	3,931	154,636
(24,580)	-	(24,580)
<u>156,961</u>	<u>-</u>	<u>156,961</u>
<u>216,688</u>	<u>3,931</u>	<u>287,017</u>
(20,377)	(25,374)	238,156
<u>2,836,902</u>	<u>139,762</u>	<u>4,499,555</u>
<u>2,816,525</u>	<u>114,388</u>	<u>4,737,711</u>

City of Iowa Falls, Iowa

Combined Statement of Cash Flows

Proprietary - Enterprise Funds

Year ended June 30, 2006

	<u>Water</u>	<u>Wastewater</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income (loss)	\$ 200,303	\$ 211,632
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	98,651	197,284
Provision for bad debt	-	-
(Increase) decrease in inventories, at cost	(11,162)	-
(Increase) decrease in prepaid expenses	261	818
Increase (decrease) in accounts payable	(5,886)	14,082
Increase accrued expenses	-	-
Increase in salaries payable	1,026	746
Increase in compensated absences	(3,793)	1,940
Increase in third-party payor settlement	-	-
Increase in receivables	(70,389)	(60,205)
Transfer to unrestricted net assets	-	-
Net cash provided by operating activities	<u>\$ 209,011</u>	<u>\$ 366,297</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:</b>		
Current assets:		
Cash	\$ 745,211	500,482
Restricted assets:		
Cash:		
Revenue debt service reserve account	-	311,871
Wastewater improvement account	-	100,000
Wastewater replacement account	-	149,234
Cash and cash equivalents at year end	<u>\$ 745,211</u>	<u>1,061,587</u>

See notes to financial statements.

Exhibit I

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
\$ (42,733)	\$ 60,185	429,387
743,540	31,335	1,070,810
737,509	-	737,509
(173)	-	(11,335)
(37,961)	812	(36,070)
77,283	117	85,596
116,282		116,282
-	514	2,286
-	(6,182)	(8,035)
(642,414)	-	(642,414)
(278,089)	(23,818)	(432,502)
(11,083)	-	(11,083)
<u>\$ 662,161</u>	<u>\$ 62,963</u>	<u>\$ 1,300,431</u>
2,531,800	114,388	3,891,881
284,725	-	596,596
-	-	100,000
-	-	149,234
<u>2,816,525</u>	<u>114,388</u>	<u>4,737,711</u>

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2006

**(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, 2006

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.

Discretely Presented Component Unit

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.

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, 2006

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 which 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, 2006

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 Road Use Tax Fund is used to account for road construction and maintenance.

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, 2006

The City reports the following major Proprietary Funds:

Enterprise:

The Water Fund is used to account for the operation and maintenance of the City's 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, 2006

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, 2006

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, 2006 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, 2006

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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2005.

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, 2006, 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.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2006

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 and in the proprietary funds 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	\$ 1,000
Equipment and vehicles	1,000
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, 2006

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, 2006. 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, 2006

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, 2006, disbursements exceeded the amounts budgeted in the community and economic development, general government, debt service, capital projects and business type activities functions.

(2) **Cash**

The City's deposits in banks at June 30, 2006 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, as amended by Statement No. 40.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2006

**(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	\$ 4,115,482	1,536,000	2,579,842
	=====	=====	=====

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b><u>Primary Government</u></b>				
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 835,920	---	---	835,920
Construction in progress – infrastructure	136,761	905,399	(46,770)	995,390
Construction in progress - other	206,339	26,710	(233,049)	---
Total capital assets not being depreciated	<u>1,179,020</u>	<u>932,109</u>	<u>(279,819)</u>	<u>1,831,310</u>
Capital assets being depreciated:				
Buildings	5,643,046	233,049	(5,689)	5,870,406
Improvements other than buildings	2,991,269	---	---	2,991,269
Equipment and vehicles	2,464,840	281,740	(298,367)	2,448,213
Infrastructure, street network	<u>6,607,502</u>	<u>46,770</u>	---	<u>6,654,272</u>
Total capital assets being depreciated	<u>17,706,657</u>	<u>561,559</u>	<u>(304,056)</u>	<u>17,964,160</u>
Less accumulated depreciation for:				
Buildings	606,235	118,279	---	724,514
Improvements other than buildings	895,317	144,096	---	1,039,413
Equipment and vehicles	1,521,548	136,421	(252,622)	1,405,347
Infrastructure, street network	<u>3,451,631</u>	<u>267,824</u>	---	<u>3,719,455</u>
Total accumulated depreciation	<u>6,474,731</u>	<u>666,620</u>	<u>(252,622)</u>	<u>6,888,729</u>
Total capital assets being depreciated, net	<u>11,231,926</u>	<u>(105,061)</u>	<u>(51,434)</u>	<u>11,075,431</u>
Governmental activities capital assets, net	<u>\$ 12,410,946</u>	<u>827,048</u>	<u>(331,253)</u>	<u>12,906,741</u>
	=====	=====	=====	=====

