

**CITY OF IOWA FALLS, IOWA**

**INDEPENDENT AUDITOR'S REPORTS**

**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FINDINGS**

**YEAR ENDED JUNE 30, 2007**

## Table of Contents

		<u>Page</u>
List of Principal Officials		1
Independent Auditor’s Report		2-3
Management’s Discussion and Analysis		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	13-14
Statement of Activities	B	15-16
Governmental Fund Financial Statements:		
Balance Sheet	C	17-20
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Proprietary Funds Financial Statements:		
Statement of the Net Assets – Enterprise Funds	G	25-28
Statement of Revenues, Expenses and Changes in Fund Net Assets – Enterprise Funds	H	29-30
Combined Statement of Cash Flows – Enterprise Funds	I	31-34
Notes to Financial Statements		35-62
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		63-64
Budgetary Comparison Schedule – Budget to GAAP Reconciliation		65
Notes to Required Supplementary Information – Budgetary Reporting		66

Table of Contents (continued)

		<u>Page</u>
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	67-68
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	69-70
Bond and Note Maturities	3	71-73
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	4	74-75
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>		76-78
Schedule of Findings		79-84

**City of Iowa Falls, Iowa**

**List of Principal Officials**

**June 30, 2007**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Frankie Tjarks	Mayor Pro-tem	May 2007
John Allan	Mayor Pro-tem	Jan 2008
Jody Anderson	Council Member	Jan 2008
Diane Meier	Council Member	Jan 2008
Frankie Tjarks	Council Member	Jan 2008
John Allan	Council Member	Jan 2010
Mark Messa	Council Member	Jan 2010
Darrel Steven Carlyle (Resigned)	City Manager	May 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, 2007, 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, 2007, 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 March 10, 2008 on our consideration of the City of Iowa Falls' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 63 through 66 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 three years ended June 30, 2006 (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

March 10, 2008

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## **CITY OF IOWA FALLS, IOWA**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007**

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As management of the City of Iowa Falls, we offer readers of the City of Iowa Falls financial statements this narrative overview and analysis of the financial activities of the City of Iowa Falls for the fiscal year ended June 30, 2007. 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 the close of the fiscal year by \$30,638,891 (net assets). This was an increase of \$1,899,534 over net assets at June 30, 2006. Unrestricted assets at June 30, 2007 in the amount of \$8,262,539 may be used to meet the City's ongoing obligation to citizens and creditors.
- The expenses of the general fund exceeded revenues by \$81,955.
- At June 30, 2007, the unreserved balance for the general fund was \$320,909, or 15% percent of total general fund expenditures.
- Within the City's business-type activities, revenues exceeded expenses by \$1,014,001. The City's policy is to set rates that fund the operational expenses of business-type activities and fund most capital improvements.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis are intended to serve as an introduction to the City of Iowa Falls basic financial statements. The City of Iowa Falls basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

##### **Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City of Iowa Falls finances, in a manner similar to a private-sector business. The paragraphs below provide a brief description of the government-wide financial statements.

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

The Statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items

that will result in cash flows in future fiscal periods such as uncollected taxes and earned but unused vacation leave.

The government-wide financial statements are divided into two categories:

**Governmental activities.** This category consists of services provided by the City that are principally supported by taxes and intergovernmental revenues. Basic City services such as police, fire, public works, planning, parks, the library, and general administration are governmental activities.

**Business-type activities.** These activities are supported primarily by user fees. The services provided by the City in this category include water and sewer utilities, solid waste disposal and a municipal hospital.

### **Fund Financial Statements**

A fund is a grouping a related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with legal requirements for financial transactions and reporting. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financial decisions. Both the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 8 individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Tax Increment Financing Revenue fund, Economic Development Loans fund, Road Use Tax fund, Local Option Sales Tax fund, Payroll Tax fund, Debt Service fund and Capital Projects fund, all of which are considered to be major funds. Data from the other 5 governmental funds are combined into a single, aggregated presentation. Individual fund data fro each of these no n-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general, debt service, capital projects, special revenue, and enterprise funds according to State of Iowa code. A budgetary comparison schedule has been provided as required supplementary information to demonstrate compliance with this budget.

**Proprietary funds.** The City maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer utilities. Enterprise funds are also used for the municipal hospital and solid waste collection operations.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Ellsworth Municipal Hospital, water and sewer utility and solid waste disposal, all of which are considered to be major funds of the City.

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

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

**Other information.** The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds and agency funds are presented immediately following the required supplementary information.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net assets.** As noted earlier, net assets may serve as a useful indicator of a government's financial position when observed over time. In the case of the City, assets exceeded liabilities by \$30,638,891 at the close of the most recent fiscal year.

The most significant portion of the City's net assets (58.6%) are reflected in investment in capital assets such as land, infrastructure, machinery and equipment, less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to the citizens and are not available for future spending.

City of Iowa Falls Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 7,669,539	\$ 6,884,749	\$ 11,100,965	\$ 9,499,798	\$ 18,770,504	\$ 16,384,547
Capital assets, net of depreciation	12,755,137	12,906,741	13,853,348	13,759,088	26,608,485	26,665,829
<b>Total Assets</b>	<b>20,424,676</b>	<b>19,791,490</b>	<b>24,954,313</b>	<b>23,258,886</b>	<b>45,378,989</b>	<b>43,050,376</b>
Long-term debt outstanding	4,370,000	4,569,733	4,083,857	4,785,969	8,453,857	9,355,702
Other liabilities	3,696,071	3,406,203	2,590,169	1,549,113	6,286,240	4,955,316
<b>Total liabilities</b>	<b>8,066,071</b>	<b>7,975,936</b>	<b>6,674,026</b>	<b>6,335,082</b>	<b>14,740,097</b>	<b>14,311,018</b>
Net assets						
Invested in capital assets, net of related debt	8,385,137	8,521,741	9,769,490	9,026,061	18,154,627	17,547,802
Restricted	2,280,648	3,433,271	1,941,076	1,804,310	4,221,724	5,237,581
Unrestricted	1,692,820	(139,458)	6,569,720	6,093,432	8,262,540	5,953,974
<b>Total net assets</b>	<b>12,358,605</b>	<b>11,815,554</b>	<b>18,280,286</b>	<b>16,923,803</b>	<b>30,638,892</b>	<b>28,739,357</b>

A portion of the City's net assets (13.8%) represents resources that are subject to external restriction on how they may be used. The remaining balance of net assets (\$8,262,539) may be used to meet the City's ongoing obligations to citizens and creditors.

At the close of fiscal years 2007 and 2006, the City is able to report positive balances in all three categories of net assets, both for the government as a whole and separate governmental and business-type activities.

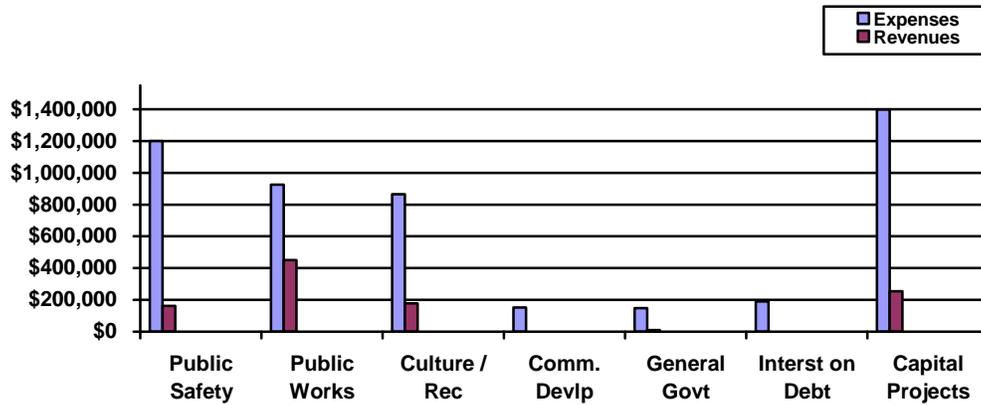
**Governmental activities.** Governmental activities increased the net assets of the City by \$543,051 or 28.5% of the total increase in net assets in 2007 and \$597,140 or 54.4% of the increase in 2006. Taxes are the largest source of governmental revenues with property taxes of \$1,533,287 in 2007 and other taxes (sales tax, TIF taxes, and hotel/motel tax) of \$2,422,978. Capital grants and contributions for 2007 totaled \$242,905. The \$55,326 increase in property tax collections in 2007 over 2006 was due to increased valuations and a \$0.02 increase in the overall tax rate. The increase in other taxes was due to increased local option tax, TIF taxes, and hotel/motel tax collections. Rising interest rates are reflected in the \$8,820 increase in investment revenue. Governmental expenses during 2007 increased \$650,391 over 2006 expenses or 15.4%

