

Iowa League of Cities

Financial Report

June 30, 2006

McGladrey & Pullen
Certified Public Accountants

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on the Financial Statements

To the Executive Board
Iowa League of Cities
Des Moines, Iowa

We have audited the accompanying statements of financial position of Iowa League of Cities as of June 30, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the League's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Iowa League of Cities as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Des Moines, Iowa
July 21, 2006

Iowa League of Cities

Statements of Financial Position
June 30, 2006 and 2005

	2006	2005
ASSETS		
CURRENT ASSETS		
Cash	\$ 159,594	\$ 171,317
Certificates of deposit	895,724	747,419
Receivables:		
Trade	4,976	12,201
Affiliate (Note 4)	3,168	25,134
Interest	9,834	7,068
Prepaid expenses	8,663	14,182
Total current assets	1,081,959	977,321
FURNITURE, FIXTURES AND EQUIPMENT, net (Note 2)	152,035	147,747
Total assets	\$ 1,233,994	\$ 1,125,068
LIABILITIES AND NET ASSETS (Note 4)		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 142,867	\$ 151,578
Deferred income	142,137	124,874
Deferred rent	44,219	32,093
Total current liabilities	329,223	308,545
NET ASSETS, unrestricted	904,771	816,523
Total liabilities and net assets	\$ 1,233,994	\$ 1,125,068

See Notes to Financial Statements.

Iowa League of Cities

Statements of Activities
Years Ended June 30, 2006 and 2005

	2006	2005
Revenue:		
Membership dues	\$ 586,182	\$ 555,429
Associate member dues	42,245	35,215
Advertising	88,994	50,964
Sponsorship	23,700	26,800
Subscriptions	18,532	43,051
Registrations	199,172	165,905
Fees and royalties (Note 4)	1,562,655	1,494,201
Interest	41,817	21,380
Other	6,675	5,381
	<u>2,569,972</u>	<u>2,398,326</u>
Expenses (Note 6):		
Salaries, payroll taxes and fringe benefits (Note 3)	1,437,670	1,369,699
Staff development	-	814
Rent and parking (Note 5)	201,256	194,939
Telephone	5,410	11,015
Travel	42,897	51,945
Professional fees	226,935	199,080
Dues and subscriptions	32,173	30,831
Registration	6,212	12,217
Insurance	45,658	46,056
Equipment and computer	76,706	70,575
Printing	88,206	89,546
Postage	45,725	37,392
Supplies	43,302	41,508
Meeting	146,453	130,470
Depreciation	70,865	69,635
Miscellaneous	12,256	31,173
	<u>2,481,724</u>	<u>2,386,895</u>
Increase in unrestricted net assets	88,248	11,431
Unrestricted net assets, beginning	<u>816,523</u>	<u>805,092</u>
Unrestricted net assets, ending	<u>\$ 904,771</u>	<u>\$ 816,523</u>

See Notes to Financial Statements.

Iowa League of Cities

Statements of Cash Flows
Years Ended June 30, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in unrestricted net assets	\$ 88,248	\$ 11,431
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation	70,865	69,635
Changes in working capital components:		
Decrease in cash designated for grants	-	135,303
(Increase) decrease in receivables	4,459	(4,289)
(Increase) decrease in prepaid expenses	5,519	(4,158)
Increase (decrease) in accounts payable and accrued expenses	(8,711)	12,571
Increase (decrease) in deferred income	17,263	(28,103)
Increase in deferred rent	12,126	12,126
(Decrease) in grants beneficiary payable	-	(135,303)
Net cash provided by operating activities	<u>189,769</u>	<u>69,213</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease advances to affiliate receivable	21,966	(25,134)
Purchase of furniture, fixtures and equipment	(75,153)	(27,844)
Purchase of certificates of deposit	(1,050,000)	(700,000)
Proceeds from redemption of certificates of deposit	901,695	751,212
Net cash (used in) investing activities	<u>(201,492)</u>	<u>(1,766)</u>
CASH FLOWS FROM FINANCING ACTIVITIES, principal payments on capital lease obligation		
	-	(18,700)
Net increase (decrease) in cash	<u>(11,723)</u>	<u>48,747</u>
CASH		
Beginning	171,317	122,570
Ending	<u>\$ 159,594</u>	<u>\$ 171,317</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION, cash payments for interest		
	\$ -	\$ 3,604

See Notes to Financial Statements.