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2006

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 693,257	---	---	693,257
Construction in progress	<u>206,390</u>	<u>837,310</u>	<u>(995,433)</u>	<u>48,267</u>
Total capital assets not being depreciated	<u>899,647</u>	<u>837,310</u>	<u>(995,433)</u>	<u>741,524</u>
Capital assets being depreciated:				
Buildings	5,497,577	5,861	(7,420)	5,496,018
Improvements other than buildings	688,093	10,492	---	698,585
Equipment and vehicles	9,887,047	1,230,407	(354,091)	10,763,363
Infrastructure, water and sewer network	<u>9,967,053</u>	---	---	<u>9,967,053</u>
Total capital assets being depreciated	<u>26,039,770</u>	<u>1,246,760</u>	<u>(361,511)</u>	<u>26,925,019</u>
Less accumulated depreciation for:				
Buildings	2,432,434	175,409	(6,964)	2,600,879
Improvements other than buildings	516,722	61,546	---	578,268
Equipment and vehicles	6,500,788	608,389	(335,126)	6,774,051
Infrastructure, water and sewer network	<u>3,730,785</u>	<u>223,473</u>	---	<u>3,954,258</u>
Total accumulated depreciation	<u>13,180,729</u>	<u>1,068,817</u>	<u>(342,090)</u>	<u>13,907,456</u>
Total capital assets being depreciated, net	<u>12,859,041</u>	<u>177,943</u>	<u>(19,421)</u>	<u>13,017,563</u>
Business type activities capital assets, net	\$ 13,758,688	1,015,253	(1,014,854)	13,759,087
	=====	=====	=====	=====

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2006

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

Governmental activities:	
Public safety	\$ 111,205
Public works	322,504
Culture and recreation	204,230
General government	<u>28,681</u>
Total depreciation expense – governmental activities	\$ 666,620 =====
Business type activities:	
Water	\$ 98,651
Wastewater	197,284
Hospital	741,546
Sanitation	<u>31,336</u>
Total depreciation expense – business type activities	\$ 1,068,817 =====

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2006

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Discretely presented component unit:</b>				
Capital assets not being depreciated:				
Land	\$ 55,875	---	---	55,875
Construction in progress	<u>3,426</u>	<u>81,378</u>	<u>(54,798)</u>	<u>30,006</u>
Total capital assets not being depreciated	<u>59,301</u>	<u>81,378</u>	<u>(54,798)</u>	<u>85,881</u>
Capital assets being depreciated:				
Buildings	148,524	---	---	148,524
Improvements other than buildings	30,776	54,798	---	85,574
Equipment and vehicles	133,746	2,100	(63,902)	71,944
Infrastructure, runway network	<u>1,387,290</u>	<u>---</u>	<u>---</u>	<u>1,387,290</u>
Total capital assets being depreciated	<u>1,700,336</u>	<u>56,898</u>	<u>(63,902)</u>	<u>1,693,332</u>
Less accumulated depreciation for:				
Buildings	133,248	1,971	---	135,219
Improvements other than buildings	23,013	7,251	(5,000)	25,264
Equipment and vehicles	71,722	6,613	(28,150)	50,185
Infrastructure, runway network	<u>689,049</u>	<u>59,182</u>	<u>---</u>	<u>748,231</u>
Total accumulated depreciation	<u>917,032</u>	<u>75,017</u>	<u>(33,150)</u>	<u>958,899</u>
Total capital assets being depreciated, net	<u>783,304</u>	<u>(18,119)</u>	<u>(30,752)</u>	<u>734,433</u>
Airport authority capital assets, net	\$ 842,605	63,259	(85,550)	820,314
	=====	=====	=====	=====
Total depreciation expense – discretely presented component unit				\$ 75,017
				=====

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2006

**(5) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance			Balance
Due	Beginning			End
Within	of Year	Increases	Decreases	of Year
<u>One Year</u>				
Governmental activities:				
General obligation bonds/notes:				
General and corporate purpose	\$ 4,650,000	350,000	615,000	4,385,000 655,000
Compensated absences	<u>187,006</u>	<u>69,188</u>	<u>98,386</u>	<u>157,808 134,630</u>
Total	<u>\$ 4,837,006</u>	<u>419,188</u>	<u>713,386</u>	<u>4,542,808 789,630</u>
	=====	=====	=====	=====

	Balance			Balance
Due	Beginning			End
Within	of Year	Increases	Decreases	of Year
<u>One Year</u>				
Business type activities:				
Revenue bonds/notes:				
Wastewater	\$ 2,358,000	---	173,000	2,185,000 180,000
Hospital	2,208,414	500,000	297,363	2,411,051 352,027
Capital lease	256,502	---	119,526	136,976 126,147
Compensated absences	<u>316,074</u>	<u>544,850</u>	<u>275,955</u>	<u>584,969 567,485</u>
Total	<u>\$ 5,138,990</u>	<u>1,044,850</u>	<u>865,844</u>	<u>5,317,996 1,225,659</u>
	=====	=====	=====	=====