**City of Iowa Falls Changes in Net Assets**

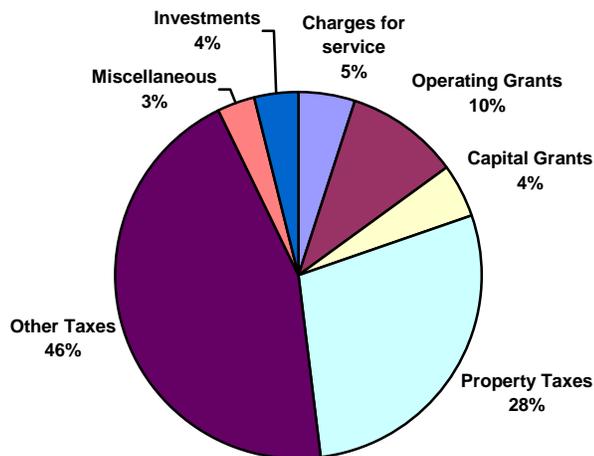
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
Program revenues						
Charges for service	\$ 266,082	\$ 294,255	\$ 19,011,943	\$ 17,415,835	\$ 19,278,025	\$ 17,710,090
Operating grants & contributions	548,463	494,704			548,463	494,704
Capital grants & contributions	242,905	329,728			242,905	329,728
General revenues						
Property taxes	1,533,287	1,477,961			1,533,287	1,477,961
Other taxes	2,422,978	1,817,927			2,422,978	1,817,927
Miscellaneous	174,372	249,804	1,269,018	924,977	1,443,390	1,174,781
Investment earnings	211,491	202,671	130,396	30,345	341,887	233,016
Other	(4,799)	(22,297)	(1,036)	(9,478)	(5,835)	(31,775)
<b>Total revenues</b>	<b>5,394,779</b>	<b>4,844,753</b>	<b>20,410,321</b>	<b>18,361,679</b>	<b>25,805,100</b>	<b>23,206,432</b>
<b>Expenses</b>						
Public safety	1,199,969	1,137,710			1,199,969	1,137,710
Public works	925,555	861,045			925,555	861,045
Culture and recreation	864,405	763,284			864,405	763,284
Community & economic development	152,894	150,964			152,894	150,964
General government	147,717	138,480			147,717	138,480
Interest on long-term debt	190,777	185,322			190,777	185,322
Other debt costs	3,065	2,813			3,065	2,813
Capital projects	1,398,276	992,649			1,398,276	992,649
Water utility			483,544	499,860	483,544	499,860
Sewer utility			708,274	722,113	708,274	722,113
Ellsworth Municipal Hospital			17,157,762	15,974,684	17,157,762	15,974,684
Sanitation utility			649,980	635,963	649,980	635,963
<b>Total expenses</b>	<b>4,882,658</b>	<b>4,232,267</b>	<b>18,999,560</b>	<b>17,832,620</b>	<b>23,882,218</b>	<b>22,064,887</b>
Excess before transfers	512,121	612,486	1,410,761	529,059	1,922,882	1,141,545
Transfers	30,930	(15,346)	(54,275)	(28,484)	(23,345)	(43,830)
<b>Increase in net assets</b>	<b>543,051</b>	<b>597,140</b>	<b>1,356,486</b>	<b>500,575</b>	<b>1,899,537</b>	<b>1,097,715</b>

Below are specific graphs which provide comparisons of the governmental activities revenues and functional expenses.

### Expenses and Program Revenues – Governmental Activities



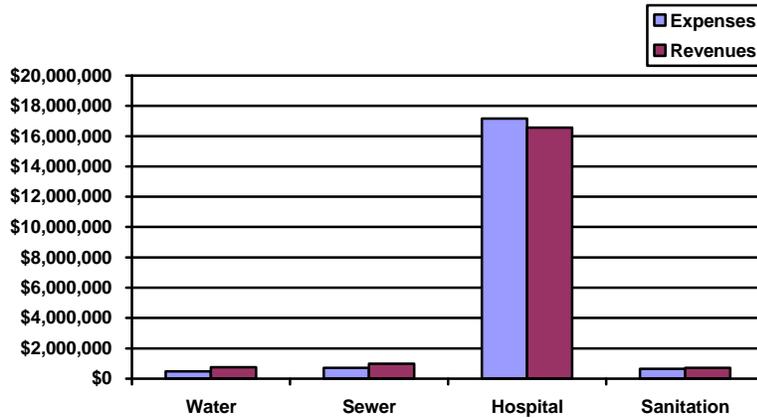
### Revenue Sources – Governmental Activities



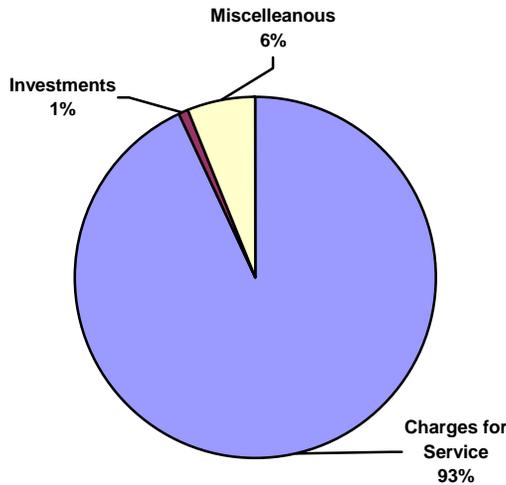
**Business-type activities.** Business-type activities increased net assets by \$1,356,484 accounting for 71.5% of the City of Iowa Falls growth in net assets at June 30, 2007. This was 170.9% more than the 2006 increase in net assets of \$500,575. Business type charges for services increased \$1,596,108 during 2007 or 9.2% over 2006 totals. Investment earnings increased \$100,051 or 329.7% during 2007.

The expenses of the business-type activities increased \$1,166,940 or 6.5% over 2006 expenses. Below are graphs showing the business-type activities revenue and expense comparisons.

**Expenses and Revenues – Business-Type Activities**



**Revenue Sources – Business-Type Activities**



**FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS**

**Governmental funds.** The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The City’s governmental funds reported a combined fund balance of \$4,041,757 at June 30, 2007. This was an increase of \$685,001 over the prior year. Approximately seventy-seven percent (\$3,116,035) constitutes unreserved fund balance, an increase of \$1,088,496 over 2006 fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed

for encumbrances and endowments, inventories and prepaid items, debt service, and state and grant restricted purposes.

The general fund utilized \$81,955 of its fund balance for general operations during 2007. At June 30, 2007, the fund balance of the general fund represented 27.5% of current annual expenditures.

The debt service fund balance increased \$51,834 or 125.5% to end the year at \$93,117. Expenditures in this fund total \$845,465 compared to \$800,951 in 2006, which represents an increase of \$44,514 or 5.5%. The increase in expenditures can be attributed to increase in principal payments and interest payments on the city's debt.

The capital projects fund balance increased by \$555,353 to end the year with a balance of \$475,853. The capital projects fund ended 2006 with a deficit balance of \$79,500.

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

The combined net assets of the enterprise funds at June 30, 2007 totals \$18,280,286 of which 35.9% (\$6,569,720) is unrestricted. This is a \$1,356,483 or 8% increase over the 2006 net assets of \$16,923,803.

The net assets of Ellsworth Municipal Hospital increase \$408,179 to \$9,984,082 or 4.3% over the 2006 net assets of \$9,575,903. The change in net assets includes investment earnings of \$113,383.

The water utility saw an increase in net assets of \$486,624 or 16.5%. This includes investments earnings of \$53,389. Operating expenses for the water utility saw a 3.3% decrease (\$16,316) over expenses in 2006.

The wastewater utility saw an increase in net assets of \$377,890 or 9.3%. This includes investment earnings of \$74,966. Operating expenses for the wastewater utility were up \$11,539 or 1.9% compared to 2006 expenses.