Iowa League of Cities

Notes to Financial Statements

Note 1. Nature of League and Significant Accounting Policies

Nature of organization: The League of Iowa Municipalities was founded in 1898, changed its name to the Iowa League of Cities (the League) in 1996 and is a grassroots organization controlled by its members. The purpose of the League is the improvement of municipal government and the administration thereof through cooperative effort and the promotion of the general welfare of the cities of Iowa. The members elect the League's officers and Executive Board (the Board of Directors or the Board) and determine, by direct vote, what the League's policies will be from year to year. The League is governed by a 17-member Board of Directors. A majority of the Board members must be elected officials, and representation on the Board must come from cities of all sizes. Officers are elected to a one-year term and Board members are elected to a two-year term at the League's annual meeting each fall.

Significant accounting policies:

Accounting estimates and assumptions: The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash: Cash consists of unrestricted funds to be used for operations and excludes cash designated for grants.

Certificates of deposits: Investments in certificates of deposit are recorded at cost which approximates fair value.

Trade receivables: Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and current economic conditions. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Furniture, fixtures and equipment: Furniture, fixtures and equipment are stated at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets.

Revenue recognition: Membership dues are recorded in the applicable membership period. Fees and royalties are recorded based on the related contract period (Note 4). All other revenue is recognized when services are rendered. Restricted assets received in the same year as the restriction is satisfied are classified as unrestricted assets.

Deferred income: Deferred income represents annual dues which are being recognized in the applicable period to which the membership relates.

Deferred rent: The League accrues rent expense on lease agreements with escalating rents in an amount such that the total rent expense under the lease will be recognized ratably over the lease term.

Income taxes: The League is exempt from federal and state income taxes under Section 501(c)(4) of the Internal Revenue Code and a similar section of Iowa law. The League currently has an opinion that it is exempt from IRS requirements for filing any reports including 990 and 990T.

Iowa League of Cities

Notes to Financial Statements

Unrestricted net assets: The League's net assets are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. The League's governing board may earmark portions of its unrestricted net assets as board-designated for various purposes.

Note 2. Furniture, Fixtures and Equipment

Detail of furniture, fixtures and equipment is as follows at June 30, 2006 and 2005:

	2006	2005
Furniture and fixtures	\$ 117,076	\$ 112,253
Computer equipment	125,640	133,029
Auto	40,451	40,451
Other equipment	64,598	61,224
	<u>347,765</u>	<u>346,957</u>
Accumulated depreciation	195,730	199,210
	<u>\$ 152,035</u>	<u>\$ 147,747</u>

Note 3. Retirement Benefits

The League has a noncontributory retirement plan covering all full-time employees who have completed 90 days of service. The League pays approximately 10% of gross salary into the plan in lieu of social security. Employer contributions totaled approximately \$112,000 and \$106,000 for the years ended June 30, 2006 and 2005, respectively. In 2004, the League began a contributory retirement plan covering all full-time employees. Employees may contribute a dollar amount or percent per pay period. The League matches fifty cents on the dollar up to two percent of gross salary. Employer contributions totaled approximately \$18,000 and \$16,500 for the years ended June 30, 2006 and 2005, respectively.

Note 4. Related-Party Transactions

The League has a cooperation agreement with the Iowa Communities Assurance Pool (ICAP) that provides for service fees to be paid to the League. Service fees received by the League totaled approximately \$277,000 and \$282,000 for the years ended June 30, 2006 and 2005, respectively. The agreement is subject to termination by either party annually upon 30 days' written notice. The League's executive director serves as a member of the Board of Directors of ICAP.

The League has a management agreement with the Iowa Municipalities Workers' Compensation Association (IMWCA), an affiliate, that provides for a management fee of approximately \$77,000 per month at June 30, 2006. During the years ended June 30, 2006 and 2005, the League received approximately \$930,000 and \$827,000, respectively, in management fees. The agreement is subject to termination by either party upon six months' written notice. In addition, the League purchased fixed assets on behalf of IMWCA. At June 30, 2006 and 2005, the League had recorded a receivable related to these purchases of approximately \$3,000 and \$25,000, respectively.

Notes to Financial Statements

The League also has an agreement with IMWCA which provides the League a fee for institutional value equal to 1.5% of the annual net premium for the participating members of the workers' compensation program for as long as the agreement is in effect. The annual premium received was approximately \$136,000 for the years ended June 30, 2006 and 2005. The IMWCA Board stipulated that money paid to the League for institutional value be used to promote the League and affiliated programs.