The government-wide Statement of Activities includes \$532,027 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, 2006

Bonded Debt

General obligation bonds/notes:

Eight issues of unmatured general obligation bonds/notes, totaling \$4,350,000, are outstanding at June 30, 2006. General obligation bonds/notes bear interest with rates ranging from 1.75% to 5.00% 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:

Three issues of unmatured revenue bonds/notes, totaling \$4,596,051, are outstanding at June 30, 2006. These bonds/notes bear interest at rates of 4.19% to 5.00% and mature in varying annual amounts ranging from \$44,000 to \$266,000, 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, 2006

- (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, 2006, the City was in compliance with the revenue bond/note provisions.

Details of bond/notes payable at June 30, 2006 are as follows:

Outstanding	Date of	Interest	Amount		
Governmental activities:	<u>Issue</u>	<u>Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Originally Issued</u>
<u>June 30, 2006</u>					
General obligation bonds/notes:					
Corporate purpose	Oct 1, 2003	1.40-2.95%	Jun 1, 2009	\$ 50,000-55,000	\$ 260,000\$ 160,000
Corporate purpose	Oct 1, 2003	1.40-4.00%	Jun 1, 2014	60,000-80,000	700,000\$ 75,000
Corporate purpose	Oct 1, 2004	2.00-4.00%	Jun 1, 2017	65,000-90,000	900,000\$ 85,000
Corporate purpose	Jul 1, 1999	4.80-5.00%	Jun 1, 2014	145,000-215,000	2,400,000\$ 1,470,000
Capital loan notes	Oct 15, 2001	2.45-4.00%	Jun 1, 2009	110,000-130,000	800,000\$ 370,000
Essential corporate purpose	Oct 15, 2002	1.65-2.85%	Jun 1, 2008	50,000-55,000	265,000\$ 110,000
Essential corporate purpose	Dec 15, 2002	2.40-4.00%	Jun 1, 2013	60,000-80,000	700,000\$ 15,000
Capital loan notes	Jan 1, 2006	3.40-3.60%	Jun 1, 2010	80,000-95,000	350,000 <u>350,000</u>
Total governmental activities					\$ <u>4,385,000</u>
Outstanding	Date of	Interest	Amount		
Business type activities:	<u>Issue</u>	<u>Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Originally Issued</u>
<u>June 30, 2006</u>					
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\$ 2,185,000
Hospital revenue bond, series 1998	Nov 1, 1998	5.00%	Jun 1, 2015	187,000-266,000	3,000,000\$ 2,030,046
Hospital revenue note	Oct 7, 2005	4.50%	Jun 1, 2009	44,000-172,000	500,000 <u>381,005</u>
Total business type activities					<u>4,596,051</u>
Total					\$ <u>8,981,051</u> =====

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2006

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,	General Obligation		
	Principal	Interest	Total
2007	\$ 655,000	170,010	825,010
2008	680,000	148,316	828,316
2009	655,000	124,476	779,476
2010	490,000	99,999	589,999
2011	400,000	80,905	480,908
2012-2016	1,415,000	154,887	1,569,884
2017	<u>90,000</u>	<u>3,600</u>	<u>93,600</u>
Total	\$ <u>4,385,000</u>	<u>782,193</u>	<u>5,167,193</u>

Year Ending June 30,	Revenue			Total
	Principal	Interest	Total	
2007	\$ 532,027	207,079	739,106	1,564,116
2008	557,291	178,037	735,328	1,563,644
2009	447,458	154,031	601,489	1,380,965
2010	421,769	134,885	556,654	1,146,653
2011	441,911	115,185	557,096	1,038,004
2012-2016	2,195,595	255,371	2,450,966	4,020,850
2017	<u>---</u>	<u>---</u>	<u>---</u>	<u>93,600</u>
Total	\$ <u>4,596,051</u>	<u>1,044,588</u>	<u>5,640,639</u>	<u>10,807,832</u>

As of June 30, 2006, the general obligation debt issued by the City did not exceed its legal debt margin computed as follows:

Actual valuation	\$ <u>200,477,320</u>
Debt limit – 5% of total actual valuation	10,023,866
Debt applicable to debt limit:	
General obligation bonded debt outstanding	<u>4,385,000</u>
Legal debt margin	\$ <u>5,638,866</u>

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2006

Other Than Bonded Debt

As of June 30, 2006 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>
2007	\$ 130,458
2008	<u>10,871</u>
Total minimum lease payments	141,329
Less amount representing interest	<u>(4,353)</u>
 Present value of net minimum lease payments	 \$ 136,976 =====

Payments under the above agreement during the year ended June 30, 2006 totaled \$130,452.