The solid waste disposal fund saw an increase in net assets of \$83,790 or 26.9%. This includes investment earnings of \$3,896. Operating expenses for the solid waste disposal fund were up \$14,017 or 2.2% compared to 2006 expenses.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$26,608,485 (net of accumulated depreciation), a decrease of \$57,344 or -0.27% below the 2006 investment of \$26,665,828. This decrease can be attributed to Governmental Activities seeing greater increases in accumulated depreciation over the increase in assets. This investment in capital assets includes land, buildings, infrastructure, machinery and equipment. Additional information on the City's capital assets can be found in the notes to the financial statements in this report.

**Capital Assets (net of accumulated depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 835,920	\$ 835,920	\$ 733,257	\$ 693,257	\$ 1,569,177	\$ 1,529,177
Depreciable assets	11,578,609	11,075,431	12,704,545	13,017,563	24,283,154	24,092,994
Construction in progress	340,608	995,390	415,546	48,267	756,154	1,043,657
<b>Total</b>	<b>12,755,137</b>	<b>12,906,741</b>	<b>13,853,348</b>	<b>13,759,087</b>	<b>26,608,485</b>	<b>26,665,828</b>

**Long-term debt.** At the close of the fiscal year ended June 30, 2007, the City had bonds outstanding of \$8,423,024. General obligation debt was \$4,370,000 and revenue bonds outstanding totaled \$4,053,024. The City issued \$990,000 in the form of general obligation capital loan notes during 2007.

**Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 4,370,000	\$ 4,385,000			\$ 4,370,000	\$ 4,385,000
Revenue Bonds			\$ 4,053,026	\$ 4,596,051	\$ 4,053,026	\$ 4,596,051
<b>Total net assets</b>	<b>4,370,000</b>	<b>4,385,000</b>	<b>4,053,026</b>	<b>4,596,051</b>	<b>8,423,026</b>	<b>8,981,051</b>

Currently, the City does not maintain a rating on its general obligation debt.

State statutes limit the amount of general obligation debt an Iowa city may issue to five percent (5%) of the actual assessed valuation at January 1, 2005 related to the 2006-2007 fiscal year. The current debt limitation for the City is \$11,317,353. A portion of the outstanding general obligation debt is abated by revenue sources other than the property tax. Additional information on the City's long-term debt can be found in the notes to the financial statements in this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

City revenue sources affected by economic activity such as local option sales tax, building permit fees, hotel/motel tax, and road use tax showed slight increases or decreases from the prior year. As the national economy continues to weaken or slow down, the change in these revenues may impact the city in the near-term to provide services from these funds.

**Selected Revenues**

	2007	2006	Change
Local Option Tax	540,895	452,724	88,171
Hotel/Motel Tax	70,032	79,450	(9,418)
Road Use Tax	410,035	440,396	(30,361)
Building Permits	14,151	23,086	(8,935)

**Property taxes.**

The City continues to enjoy growth in the valuation of taxable property, although that growth has slowed significantly over the past three years. The 2007-2008 budget required a \$.75 (4.6%) increase in the property tax rate from \$16.31/\$1,000 of taxable valuation to \$17.06.

This increase can be attributed to an increase in the cost of health insurance and other employee benefits along, an increase in the amount of money needed to cover debt payments and an increase in property insurance premiums.

**Tax Levy Rate Comparison**

	<b>2007</b>	<b>2006</b>
General Levy	8.10000	8.10000
Aviation Levy	.27000	.27000
Emergency Levy	.27000	.27000
Debt Service Levy	1.62967	1.50509
Trust and Agency Levy	5.74817	5.17980
Tort Liability	1.04525	0.98621
<b>Total</b>	<b>17.06309</b>	<b>16.31110</b>

***Utility rates.***

Rates charged the citizens of Iowa Falls by the water and sanitation utilities were not increased for FY 2007-2008. The wastewater utility increased their rates \$.10 / 1,000 gallons in January, 2007. A wastewater improvement plan adopted by the City Council calls for \$.10 increases for the next two years as a way to pay for improvements at the city's wastewater treatment plant.

**Requests for information.** This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the on the information provided in this report or requests for additional financial information should be addressed to Office of the City Clerk / Finance Officer, 315 Stevens Street, Iowa Falls, Iowa, 50126.

## **Basic Financial Statements**

City of Iowa Falls, Iowa  
Statement of Net Assets  
June 30, 2007

Exhibit A

	Primary Government			Component
	Governmental Activities	Business- Type Activities	Total	Unit  Airport Authority
<b>Assets</b>				
Cash	\$ 4,055,831	5,314,958	9,370,789	-
Receivables:				
Property tax:				
Delinquent	25,841	-	25,841	414
Succeeding year	1,513,720	-	1,513,720	22,892
Tax increment financing:				
Delinquent	19,540	-	19,540	-
Succeeding year	1,749,000	-	1,749,000	-
Economic development loans	97,430	-	97,430	-
Customer accounts and unbilled usage (net of allowances for uncollectibles of \$2,011,000)	-	3,453,260	3,453,260	-
Accounts	9,593	84,337	93,930	318
Accrued interest	45,594	53,251	98,845	-
Due from other governments	141,007	-	141,007	-
Due from other funds	(87,970)	87,970	-	-
Inventories	-	403,471	403,471	-
Prepaid expenses	85,274	130,584	215,858	7,130
Restricted assets:				
Cash	-	1,006,323	1,006,323	-
Investment in affiliated organizations	-	551,065	551,065	-
Capital assets (net of accumulated depreciation)	12,755,137	13,853,348	26,608,485	909,468
Bond issuance costs	14,679	15,746	30,425	-
<b>Total assets</b>	20,424,676	24,954,313	45,378,988	940,222
<b>Liabilities</b>				
Accounts payable	162,248	435,536	597,784	1,935
Accrued interest payable	14,479	-	14,479	-
Salaries and benefits payable	76,983	465,038	542,021	-
Third-party payor settlements	-	1,000,000	1,000,000	-
Deferred Revenue:				
Succeeding year property tax	1,513,720	-	1,513,720	22,892
Succeeding year tax increment financing	1,749,000	-	1,749,000	-
Other	-	-	-	130

City of Iowa Falls, Iowa  
Statement of Net Assets  
June 30, 2007

Exhibit A

	Primary Government			Component
	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>	<u>Units</u>  Airport <u>Authority</u>
<b>Liabilities (continued)</b>				
Liabilities payable from restricted assets:				
Revenue bonds/notes payable	-	575,292	575,292	-
Accrued and matured interest payable	-	4,985	4,985	-
Long-term liabilities:				
Portion due or payable within one year:				
General obligation bonds/notes	700,000	-	700,000	-
Capital lease	-	10,833	10,833	-
Compensated absences	133,718	680,936	814,654	-
Portion due or payable after one year:				
General obligation bonds/notes	3,670,000	-	3,670,000	-
Revenue bonds/notes payable	-	3,497,732	3,497,732	-
Compensated absences	45,923	3,674	49,597	-
<b>Total liabilities</b>	<b>8,066,071</b>	<b>6,674,026</b>	<b>14,740,097</b>	<b>24,957</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	8,385,137	9,769,490	18,154,627	909,468
Restricted for:				
Local option sales tax	19,804	-	19,804	-
Economic development loans	1,441,004	-	1,441,004	-
Carnegie library	726,723	-	726,723	-
Debt service	93,117	-	93,117	-
Revenue bond retirement	-	311,871	311,871	-
Wastewater replacement	-	286,000	286,000	-
Wastewater improvement	-	100,000	100,000	-
Capital improvements by donors	-	934,753	934,753	-
Bond indentures	-	308,452	308,452	-
Unrestricted	1,692,820	6,569,720	8,262,539	5,797
<b>Total net assets</b>	<b>\$ 12,358,605</b>	<b>18,280,286</b>	<b>30,638,891</b>	<b>915,265</b>

See notes to financial statements.