The League and Iowa Public Agency Investment Trust (IPAIT) have a license agreement which provides for royalty payments. Royalty payments received by the League totaled approximately \$145,000 and \$158,000 for the years ended June 30, 2006 and 2005, respectively. This agreement is subject to termination by either party upon 60 days' written notice. The League's executive director serves as an Ex-officio Board member for IPAIT.

The League has a contract with the Iowa City Management Association (IaCMA) to provide membership services. Service fees received by the League totaled approximately none and \$3,600 for the years ended June 30, 2006 and 2005, respectively. The contract is subject to termination annually with 60 days' written notice. The League's executive director serves as the nonvoting secretary/treasurer of IaCMA.

The League has a contract with the Iowa Municipal Attorney's Association to provide membership services. Service fees received by the League totaled approximately \$650 and \$3,500 for the years ended June 30, 2006 and 2005, respectively. The contract is subject to termination annually with 60 days' written notice by either party.

The League is party to an agreement among three associations that establishes the Drug and Alcohol Testing Alliance (DATA) in order to provide drug and alcohol testing services to local government entities required to conduct such tests by federal regulation. The agreement provides that the League perform administrative oversight to the third party administrator on behalf of the associations. The League received approximately \$32,000 and \$31,000 of the administrative fees paid to DATA to cover administrative overhead for the years ended June 30, 2006 and 2005, respectively.

Note 5. Lease Commitments and Rent Expense

The League leases office space under a noncancelable operating lease agreement expiring November 2012, requiring minimum monthly rentals of approximately \$12,000 through November 2007 and \$14,000 through November 2012. Additional monthly rent may be required for taxes, insurance and utilities if actual expenses exceed limits originally set forth in the agreement.

Iowa League of Cities

Notes to Financial Statements

Approximate future minimum lease payments are as follows:

Year ending June 30:		
2007	\$	160,000
2008		160,000
2009		160,000
2010		160,000
2011		160,000
Thereafter		227,000
	\$	<u>1,027,000</u>

Related rent expense for the years ended June 30, 2006 and 2005 was approximately \$ 170,000 in each year.

Note 6. Functional Expenses

Approximate expenses for program service and general and administrative for the years ended June 30, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Program service	\$ 2,259,000	\$ 2,172,000
Supporting activities, general and administrative	<u>223,000</u>	<u>215,000</u>
	<u>\$ 2,482,000</u>	<u>\$ 2,387,000</u>

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on the Supplementary Information

To the Executive Board
Iowa League of Cities
Des Moines, Iowa

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

McGladrey & Pullen, LLP

Des Moines, Iowa
July 21, 2006

Iowa League of Cities

Executive Board and Staff

Name - Title Board Term Expires

EXECUTIVE BOARD (Before September 2005 Election)

Paul Pate	President	Sept 2008
John W. Mardis	President Elect	Sept 2009
M.E. Burton	Immediate Past President	Sept 2007
Ted Tedesco	Past President	Sept 2006
Lametta K. Wynn	Past President	Sept 2005
Lorie Bennett	Director	Sept 2006
Robert Blok	Director	Sept 2006
Nancy Carmichael	Director	Sept 2006
Carol Ann Diekema	Director	Sept 2005
Julie Eglund	Director	Sept 2005
Mary Gross	Director	Sept 2006
Mark A. Jackson	Director	Sept 2006
A.J. Johnson	Director	Sept 2006
Walter McIntosh	Director	Sept 2005
Dan Nicholson	Director	Sept 2005
Jeffrey Pomeranz	Director	Sept 2005
Dee Vanderhoef	Director	Sept 2005
Chris Ward	Director	Sept 2005
Peggy White	Director	Sept 2006

(After September 2005 Election)

John W. Mardis	President	Sept 2009
Dee Vanderhoef	President Elect	Sept 2010
LaMetta K. Wynn	Immediate Past President	Sept 2008
Thomas Hanafan	Past President	Sept 2007
Christine Hensley	Past President	Sept 2006
Lorie Bennett	Director	Sept 2006
Robert Blok	Director	Sept 2006
Nancy Carmichael	Director	Sept 2006
Julie Eglund	Director	Sept 2007
Jim Fausett	Director	Sept 2007
Marty Glanz	Director	Sept 2007
Mary Gross	Director	Sept 2006
Denise Hoy	Director	Sept 2007
Tim Hurley	Director	Sept 2007
Mark A. Jackson	Director	Sept 2006
A.J. Johnson	Director	Sept 2006
Jeffrey Pomeranz	Director	Sept 2007
Chris Ward	Director	Sept 2007
Peggy White	Director	Sept 2006

STAFF

Thomas G. Bredeweg	Executive Director	Indefinite
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