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2006

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Emergency	\$ 23,645
	Payroll Tax Levy	357,750
	Local Option Sales Tax	201,493
	Carnegie Maintenance	6,766
	Volunteer Fire Department	176
	Capital Projects	63
	Enterprise:	
	Water	12,500
	Sewer	20,000
Special Revenue		
TIF	General	8,296
	Special Revenue:	
	Economic Development Loans	48,306
Road Use	General	18,542
	Special Revenue:	
	Payroll Tax Levy	95,374
Local Option Sales Tax	Enterprise:	
	Water	14,719
Volunteer Fire Department	Capital Projects	120
Debt Service	Special Revenue:	
	TIF	263,398
	Local Option Sales Tax	238,446

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2006

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Capital Projects	General	43,328
	Special Revenue:	
	TIF	732,100
	Hotel Motel Tax	5,000
	Local Option Sales Tax	684
	Economic Development Loans	242,884
Enterprise		
Water	General	4,102
	Capital Projects	20,601
Wastewater	General	4,102
Sanitation	General	1,013
Component Unit – Airport	General	<u>32,747</u>
Total		2,396,155 =====

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>
Special Revenue:	Special Revenue:	
Economic Development Loans	Tax Increment Financing Revenues	\$ 426,718
	Capital Projects	110,378
Local Option Sales Tax	Special Revenue:	
	Tax Increment Financing Revenues	28,303
	Capital Projects	152,963

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2006

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Carnegie-Ellsworth Endowment	Special Revenue: Tax Increment Financing Revenues	305,894
Carnegie-Ellsworth Maintenance	Special Revenue: Tax Increment Financing Revenues	3,168
Enterprise: Water	Special Revenue: Tax Increment Financing Revenues	50,000
	Capital Projects	57,284
Wastewater	Special Revenue: Tax Increment Financial Revenues	50,000
	Capital Project	<u>165,435</u>
Total		\$ 1,350,143 =====

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 \$110,761 as of June 30, 2006 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 \$28,561 as of June 30, 2006 requires monthly payments of \$736, including interest at 3% until November 1, 2009. This loan is collateralized by a second mortgage on all real estate of the business.

A second loan of \$1,883 as of June 30, 2006 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, 2006

A third loan of \$3,349 as of June 30, 2006 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 \$34,000 as of June 30, 2006 requires annual interest payments of 3%. The principle amount due each year is reviewed annually. The loan is secured by assignment contract and mortgage.

A fifth loan of \$42,968 as of June 30, 2006 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. The City will be able to recover the balance from tax increment financing revenues.

**(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.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2006 and 2005 were \$99,171 and 99,212, respectively, equal to the required contributions for each year.

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2006

**(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 \$6,935,000 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, 2006, funds with deficit balances were as follows:

Special Revenue, Tax Increment Financing Revenues Fund	\$ 853,296 =====
---	---------------------

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

Capital Projects	\$ 79,500 =====
------------------	--------------------

This deficit is a result of project costs being expended before all the revenues are available. This deficit will be eliminated upon repayment of interfund loans.

**(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, 2006 is \$490,000.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2006

**(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 Related Organizations**

Master Affiliation Agreement

The Hospital entered into a Master Affiliation Agreement with Mercy Medical Center – North Iowa to provide hospital, physician, and other health care services in Iowa Falls and the North Central Iowa region under the name of Ellsworth Municipal Hospital. As a part of this Master Affiliation Agreement, the Hospital entered into a professional services agreement with Mercy Medical Center – North Iowa whereby Mercy Medical Center – North Iowa provides professional medical services for the Hospital. Amounts paid to Mercy Medical Center – North Iowa for the provision of these services amounted to \$1,480,520 for the year ended June 30, 2006.

Management Services Agreement

The Hospital entered into a contractual arrangement with Medical Center – North Iowa under which Medical Center – North Iowa provides an administrator, director of nursing, management consultation, and other services to Ellsworth Municipal Hospital. The arrangement does not alter the authority or responsibility of the Board of Trustees of Ellsworth Municipal Hospital. Expenses for the administrative and management services received were \$330,623 for the years ended June 30, 2006.

Due to Affiliated Organization

As of June 30, 2006, the Hospital records reflect a due to Medical Center – North Iowa of \$256,598 for the various services and distributions related to these agreements.

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2006

Ellsworth Municipal Hospital Foundation

The Foundation was organized under the provisions of the 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. As of June 30, 2006, the Foundation had a payable to the Hospital in the amount of \$8,010, which is recorded with other receivables on the balance sheet of the Hospital.