City of Iowa Falls, Iowa  
Statement of Activities  
Year ended June 30, 2007

		Program Revenues		
<b>Functions/Programs:</b>	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
<b>Primary Government:</b>		<u>Service</u>	<u>Grants,</u>	<u>Grants,</u>
			<u>Contributions</u>	<u>Contributions</u>
			<u>and Restricted</u>	<u>and Restricted</u>
			<u>Interest</u>	<u>Interest</u>
Governmental activities:				
Public safety	\$ 1,199,969	84,415	78,770	-
Public works	925,555	22,343	428,889	-
Culture and recreation	864,405	137,208	40,804	-
Community and economic development	152,894	-	-	-
General government	147,717	10,406	-	-
Interest on long-term debt	190,777	-	-	-
Other debt costs	3,065	-	-	-
Capital projects	1,398,276	11,710	-	242,905
Total governmental activities	4,882,658	266,082	548,463	242,905
Business type activities				
Water	483,544	755,092	-	-
Wastewater	708,274	987,875	-	-
Hospital	17,157,762	16,557,000	-	-
Sanitation	649,980	711,976	-	-
Total business type activities	18,999,560	19,011,943	-	-
<b>Total primary government</b>	<b>\$ 23,882,218</b>	<b>19,278,025</b>	<b>548,463</b>	<b>242,905</b>
<b>Component Unit:</b>				
Airport authority	\$ 137,494	-	-	164,632

**General Revenues:**

Property and other city tax levied for:

- General purposes
- Debt service
- Tax increment financing
- Local option sales tax
- Hotel/motel tax
- Unrestricted investment earnings
- Miscellaneous
- Transfers
- Gain (loss) on disposal of fixed assets
- Total general revenues
- Change in net assets
- Net assets beginning of year
- Net asset end of year

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component <u>Unit</u>
<u>Governmental Activities</u>	<u>Business Type Activites</u>	<u>Total</u>	<u>Airport Authority</u>
(1,036,784)	-	(1,036,784)	-
(474,323)	-	(474,323)	-
(686,393)	-	(686,393)	-
(152,894)	-	(152,894)	-
(137,311)	-	(137,311)	-
(190,777)	-	(190,777)	-
(3,065)	-	(3,065)	-
(1,143,661)	-	(1,143,661)	-
(3,825,208)	-	(3,825,208)	-
-	271,548	271,548	-
-	279,601	279,601	-
-	(600,762)	(600,762)	-
-	61,996	61,996	-
-	12,383	12,383	-
(3,825,208)	12,383	(3,812,825)	-
-	-	-	27,138
1,315,796	-	1,315,796	24,608
217,491	-	217,491	-
1,812,051	-	1,812,051	-
540,895	-	540,895	-
70,032	-	70,032	-
211,491	130,396	341,887	-
174,372	1,269,018	1,443,390	15,605
30,930	(54,275)	(23,345)	23,345
(4,799)	(1,036)	(5,835)	-
4,368,259	1,344,103	5,712,362	63,558
543,051	1,356,486	1,899,537	90,696
11,815,554	16,923,800	28,739,354	824,569
12,358,605	18,280,286	30,638,891	915,265

City of Iowa Falls, Iowa  
Balance Sheet  
Governmental Funds  
June 30, 2007

	<u>General</u>	<u>Tax Increment Financing Revenues</u>	<u>Special</u>		<u>Revenue</u>
			<u>Economic Development Loans</u>	<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>
<b>Assets</b>					
Cash	\$ 586,662	-	935,009	35,533	1,077,584
Receivables:					
Property tax:					
Delinquent	13,993	-	-	-	-
Succeeding year	777,461	-	-	-	-
Tax increment financing:					
Delinquent	-	19,540	-	-	-
Succeeding year	-	1,749,000	-	-	-
Economic development loans	-	-	97,430	-	-
Accounts	9,593	-	-	-	-
Accrued interest	6,715	-	10,149	-	12,557
Due from other governments	24,629	-	-	11,744	41,619
Interfund receivable	8,755	-	495,846	-	75,986
Prepaid expenditures	66,781	-	-	18,493	-
<b>Total assets</b>	<b>\$ 1,494,589</b>	<b>1,768,540</b>	<b>1,538,434</b>	<b>65,770</b>	<b>1,207,746</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 59,584	-	-	17,877	-
Salaries and benefits payable	68,508	-	-	8,475	-
Deferred revenue:					
Succeeding year property tax	777,461	-	-	-	-
Succeeding year tax increment financing	-	1,749,000	-	-	-
Other	7,354	2,579	97,430	-	-
Interfund payable	-	608,585	-	-	-
<b>Total liabilities</b>	<b>912,907</b>	<b>2,360,164</b>	<b>97,430</b>	<b>26,352</b>	<b>-</b>

Exhibit C

<u>Payroll Tax Levy</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
14,348	89,753	550,362	766,580	4,055,831
7,959	3,475	-	414	25,841
487,357	226,010	-	22,892	1,513,720
-	-	-	-	19,540
-	-	-	-	1,749,000
-	-	-	-	97,430
-	-	-	-	9,593
-	1,045	6,188	8,940	45,594
-	-	63,015	-	141,007
-	-	-	-	580,587
-	-	-	-	85,274
<u>509,664</u>	<u>320,283</u>	<u>619,565</u>	<u>798,826</u>	<u>8,323,417</u>
-	-	83,740	1,047	162,248
-	-	-	-	76,983
487,357	226,010	-	22,892	1,513,720
-	-	-	-	1,749,000
2,503	1,156	-	130	111,152
-	-	59,972	-	668,557
<u>489,860</u>	<u>227,166</u>	<u>143,712</u>	<u>24,069</u>	<u>4,281,660</u>

City of Iowa Falls, Iowa  
Balance Sheet  
Governmental Funds  
June 30, 2007

	<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	66,781	-	-	-	-
Debt service	-	-	-	-	-
Advances to other funds	-	-	495,846	-	75,986
Unreserved:					
Designated for library gifts and memorials	86,989	-	-	-	-
Designated for park gifts and memorials	12,020	-	-	-	-
Designated for future equipment purchases/capital improvements	77,947	-	-	-	-
Designated for building maintenance	17,036	-	-	-	-
Undesignated:					
Reported in:					
General fund	320,909	-	-	-	-
Special revenue funds	-	(591,624)	945,158	39,418	1,131,760
Capital projects fund	-	-	-	-	-
Total fund balances	<u>581,682</u>	<u>(591,624)</u>	<u>1,441,004</u>	<u>39,418</u>	<u>1,207,746</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,494,589</u>	<u>\$ 1,768,540</u>	<u>\$ 1,538,434</u>	<u>\$ 65,770</u>	<u>\$ 1,207,746</u>

See notes to financial statements.

Exhibit C

<u>Payroll</u> <u>Tax</u> <u>Levy</u>	<u>Debt</u> <u>Service</u>	<u>Capital</u> <u>Projects</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
-	-	-	-	66,781
-	93,117	-	-	93,117
-	-	-	-	571,832
-	-	-	-	86,989
-	-	-	-	12,020
-	-	-	-	-
-	-	-	-	77,947
-	-	-	-	17,036
19,804	-	-	-	340,713
-	-	-	774,757	2,299,469
-	-	475,853	-	475,853
<u>19,804</u>	<u>93,117</u>	<u>475,853</u>	<u>774,757</u>	<u>4,041,757</u>
<u>\$ 509,664</u>	<u>\$ 320,283</u>	<u>\$ 619,565</u>	<u>\$ 798,826</u>	<u>\$ 8,323,418</u>

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

June 30, 2007

<b>Total governmental fund balances (page 20 )</b>	<b>\$ 4,041,757</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 \$20,524,141 and the accumulated depreciation is \$7,769,004.	12,755,137
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	111,152
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.	(4,564,120)
Other long-term assets are not available to pay current period debt and, therefore, are not included in the funds	<u>14,679</u>
<b>Net assets of governmental activities (page 14)</b>	<b><u><u>\$ 12,358,605</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, 2007

		Special	
	General	Tax Increment Financing Revenues	Economic Development Loans
Revenues:			
Property tax	\$ 763,470	-	-
Tax increment financing	-	1,811,571	-
Other city tax	66,682	-	-
Licenses and permits	62,128	-	-
Use of money and property	29,154	-	68,262
Intergovernmental	123,148	-	-
Charges for service	146,950	-	-
Miscellaneous	130,842	-	10,147
Total revenues	1,322,374	1,811,571	78,409
Expenditures:			
Operating:			
Public safety	1,287,515	-	-
Public works	9,000	-	-
Culture and recreation	705,734	-	-
Community and economic development	-	38,796	12,188
General government	116,442	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	2,118,691	38,796	12,188
Excess (deficiency) of revenues over (under) expenditures	(796,317)	1,772,775	66,221
	(796,317)	1,772,775	66,221
Other financing sources (uses):			
Operating transfers in	872,163	1,524	57,270
Operating transfers out	(157,801)	(1,512,628)	(57,270)
General obligation bonds issued	-	-	-
Discount on general obligation bonds	-	-	-
Total other financing sources (uses)	714,362	(1,511,104)	-
Net change in fund balances	(81,955)	261,671	66,221
Fund balances (deficit) beginning of year	663,637	(853,295)	1,374,783
Fund balances (deficit) end of year	\$ 581,682	(591,624)	1,441,004

See notes to financial statements.