Summarized financial information from the financial statements of Ellsworth Municipal Hospital Foundation as of and for the year ending June 30, 2006, is as follows:

Assets	\$ 435,575
	=====
Liabilities	\$ 8,010
Net assets	<u>427,565</u>
 Total liabilities and net assets	 \$ 435,575
	=====
 Revenues	 \$ 77,735
	=====
 Net income	 \$ 69,725
	=====

**(15) Construction Commitments**

As of June 30, 2006, the City had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Commitment</u>
2006 Street Program	\$ 63,190
North Rise Project	64,718
AWOS	113,933
Airport Pavement	1,225

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2006

**(16) Other Commitments**

The City has entered into an agreement with Hardin County to reimburse them for their share of the construction costs of the East-West Bypass project. The total City share is \$286,349 and will be paid to the county over a five-year period. The amount paid to the county during the year ended June 30, 2006 was \$57,270. Future payments are as follows:

6-30-07	\$ 50,270
6-30-08	50,270
6-30-09	50,270
6-30-10	<u>50,270</u>
	\$ 201,080
	=====

**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, 2006

	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	\$ 1,402,014	-	22,083		1,424,097
Tax increment financing	1,283,744	-	-		1,283,744
Other city tax	651,503	-	1,833		653,336
Licenses and permits	53,055	-	-		53,055
Use of money and property	157,035	70,329	10,822		238,186
Intergovernmental	811,193	-	4,716		815,909
Charges for service	175,287	2,081,008	-		2,256,295
Special assessments	558	-	-		558
Miscellaneous	324,112	4,813	511		329,436
Total receipts/revenues	<u>4,858,501</u>	<u>2,156,150</u>	<u>39,965</u>		<u>7,054,616</u>
Disbursements/Expenses:					
Public safety	1,224,680	-	-		1,224,680
Public works	570,056	-	72,712		642,768
Culture and recreation	577,096	-	-		577,096
Community and economic development	563,274	-	-		563,274
General government	245,528	-	-		245,528
Debt service	800,949	-	-		800,949
Capital projects	1,121,928	-	-		1,121,928
Business type activities	-	1,938,419	-		1,938,419
Total disbursements/expenses	<u>5,103,511</u>	<u>1,938,419</u>	<u>72,712</u>		<u>7,114,642</u>
Excess (deficiency) of receipts/revenues over (under) disbursements/expenses	(245,010)	217,731	(32,747)		(60,026)
Other financing sources, net	<u>275,051</u>	<u>40,802</u>	<u>32,747</u>		<u>348,600</u>
Excess (deficiency) of receipts/revenues and other and other financing uses	30,041	258,533	-		288,574
Balances/net assets beginning of year	<u>3,739,391</u>	<u>1,662,652</u>	<u>-</u>		<u>5,402,043</u>
Balances/net assets end of year	<u>\$ 3,769,432</u>	<u>1,921,185</u>	<u>-</u>		<u>5,690,617</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

-	1,424,097	1,417,732	1,417,732	6,365
-	1,283,744	1,220,000	1,229,479	54,265
-	653,336	592,698	596,079	57,257
-	53,055	41,100	45,356	7,699
-	238,186	130,953	213,410	24,776
-	815,909	521,942	822,535	(6,626)
16,185,412	18,441,707	17,798,948	18,229,396	212,311
-	558	-	438	120
-	329,436	97,999	105,766	223,670
<u>16,185,412</u>	<u>23,240,028</u>	<u>21,821,372</u>	<u>22,660,191</u>	<u>579,837</u>
-	1,224,680	1,544,218	1,613,746	389,066
-	642,768	667,023	695,759	52,991
-	577,096	579,825	626,364	49,268
-	563,274	505,050	538,132	(25,142)
-	245,528	137,956	151,151	(94,377)
-	800,949	795,760	795,760	(5,189)
-	1,121,928	342,338	1,096,922	(25,006)
16,107,094	18,045,513	17,298,637	17,886,552	(158,961)
<u>16,107,094</u>	<u>23,221,736</u>	<u>21,870,807</u>	<u>23,404,386</u>	<u>182,650</u>
78,318	18,292	(49,435)	(744,195)	762,487
-	348,600	600,000	989,675	(641,075)
78,318	366,892	550,565	245,480	121,412
<u>9,500,168</u>	<u>14,235,971</u>	<u>12,449,152</u>	<u>12,981,098</u>	<u>1,254,873</u>
<u>9,578,486</u>	<u>14,602,863</u>	<u>12,999,717</u>	<u>13,226,578</u>	<u>1,376,285</u>

City of Iowa Falls, Iowa

Budgetary Comparison Schedule-Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds			Proprietary Funds		
				Enterprise (Excluding Hospital)		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 4,858,501	57,122	4,915,623	2,156,150	152,033	2,308,183
Expenditures	<u>(5,103,511)</u>	<u>(261,937)</u>	<u>(5,365,448)</u>	<u>(1,938,419)</u>	<u>80,484</u>	<u>(1,857,935)</u>
Net	(245,010)	(204,815)	(449,825)	217,731	232,516	450,247
Other financing sources (uses)	275,051	58,205	333,256	40,802	(66,209)	(25,407)
Beginning fund balances	<u>3,739,391</u>	<u>(369,283)</u>	<u>3,473,325</u>	<u>1,662,652</u>	<u>5,260,408</u>	<u>6,923,060</u>
Ending fund balances	<u>\$ 3,769,432</u>	<u>(412,676)</u>	<u>3,356,756</u>	<u>1,921,185</u>	<u>5,426,715</u>	<u>7,347,900</u>

	Discretely Presented Component Unit		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 39,965	75,171	115,136
Expenses	<u>(72,712)</u>	<u>(101,123)</u>	<u>(173,835)</u>
Net	(32,747)	(25,952)	(58,699)
Other financing sources (uses)	32,747		32,747
Beginning fund balance	<u>-</u>	<u>850,522</u>	<u>850,522</u>
Ending fund balance	<u>\$ -</u>	<u>824,570</u>	<u>824,569</u>

See accompanying independent auditor's report.

City of Iowa Falls, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2006

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, one budget amendments increased budgeted disbursements by \$1,533,579, revenues by \$838,819 and other financing sources by \$389,675. This budget amendment is 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.

During the year ended June 30, 2006, disbursements in the community and economic development, general government, debt service, capital projects and business type activities functions exceeded the amounts budgeted.

## **Other Supplementary Information**

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

June 30, 2006

			Special
	<u>Hotel Motel Tax</u>	<u>Emergency</u>	Payroll Tax <u>Levy</u>
<b>Assets</b>			
Cash	45,590	-	49,616
Receivables:			
Property tax:			
Delinquent	-	365	6,264
Succeeding year	-	-	435,540
Accrued interest	356	-	-
Due from other governments	17,846	-	-
Interfund receivable	-	-	-
<b>Total assets</b>	<u>63,792</u>	<u>365</u>	<u>491,420</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	-	-	-
Deferred revenue:			
Succeeding year property tax	-	-	435,540
Other	-	87	1,505
Total liabilities	<u>-</u>	<u>87</u>	<u>437,045</u>
Fund balances:			
Reserved for:			
Advance to other funds	-	-	-
Unreserved, undesignated	<u>63,792</u>	<u>278</u>	<u>54,375</u>
Total fund balances	<u>63,792</u>	<u>278</u>	<u>54,375</u>
<b>Total liabilities and fund balances</b>	<u>63,792</u>	<u>365</u>	<u>491,420</u>

Schedule 1

Revenue			
<u>Carnegie- Ellsworth Endowment</u>	<u>Carnegie- Ellsworth Maintenance</u>	<u>Volunteer Fire Department</u>	<u>Total</u>
253,646	138,372	25,631	512,855
-	-	-	6,629
-	-	-	435,540
-	3,064	202	3,622
-	-	-	17,846
305,894	3,168	-	309,062
<u>559,540</u>	<u>144,604</u>	<u>25,833</u>	<u>1,285,554</u>
-	553	6,791	7,344
-	-	-	435,540
-	-	-	1,592
<u>-</u>	<u>553</u>	<u>6,791</u>	<u>444,476</u>
305,894	3,168	-	309,062
<u>253,646</u>	<u>140,883</u>	<u>19,042</u>	<u>532,016</u>
<u>559,540</u>	<u>144,051</u>	<u>19,042</u>	<u>841,078</u>
<u>559,540</u>	<u>144,604</u>	<u>25,833</u>	<u>1,285,554</u>

City of Iowa Falls, Iowa  
Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances

Nonmajor Governmental Funds

Year ended June 30, 2006

	Hotel/Motel Tax	Emergency	Special Payroll Tax Levy
Revenues:			
Property tax	-	-	379,290
Other city tax	79,450	23,923	30,886
Use of money and property	1,733	-	-
Miscellaneous	-	-	-
Total revenues	81,183	23,923	410,176
Expenditures:			
Operating:			
Public safety	-	-	-
Community and economic development	70,081	-	-
Total expenditures	70,081	-	-
Excess of revenues over expenditures	11,102	23,923	410,176
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(5,000)	(23,645)	(453,124)
Total other financing sources (uses):	(5,000)	(23,645)	(453,124)
Excess (deficiency) of revenues and other financing sources (uses) over expenditures and other financing uses	6,102	278	(42,948)
Fund balances beginning of year	57,690	-	97,323
Fund balances end of year	63,792	278	54,375

Schedule 2

<u>Revenue</u>			
<u>Carnegie- Ellsworth Endowment</u>	<u>Carnegie- Ellsworth Maintenance</u>	<u>Volunteer Fire Department</u>	<u>Total</u>
-	-	-	379,290
-	-	-	134,259
-	35,197	2,210	39,140
-	-	33,514	33,514
-	35,197	35,724	586,203
-	-	34,008	34,008
-	14,925	-	85,006
-	14,925	34,008	119,014
-	20,272	1,716	467,189
-	-	120	120
-	(6,766)	(176)	(488,711)
-	(6,766)	(56)	(488,591)
-	13,506	1,660	(21,402)
559,540	130,545	17,382	862,480
559,540	144,051	19,042	841,078