Revenue						
<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>	<u>Payroll Tax Levy</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
-	-	434,074	202,970	-	-	1,400,514
-	-	-	-	-	-	1,811,571
-	540,895	38,014	14,281	-	94,639	754,511
-	-	-	-	-	-	62,128
-	58,171	-	17,387	27,002	43,846	243,822
410,035	-	-	-	242,905	-	776,088
-	-	-	-	-	-	146,950
21,966	-	-	-	26,550	19,917	209,422
<u>432,001</u>	<u>599,066</u>	<u>472,088</u>	<u>234,638</u>	<u>296,457</u>	<u>158,402</u>	<u>5,405,006</u>
-	-	-	-	-	28,484	1,315,999
641,685	-	-	-	-	-	650,685
-	-	-	-	-	-	705,734
-	-	-	-	-	102,264	153,248
-	-	-	-	-	-	116,442
-	-	-	845,465	-	-	845,465
-	-	-	-	1,599,999	-	1,599,999
<u>641,685</u>	<u>-</u>	<u>-</u>	<u>845,465</u>	<u>1,599,999</u>	<u>130,748</u>	<u>5,387,571</u>
(209,684)	599,066	472,088	(610,827)	(1,303,542)	27,654	17,435
(209,684)	599,066	472,088	(610,827)	(1,303,542)	27,654	17,435
204,243	41,864	10,296	662,661	1,400,403	-	3,250,424
(10,296)	(746,800)	(516,955)	-	(178,144)	(39,600)	(3,219,494)
-	-	-	-	640,000	-	640,000
-	-	-	-	(3,364)	-	(3,364)
<u>193,947</u>	<u>(704,936)</u>	<u>(506,659)</u>	<u>662,661</u>	<u>1,858,895</u>	<u>(39,600)</u>	<u>667,566</u>
(15,737)	(105,869)	(34,571)	51,834	555,353	(11,946)	685,002
<u>55,155</u>	<u>1,313,615</u>	<u>54,375</u>	<u>41,283</u>	<u>(79,500)</u>	<u>786,703</u>	<u>3,356,756</u>
<u>39,418</u>	<u>1,207,746</u>	<u>19,804</u>	<u>93,117</u>	<u>475,853</u>	<u>774,757</u>	<u>4,041,757</u>

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

Year ended June 30, 2007

**Net change in fund balances - Total governmental funds (page 23 )** 685,002

*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	611,309	
Depreciation expense	(758,114)	
Gains/(Losses) on sale of assets	<u>(4,799)</u>	(151,605)

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	3,179	
Other	<u>(13,603)</u>	(10,425)

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	(640,000)	
Discount on general obligation bonds	3,364	
Principal repayments	655,000	
Amortize bond issuance costs	<u>(3,065)</u>	15,299

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	5,092	
Accrued interest on long-term debt	<u>(312)</u>	<u>4,780</u>

**Change in net assets of governmental activities (page 16 )** \$ 543,051

See notes to financial statements.

City of Iowa Falls, Iowa  
Statement of Net Assets  
Proprietary - Enterprise Funds  
June 30, 2007

	<u>Water</u>	<u>Wastewater</u>
<b>Assets</b>		
Current assets:		
Cash	\$ 1,150,212	794,827
Receivables (net of allowance for uncollectibles):		
Customer accounts and unbilled usage	93,067	126,424
Accrued interest	13,406	17,393
Other	-	-
Interfund receivable	43,985	43,985
Due from other governments	-	-
Inventories	26,528	-
Prepaid expenses	15,691	16,627
Noncurrent assets:		
Restricted assets:		
Cash:		
Revenue debt service reserve account	-	311,871
Wastewater improvement account	-	100,000
Wastewater replacement account	-	286,000
Investment in affiliated organizations	-	-
Capital assets (net of accumulated depreciation)	2,135,894	4,823,960
Bond issuance costs	-	-
<b>Total assets</b>	<b>3,478,783</b>	<b>6,521,087</b>

Exhibit G

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
3,242,316	127,603	5,314,958
3,148,810	84,959	3,453,260
20,966	1,486	53,251
84,337	-	84,337
-	-	87,970
-	-	-
376,943	-	403,471
83,569	14,697	130,584
308,452	-	620,323
-	-	100,000
-	-	286,000
551,065	-	551,065
6,684,225	209,269	13,853,348
15,746	-	15,746
<u>14,516,429</u>	<u>438,014</u>	<u>24,954,313</u>

City of Iowa Falls, Iowa  
Statement of Net Assets  
Proprietary - Enterprise Funds  
June 30, 2007

	<u>Water</u>	<u>Wastewater</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	8,402	10,988
Salaries and benefits payable	5,594	6,805
Compensated absences	21,951	25,224
Capital lease	-	-
Third-party payor settlement	-	-
Current liabilities payable from restricted assets:		
Revenue bonds/notes payable	-	206,000
Accrued and matured interest payable	-	4,985
Noncurrent liabilities:		
Revenue bonds/notes payable	-	1,808,000
Compensated absences	-	-
<b>Total liabilities</b>	<b>35,947</b>	<b>2,062,002</b>
 <b>Net Assets</b>		
Invested in capital assets net of related debt	2,135,894	2,809,960
Restricted for:		
Revenue bond retirement	-	311,871
Wastewater replacement	-	286,000
Wastewater improvement	-	100,000
Capital improvements by donors	-	-
Bond indentures	-	-
Unrestricted	1,306,943	951,253
<b>Total net assets</b>	<b>\$ 3,442,836</b>	<b>4,459,084</b>

See notes to financial statements.

Exhibit G

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
398,441	17,706	435,536
444,577	8,061	465,038
619,472	14,289	680,936
10,833	-	10,833
1,000,000	-	1,000,000
369,292	-	575,292
-	-	4,985
1,689,732	-	3,497,732
-	3,674	3,674
<u>4,532,347</u>	<u>43,730</u>	<u>6,674,026</u>
4,614,368	209,269	9,769,490
-	-	311,871
-	-	286,000
-	-	100,000
934,753	-	934,753
308,452	-	308,452
4,126,509	185,015	6,569,720
<u>9,984,082</u>	<u>394,284</u>	<u>18,280,286</u>

City of Iowa Falls, Iowa

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary - Enterprise Funds

Year ended June 30, 2007

	<u>Water</u>	<u>Wastewater</u>
Operating revenues:		
Charges for service	\$ 723,026	985,435
Miscellaneous	36,183	37,002
Total operating revenues	<u>759,208</u>	<u>1,022,437</u>
Operating expenses:		
Business type activities	<u>483,544</u>	<u>634,276</u>
Total operating expenses	<u>483,544</u>	<u>634,276</u>
Operating income (loss)	<u>275,664</u>	<u>388,161</u>
Non-operating revenues (expenses):		
Interest income	53,389	74,966
Interest expense	-	(73,998)
Contributed Capital	200,841	-
Share of net gain/loss of hospital's affiliated organizations	-	-
Gain/(Loss) on disposal of capital assets	-	(233)
Total non-operating revenues (expenses)	<u>254,230</u>	<u>735</u>
Excess of receipts over disbursements	529,894	388,897
Operating transfer in	-	-
Operating transfer out	<u>(43,270)</u>	<u>(11,005)</u>
Change in net assets	486,624	377,891
Net assets beginning of year	<u>2,956,212</u>	<u>4,081,194</u>
Net assets end of year	<u>\$ 3,442,836</u>	<u>4,459,085</u>

See notes to financial statements.

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
16,557,000	696,601	18,962,062
<u>869,792</u>	<u>34,524</u>	<u>977,501</u>
<u>17,426,792</u>	<u>731,125</u>	<u>19,939,563</u>
<u>17,157,762</u>	<u>649,980</u>	<u>18,925,562</u>
<u>17,157,762</u>	<u>649,980</u>	<u>18,925,562</u>
<u>269,030</u>	<u>81,145</u>	<u>1,014,001</u>
113,383	3,896	245,634
(115,239)	-	(189,237)
-	-	200,841
140,557	-	140,557
<u>448</u>	<u>(1,251)</u>	<u>(1,036)</u>
<u>139,149</u>	<u>2,645</u>	<u>396,759</u>
408,179	83,790	1,410,759
-	-	-
<u>-</u>	<u>-</u>	<u>(54,275)</u>
408,179	83,790	1,356,486
<u>9,575,903</u>	<u>310,494</u>	<u>16,923,800</u>
<u>9,984,082</u>	<u>394,284</u>	<u>18,280,286</u>

City of Iowa Falls, Iowa  
 Combined Statement of Cash Flows  
 Proprietary - Enterprise Funds  
 Year ended June 30, 2007

	<u>Water</u>	<u>Wastewater</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 743,849	981,944
Cash received from other revenues	-	-
Cash paid to suppliers and employees	<u>(388,180)</u>	<u>(427,334)</u>
Net cash provided by operating activities	<u>355,669</u>	<u>554,610</u>
Cash flows from noncapital financing activities:		
Net Transfers	<u>25,055</u>	<u>165,470</u>
Net cash provided by (used for) noncapital financing activities	<u>25,055</u>	<u>165,470</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of property and equipment	-	-
Acquisition of capital assets	(222,367)	(107,186)
Principal paid on long-term debt	-	(201,000)
Proceeds from, issuance of long-term debt	-	30,000
Interest paid on long-term debt	-	(76,642)
Capital contribution	<u>200,841</u>	<u>-</u>
Net cash used for capital and related financing activities	<u>(21,526)</u>	<u>(354,828)</u>
Cash flows from investing activities:		
Interest on investments	45,803	65,859
Increase in investment in affiliated organizations	-	-
Net cash provided by investing activities	<u>45,803</u>	<u>65,859</u>
Net increase (decrease) in cash and cash equivalents	405,001	431,111
Cash and cash equivalents beginning of year	<u>745,211</u>	<u>1,061,587</u>
Cash and cash equivalents end of year	<u>\$ 1,150,212</u>	<u>1,492,698</u>

Exhibit I

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
17,438,032	707,903	19,871,728
847,913	-	847,913
<u>(16,253,354)</u>	<u>(607,690)</u>	<u>(17,676,558)</u>
<u>2,032,591</u>	<u>100,213</u>	<u>3,043,083</u>
<u>-</u>	<u>-</u>	<u>190,525</u>
<u>-</u>	<u>-</u>	<u>190,525</u>
1,095	-	1,095
(837,548)	(90,300)	(1,257,401)
(478,170)	-	(679,170)
-	-	30,000
(115,523)	-	(192,165)
<u>-</u>	<u>-</u>	<u>200,841</u>
<u>(1,430,146)</u>	<u>(90,300)</u>	<u>(1,896,800)</u>
113,322	3,302	228,286
(122,081)	-	(122,081)
<u>140,557</u>	<u>-</u>	<u>140,557</u>
<u>131,798</u>	<u>3,302</u>	<u>246,762</u>
734,243	13,215	1,583,570
<u>2,816,525</u>	<u>114,388</u>	<u>4,737,711</u>
<u>3,550,768</u>	<u>127,603</u>	<u>6,321,281</u>

City of Iowa Falls, Iowa

Combined Statement of Cash Flows

Proprietary - Enterprise Funds

Year ended June 30, 2007

	<u>Water</u>	<u>Wastewater</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income (loss)	\$ 275,664	388,161
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	96,550	209,114
Provision for bad debt	-	-
(Increase) decrease in inventories, at cost	(1,019)	-
(Increase) decrease in prepaid expenses	(842)	(803)
Increase (decrease) in accounts payable	177	(10,651)
Increase accrued expenses	-	-
Increase in salaries payable	(914)	564
Increase in compensated absences	1,412	(1,048)
Increase in third-party payor settlement	-	-
Increase in receivables	(70,389)	(60,205)
Net cash provided by operating activities	<u>\$ 300,639</u>	<u>525,132</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	\$ 1,150,212	794,827
Restricted assets:		
Cash:		
Revenue debt service reserve account	-	311,871
Wastewater improvement account	-	100,000
Wastewater replacement account	-	286,000
Cash and cash equivalents at year end	<u>\$ 1,150,212</u>	<u>1,492,698</u>

See notes to financial statements.

Exhibit I

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
269,030	81,145	1,014,001
822,504	36,317	1,164,485
743,928	-	737,509
14,754	-	13,735
70,740	2,132	71,227
(228,456)	3,580	(235,350)
224,582		224,582
-	(336)	(686)
-	1,847	2,211
1,450,000	-	1,450,000
<u>(1,334,775)</u>	<u>(23,818)</u>	<u>(432,502)</u>
<u>2,032,307</u>	<u>100,867</u>	<u>4,009,211</u>
3,242,316	127,603	5,314,958
308,452	-	620,323
-	-	100,000
-	-	286,000
<u>3,550,768</u>	<u>127,603</u>	<u>6,321,281</u>

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2007

**(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, 2007

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, 2007

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, 2007

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 Payroll Tax Levy Fund is used to account for the property tax levied to finance the payment of employee benefit.

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, 2007

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, 2007

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, 2007

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, 2007 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, 2007

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, 2006 through June 30, 2007 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2006.

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, 2007, 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, 2007

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, 2007

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, 2007. 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, 2007

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, 2007, 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, 2007 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, 2007

**(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	\$ 5,159,810	2,011,000	3,148,810
	=====	=====	=====

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2007 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	995,390	127,772	(856,505)	266,657
Construction in progress – other	---	73,951	---	73,951
Total capital assets not being depreciated	<u>1,831,310</u>	<u>201,723</u>	<u>(856,505)</u>	<u>1,176,528</u>
Capital assets being depreciated:				
Buildings	5,870,406	---	---	5,870,406
Improvements other than buildings	2,991,269	10,659	---	3,001,928
Equipment and vehicles	2,448,213	398,927	(11,382)	2,835,758
Infrastructure, street network	<u>6,783,016</u>	<u>856,505</u>	---	<u>7,639,521</u>
Total capital assets being depreciated	<u>18,092,904</u>	<u>1,266,091</u>	<u>(11,382)</u>	<u>19,347,613</u>
Less accumulated depreciation for:				
Buildings	724,514	120,440	---	844,954
Improvements other than buildings	1,039,413	136,875	---	1,176,288
Equipment and vehicles	1,405,347	179,560	(6,583)	1,578,324
Infrastructure, street network	<u>3,848,199</u>	<u>321,239</u>	---	<u>4,169,438</u>
Total accumulated depreciation	<u>7,017,473</u>	<u>758,114</u>	<u>(6,583)</u>	<u>7,769,004</u>
Total capital assets being depreciated, net	<u>11,075,431</u>	<u>507,977</u>	<u>(4,799)</u>	<u>11,578,609</u>
Governmental activities capital assets, net	<u>\$ 12,906,741</u>	<u>709,700</u>	<u>(861,304)</u>	<u>12,755,137</u>
	=====	=====	=====	=====