City of Iowa Falls, Iowa

Bond and Note Maturities

June 30, 2006

General Obligation						
Year Ending <u>June 30,</u>	Corporate Purpose Issued Oct 1, 2003		Corporate Purpose Issued Oct 1, 2003		Corporate Purpose Issued Oct 1, 2004	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
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>\$ 160,000</u>		<u>\$ 575,000</u>		<u>\$ 835,000</u>

General Obligation Bonds/Notes					
Year Ending <u>June 30,</u>	Essential Corporate Purpose Issued Dec 15, 2002		Capital Loan Notes Series 2005 Issued Jan. 5, 2006		<u>Total</u>
	Interest Rates	Amount	Interest Rates	Amount	
2007	2.75 %	65,000	3.40	80,000	655,000
2008	3.00	70,000	3.50	85,000	680,000
2009	3.25	70,000	3.55	90,000	655,000
2010	3.50	75,000	3.60	95,000	490,000
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>\$ 515,000</u>		<u>350,000</u>	<u>4,385,000</u>

See accompanying independent auditor's report.

Bonds/Notes					
Corporate Purpose		Capital Loan Notes		Essential	
Issued Jul 1, 1999		Issued Oct 15, 2001		Corporate Purpose Issued Oct 15, 2002	
Interest		Interest		Interest	
Rates	Amount	Rates	Amount	Rates	Amount
4.800 %	155,000	3.50 %	120,000	2.60 %	55,000
4.800	165,000	3.75	120,000	2.85	55,000
4.800	170,000	4.00	130,000		-
4.800	180,000		-		-
4.875	185,000		-		-
4.900	195,000		-		-
5.000	205,000		-		-
5.000	215,000		-		-
	-		-		-
	-		-		-
	-		-		-
	<u>\$ 1,470,000</u>		<u>\$ 370,000</u>		<u>\$ 110,000</u>

Revenue Bonds/Notes							
Wastewater Revenue		Hospital Revenue		Hospital Revenue			
Capital Loan Notes		Bond Series 1998		Note Series 2005			
Series 1996		Issued Nov 1, 1998		Issued Oct 7, 2005			
Year	Issued Feb 16, 1996		Issued Nov 1, 1998		Issued Oct 7, 2005		
Ending	Interest		Interest		Interest		
June 30,	Rates	Amount	Rates	Amount	Rates	Amount	
2007	4.19 %	180,000	5.00 %	187,494	4.50 %	164,533	
2008	4.19	188,000	5.00	197,107	4.50	172,184	
2009	4.19	196,000	5.00	207,170	4.50	44,288	
2010	4.19	204,000	5.00	217,769		-	
2011	4.19	213,000	5.00	228,911		-	
2012	4.19	221,000	5.00	240,622		-	
2013	4.19	231,000	5.00	252,933		-	
2014	4.19	240,000	5.00	265,873		-	
2015	4.19	251,000	5.00	232,167		-	
2016	4.19	261,000		-		-	
2017		-		-		-	
Total		<u>\$ 2,185,000</u>		<u>\$ 2,030,046</u>		<u>\$ 381,005</u>	

Bond and Note Maturities

June 30, 2006

<u>Revenue Bonds/Notes</u>	
<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Total</u>
2007	532,027
2008	557,291
2009	447,458
2010	421,769
2011	441,911
2012	461,622
2013	483,933
2014	505,873
2015	483,167
2016	261,000
2017	-
Total	<u><u>4,596,051</u></u>

See accompanying independent auditor's report.

City of Iowa Falls, Iowa

Schedule of Revenues by Source and Expenditures by Function

All Governmental Funds

For the Last Four Years

	<u>Modified Accrual Basis</u>	
	<u>2006</u>	<u>2005</u>
Revenues:		
Property tax	\$ 1,362,623	1,435,121
Tax increment financing revenue	1,286,764	1,142,363
Other city tax	666,026	605,179
Licenses and permits	52,250	86,381
Use of money and property	217,700	156,051
Intergovernmental	819,551	761,667
Charges for service	137,101	136,768
Miscellaneous	<u>373,608</u>	<u>368,117</u>
 Total	 <u>\$ 4,915,623</u>	 <u>\$ 4,691,647</u>
Expenditures:		
Operating:		
Public safety	\$ 1,234,754	1,207,781
Public works	565,837	443,900
Culture and recreation	578,525	618,940
Community and economic development	136,666	116,335
General government	123,957	175,021
Debt service	800,951	775,946
Capital projects	<u>1,924,758</u>	<u>2,341,908</u>
 Total	 <u>\$ 5,365,448</u>	 <u>5,679,831</u>

See accompanying independent auditor's report.