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2007

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 693,257	40,000	---	733,257
Construction in progress	<u>48,267</u>	<u>408,496</u>	<u>(41,217)</u>	<u>415,546</u>
Total capital assets not being depreciated	<u>741,524</u>	<u>448,496</u>	<u>(41,217)</u>	<u>1,148,803</u>
Capital assets being depreciated:				
Buildings	5,496,018	---	---	5,496,018
Improvements other than buildings	698,585	12,529	---	711,114
Equipment and vehicles	10,763,363	839,081	(630,335)	10,972,109
Infrastructure, water and sewer network	<u>9,967,053</u>	<u>---</u>	<u>(128,744)</u>	<u>9,838,309</u>
Total capital assets being depreciated	<u>26,925,019</u>	<u>851,610</u>	<u>(759,079)</u>	<u>27,017,550</u>
Less accumulated depreciation for:				
Buildings	2,600,879	175,090	---	2,775,969
Improvements other than buildings	578,268	59,442	---	637,710
Equipment and vehicles	6,774,051	705,773	(628,201)	6,851,623
Infrastructure, water and sewer network	<u>3,954,258</u>	<u>222,189</u>	<u>(128,744)</u>	<u>4,047,703</u>
Total accumulated depreciation	<u>13,907,456</u>	<u>1,162,494</u>	<u>(756,945)</u>	<u>14,313,005</u>
Total capital assets being depreciated, net	<u>13,017,563</u>	<u>(310,884)</u>	<u>(2,134)</u>	<u>12,704,545</u>
Business type activities capital assets, net	\$ <u>13,759,087</u>	<u>137,612</u>	<u>(43,351)</u>	<u>13,853,348</u>
	=====	=====	=====	=====

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2007

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

Governmental activities:	
Public safety	\$ 135,417
Public works	386,501
Culture and recreation	205,217
General government	<u>30,979</u>
Total depreciation expense – governmental activities	\$ 758,114 =====
Business type activities:	
Water	\$ 96,550
Wastewater	209,113
Hospital	820,515
Sanitation	<u>36,318</u>
Total depreciation expense – business type activities	\$ 1,162,496 =====

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2007

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Discretely presented component unit:</b>				
Capital assets not being depreciated:				
Land	\$ 55,875	18,237	---	74,112
Construction in progress	<u>30,006</u>	<u>146,395</u>	<u>(21,631)</u>	<u>154,770</u>
Total capital assets not being depreciated	<u>85,881</u>	<u>164,632</u>	<u>(21,631)</u>	<u>228,882</u>
Capital assets being depreciated:				
Buildings	148,524	---	---	148,524
Improvements other than buildings	85,574	---	---	85,574
Equipment and vehicles	71,944	---	---	71,944
Infrastructure, runway network	<u>1,387,290</u>	<u>21,631</u>	<u>---</u>	<u>1,408,921</u>
Total capital assets being depreciated	<u>1,693,332</u>	<u>21,631</u>	<u>---</u>	<u>1,714,963</u>
Less accumulated depreciation for:				
Buildings	135,219	1,971	---	137,190
Improvements other than buildings	25,264	11,258	---	36,522
Equipment and vehicles	50,185	4,671	---	54,856
Infrastructure, runway network	<u>748,231</u>	<u>57,578</u>	<u>---</u>	<u>805,809</u>
Total accumulated depreciation	<u>958,899</u>	<u>75,478</u>	<u>---</u>	<u>1,034,377</u>
Total capital assets being depreciated, net	<u>734,433</u>	<u>(53,847)</u>	<u>---</u>	<u>680,586</u>
Airport authority capital assets, net	\$ 820,314	110,785	(21,631)	909,468
	=====	=====	=====	=====
Total depreciation expense – discretely presented component unit				\$ 75,478
				=====

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2007

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

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes:					
General and corporate purpose	\$ 4,385,000	640,000	655,000	4,370,000	700,000
Compensated absences	<u>157,808</u>	<u>156,463</u>	<u>134,630</u>	<u>179,641</u>	<u>133,718</u>
Total	<u>\$ 4,542,808</u>	<u>796,463</u>	<u>789,630</u>	<u>4,549,641</u>	<u>833,718</u>
	=====	=====	=====	=====	=====

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Business type activities:					
Revenue bonds/notes:					
Wastewater	\$ 2,185,000	30,000	201,000	2,014,000	206,000
Hospital	2,411,051	---	352,027	2,059,024	369,292
Capital lease	136,976	---	126,143	10,833	10,833
Compensated absences	<u>584,969</u>	<u>667,126</u>	<u>567,485</u>	<u>684,610</u>	<u>680,936</u>
	<u>\$ 5,317,996</u>	<u>697,126</u>	<u>1,246,655</u>	<u>4,768,467</u>	<u>1,267,061</u>
	=====	=====	=====	=====	=====

The government-wide Statement of Activities includes \$565,292 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, 2007

Bonded Debt

General obligation bonds/notes:

Nine issues of unmatured general obligation bonds/notes, totaling \$4,370,000, are outstanding at June 30, 2007. General obligation bonds/notes bear interest with rates ranging from 2.55% to 5.00% and mature in varying annual amounts ranging from \$20,000 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 \$4,053,024, are outstanding at June 30, 2007. These bonds/notes bear interest at rates of 3.00% 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, 2007

- (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, 2007, the City was in compliance with the revenue bond/note provisions.

Details of bond/notes payable at June 30, 2007 are as follows:

Governmental activities:	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2007
General obligation bonds/notes:						
Corporate purpose	Oct 1, 2003	1.40-2.95%	Jun 1, 2009	\$ 50,000-55,000	\$ 260,000	\$ 110,000
Corporate purpose	Oct 1, 2003	1.40-4.00%	Jun 1, 2014	60,000-80,000	700,000	510,000
Corporate purpose	Oct 1, 2004	2.00-4.00%	Jun 1, 2017	65,000-90,000	900,000	770,000
Corporate purpose	Jul 1, 1999	4.80-5.00%	Jun 1, 2014	145,000-215,000	2,400,000	1,315,000
Capital loan notes	Oct 15, 2001	2.45-4.00%	Jun 1, 2009	110,000-130,000	800,000	250,000
Capital loan notes	Jan 1, 2006	3.40-3.60%	Jun 1, 2010	80,000-95,000	350,000	270,000
Capital loan notes	Oct 15, 2006	3.90-4.15%	Jun 1, 2017	20,000-90,000	640,000	640,000
Essential corporate purpose	Oct 15, 2002	1.65-2.85%	Jun 1, 2008	50,000-55,000	265,000	55,000
Essential corporate purpose	Dec 15, 2002	2.40-4.00%	Jun 1, 2013	60,000-80,000	700,000	<u>450,000</u>
Total governmental activities						\$ <u>4,370,000</u>

Business type activities:	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2007
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	\$ 1,994,000
Hospital revenue bond, series 1998	Nov 1, 1998	5.00%	Jun 1, 2015	187,000-266,000	3,000,000	1,842,552
Hospital revenue note	Oct 7, 2005	4.50%	Jun 1, 2009	44,000-172,000	500,000	<u>216,472</u>
Total business type activities						<u>4,053,024</u>
Total						\$ 8,423,024 =====

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2007

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

Year Ending June 30,	<u>General Obligation</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2008	\$ 700,000	173,751	873,751	
2009	725,000	149,131	874,131	
2010	560,000	121,924	681,924	
2011	470,000	100,100	570,100	
2012	500,000	80,813	580,813	
2013-2016	1,265,000	126,785	1,391,785	
2017	<u>150,000</u>	<u>6,090</u>	<u>156,090</u>	
Total	\$ <u>4,370,000</u>	<u>758,594</u>	<u>5,128,594</u>	
=====				
Year Ending June 30,	<u>Revenue</u>			<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2008	\$ 565,291	153,843	719,134	1,592,885
2009	453,458	131,837	585,295	1,459,426
2010	425,769	114,836	540,605	1,222,529
2011	443,911	97,454	541,365	1,111,465
2012	461,622	79,293	540,915	1,121,728
2013-2016	1,702,973	128,442	1,831,415	3,223,200
2017	<u>---</u>	<u>---</u>	<u>---</u>	<u>156,090</u>
Total	\$ <u>4,053,024</u>	<u>705,705</u>	<u>4,758,729</u>	<u>9,887,323</u>
=====				

As of June 30, 2007, the general obligation debt issued by the City did not exceed its legal debt margin computed as follows:

Actual valuation	\$ <u>226,347,060</u>
Debt limit – 5% of total actual valuation	11,317,353
Debt applicable to debt limit:	
General obligation bonded debt outstanding	<u>4,370,000</u>
Legal debt margin	\$ <u>6,947,353</u>
	=====

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2007

Other Than Bonded Debt

As of June 30, 2007 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>
2008	\$10,871
	=====
Total minimum lease payments	10,871
Less amount representing interest	<u>(38)</u>
Present value of net minimum lease payments	\$ 10,833
	=====

Payments under the above agreement during the year ended June 30, 2007 totaled \$130,458.