Schedule 4

<u>Modified Accrual Basis</u>	
<u>2004</u>	<u>2003</u>
1,545,978	1,428,398
885,271	781,318
567,995	582,462
60,721	41,528
82,696	95,151
955,757	1,394,722
133,319	146,660
<u>377,068</u>	<u>348,223</u>
<u><u>4,608,805</u></u>	<u><u>4,818,462</u></u>
1,052,954	1,092,281
432,051	436,786
561,258	668,445
201,158	438,733
321,840	335,867
753,665	697,591
<u>1,622,095</u>	<u>2,586,624</u>
<u><u>4,945,021</u></u>	<u><u>6,256,327</u></u>

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, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 15, 2006. 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, 2006 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.L.C.  
Certified Public Accountants

December 15, 2006

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2006

**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-06 Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the community and economic development, general government, debt service, capital projects and business type activities exceeded the amounts budgeted. 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 sufficient amounts 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 sufficient amounts in the future, if applicable. This was overlooked this past year due to change in administrative personnel.

Conclusion – Response accepted.

II-B-06 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-C-06 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, 2006

II-D-06 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>
Lisa Brannick, Police dispatcher	Sewing	\$ 246
Steve Henry, Fire Secretary/ Treasurer, owner of Iowa Falls Glass	Supplies for fire station	525
Diane Meier, Council Member, husband owner of Midwest Animal Health	Vet services and supplies	150
Rick Gustin, Fire Chief Owner of Iowa Falls Heating & A/C	Heating & air conditioning maintenance & supplies	3,881

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 review this with our City attorney.

Conclusion – Response accepted.

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2006

II-E-06 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-F-06 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-06 Revenue Bonds and Notes – The City has complied with the revenue bond and note provisions.

II-H-06 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-I-06 Other Information Required by Bond Resolution

Insurance – The following insurance policies were in force at June 30, 2006:

<u>Insurer</u>	<u>Description</u>	<u>Amount</u>	<u>Expiration Date</u>
Employer’s Mutual	Property coverage	\$ 19,147,322	Apr 1, 2007
Employer’s Mutual	Liability coverage:		
	General aggregate	2,000,000	Apr 1, 2007
	Products aggregate	2,000,000	Apr 1, 2007
	Personal injury	1,000,000	Apr 1, 2007
	Each occurrence	1,000,000	Apr 1, 2007
	Fire damage	1,000,000	Apr 1, 2007
	Medical expense	5,000	Apr 1, 2007

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2006

Insurer	Description	Amount	Expiration Date
Employer's Mutual	Inland Marine:		
	Contractor's equipment	636,926	Apr 1, 2007
	Data processing	192,569	Apr 1, 2007
	Valuable papers	650,000	Apr 1, 2007
	Miscellaneous property	51,028	Apr 1, 2007
Employer's Mutual	Automobile coverage:		
	Liability	1,000,000	Apr 1, 2007
	Auto medical	5,000	Apr 1, 2007
	Uninsured motorist	50,000	Apr 1, 2007
	Underinsured motorist	50,000	Apr 1, 2007
	Comprehensive/collision	Lesser of cash value or cost of repair	Apr 1, 2007
Employer's Mutual	Worker's compensation:		
	Bodily injury by accident	500,000	Apr 1, 2007
	Bodily injury by disease	500,000	Apr 1, 2007
	Policy limit	500,000	Apr 1, 2007
Employer's Mutual	Umbrella:		
	Retained limit	10,000	Apr 1, 2007
	Occurrence limit	3,000,000	Apr 1, 2007
	Aggregate limit	3,000,000	Apr 1, 2007

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2006

<u>Insurer</u>	<u>Description</u>	<u>Amount</u>	<u>Expiration Date</u>
Employer's Mutual	Linebacker:		
	Each loss	1,000,000	Apr 1, 2007
	Aggregate	1,000,000	Apr 1, 2007
Old Republic Insurance Company	Airport liability:		
	Combined single:		
	Each occurrence	1,000,000	Jul 1, 2006
	Malpractice aggregate	1,000,000	Jul 1, 2006
	Fire damage	50,000	Jul 1, 2006
	Medical expense	1,500	Jul 1, 2006
	Hangarkeepers-per aircraft	200,000	Jul 1, 2006
	Hangarkeepers-per occurrence	200,000	Jul 1, 2006
Personal injury and advertising injury aggregate limit	1,000,000	Jul 1, 2006	
United National Insurance Company	Airport public officials and employees' liability	100,000	Jul 1, 2006
Allied Insurance Company	Public employees' blanket bond	100,000	Continuous until canceled
PMMIC	Polution liability: Underground tanks	1,000,000	November 17, 2006

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2006

Statistical Information:

Description	Amount
Customers served at June 30, 2006 – water	2,252
Customers served at June 30, 2006 – sewer	2,229

Water rates in effect at June 30, 2006:

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 <sub>3</sub> -N	\$0.48 per pound