Interim Financing

The City of Iowa Falls has an interim loan with the Iowa Financing Authority for up to \$300,000 to pay for project designing fees for a wastewater improvement project. This note has a zero percent interest rate maturing in fiscal year 2009. The outstanding balance at June 30, 2007 is \$20,000.

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2007

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Emergency	\$ 24,601
	Payroll Tax Levy	414,479
	Local Option Sales Tax	295,404
	TIF	3,569
	Capital Projects	94,110
	Enterprise:	
	Water	30,000
	Sewer	10,000
Special Revenue		
TIF	Economic Development	1,524
Economic Development	TIF	57,270
Road Use	General	31,040
	Special Revenue:	
	Payroll Tax Levy	102,476
	Local Option Sales Tax	70,727
Local Option Sales Tax	Enterprise:	
	Water	12,266
	Capital Projects	29,598
Payroll Tax Levy	Road Use	10,296
Debt Service	Special Revenue:	
	TIF	329,761
	Local Option Sales Tax	332,900

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2007

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Capital Projects	General	105,078
	Special Revenue:	
	TIF	1,176,950
	Hotel Motel Tax	15,000
	Local Option Sales Tax	46,105
	Economic Development Loans	57,270
Component Unit – Airport	General	21,682
	Local Option Sales Tax	<u>1,665</u>
Total		<u>\$ 3,273,771</u> =====

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

**(7) Interfund Assets/Liabilities**

Interfund Receivable/Payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Projects	\$ 8,755
Special Revenue:	Special Revenue:	
Economic Development Loans	Tax Increment Financing Revenues	495,846
Local Option Sales Tax	Special Revenue:	
	Tax Increment Financing Revenues	24,770
	Capital Projects	51,216
Enterprise:	Special Revenue:	
Water	Tax Increment Financing Revenues	43,985
Wastewater	Special Revenue:	
	Tax Increment Financial Revenues	<u>43,985</u>
Total		<u>\$ 668,557</u> =====

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

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2007

**(8) Economic Development Loans Receivable**

The City has various long-term loans receivable totaling \$97,430 as of June 30, 2007 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 \$20,463 as of June 30, 2007 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 \$34,000 as of June 30, 2007 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 third loan of \$42,968 as of June 30, 2007 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, 2007, 2006 and 2005 were \$102,005, \$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, 2007

**(10) Industrial Development Revenue Bonds**

The City has issued a total of \$1,300,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$1,293,097 is outstanding at June 30, 2007. 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, 2007, funds with deficit balances were as follows:

Special Revenue, Tax Increment Financing Revenues Fund	\$ 591,624 =====
---	---------------------

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.

**(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, 2007 is \$450,000.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2007

**(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 \$1,600,033 for the year ended June 30, 2007.

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 \$357,640 for the years ended June 30, 2007.

Due to Affiliated Organization

As of June 30, 2007, the Hospital records reflect a due to Medical Center – North Iowa of \$284,621 for the various services and distributions related to these agreements.

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2007

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, 2007, the Foundation had a payable to the Hospital in the amount of \$7,435, 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, 2007, is as follows:

Assets	\$ 483,190
	=====
Liabilities	\$ 7,453
Net assets	<u>475,755</u>
 Total liabilities and net assets	 \$ 483,190
	 =====
 Revenues	 \$ 189,760
	 =====
 Net income	 \$ 48,190
	 =====

**(15) Construction Commitments**

As of June 30, 2007, the City had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Commitment</u>
Rocksylvania Project	\$ 124,000
Well Project	177,000
Airport Snow Removal	176,000
Ivesco Road Project	58,000
Airport Terminal Building	76,000
South Industrial Road	1,700,000

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2007

**(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, 2007 was \$57,270. Future payments are as follows:

6-30-08	50,270
6-30-09	50,270
6-30-10	<u>50,270</u>
	\$ 150,810
	=====

The Hospital entered into a rental agreement effective July 1, 2007, and ending June 30, 2010. The rental agreement is for the clinic building in Ackley, which is in conjunction with the Ackley Clinic acquisition. The following schedule represents the commitment for future rent payments:

6-30-08	\$ 25,200
6-30-09	25,200
6-30-10	25,200

Rent expense of \$20,800 and \$20,400 on the rental agreement is included in the clinic's expenses for the years ended June 30, 2007 and 2006, respectively.

**(17) Contingencies**

Malpractice Insurance

The Hospital has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per claim and an aggregate limit of \$3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2007

Healthcare Legislation and Regulation

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violation of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Hospital is in substantial compliance and fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations is subject to governmental review and interpretation, as well as regulatory actions unknown or unasserted at this time.

The City has been named as a co-defendant in a lawsuit against Ellsworth Municipal Hospital. City officials believe this lawsuit will be defended with a favorable outcome. If the outcome were unfavorable, the initial demand made by the injured party is within the insured limits of the hospital's coverage.

**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, 2007

	Funds Budgeted on Cash Basis - Actual			
	Governmental	Proprietary Fund Type - Enterprise	Component Unit - Airport	Total
	<u>Fund Types</u>	<u>(excluding Hospital)</u>	<u>Authority</u>	
Receipts/Revenues:				
Property tax	\$ 1,425,813	-	22,620	1,448,433
Tax increment financing	1,805,397	-	-	1,805,397
Other city tax	765,754	-	1,981	767,735
Licenses and permits	43,917	-	-	43,917
Use of money and property	202,347	109,401	15,553	327,301
Intergovernmental	668,903	-	-	668,903
Charges for service	119,762	2,404,504	-	2,524,266
Special assessments	266	-	-	266
Miscellaneous	199,797	39,242	21	239,060
Total receipts/revenues	<u>5,231,956</u>	<u>2,553,147</u>	<u>40,175</u>	<u>7,825,278</u>
Disbursements/Expenses:				
Public safety	1,318,255	-	-	1,318,255
Public works	654,158	-	63,520	717,678
Culture and recreation	692,980	-	-	692,980
Community and economic development	96,568	-	-	96,568
General government	134,942	-	-	134,942
Debt service	845,465	-	-	845,465
Capital projects	1,630,441	-	-	1,630,441
Business type activities	-	1,919,858	-	1,919,858
Total disbursements/expenses	<u>5,372,809</u>	<u>1,919,858</u>	<u>63,520</u>	<u>7,356,187</u>
Excess (deficiency) of receipts/revenues over (under) disbursements/expenses	(140,853)	633,289	(23,345)	469,091
Other financing sources, net	<u>427,252</u>	<u>216,039</u>	<u>23,345</u>	<u>666,636</u>
Excess (deficiency) of receipts/revenues and other and other financing uses	286,399	849,328	-	1,135,727
Balances/net assets beginning of year	<u>3,769,432</u>	<u>1,921,185</u>	<u>-</u>	<u>5,690,617</u>
Balances/net assets end of year	<u>\$ 4,055,831</u>	<u>2,770,513</u>	<u>-</u>	<u>6,826,344</u>

See accompanying independent auditor's report.

Funds Budgeted  
on GAAP Basis

- Actual				
Proprietary				
<u>Fund Type</u>	Total	<u>Budgeted Amounts</u>		Final to
<u>Hospital</u>	<u>Actual</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>
				<u>Variance</u>
-	1,448,433	1,454,885	1,454,885	(6,452)
-	1,805,397	1,627,900	1,796,900	8,497
-	767,735	626,004	741,004	26,731
-	43,917	55,975	55,975	(12,058)
-	327,301	149,642	311,731	15,570
-	668,903	597,042	766,681	(97,778)
17,681,161	20,205,427	19,252,793	19,654,457	550,970
-	266	360	360	(94)
-	239,060	84,713	156,180	82,880
<u>17,681,161</u>	<u>25,506,439</u>	<u>23,849,314</u>	<u>24,938,173</u>	<u>568,266</u>
-	1,318,255	1,122,471	1,262,136	(56,119)
-	717,678	695,268	729,368	11,690
-	692,980	640,202	698,151	5,171
-	96,568	55,050	85,400	(11,168)
-	134,942	146,604	159,364	24,422
-	845,465	828,211	845,468	3
-	1,630,441	1,073,050	2,193,000	562,559
17,272,986	19,192,844	18,773,428	18,971,484	(221,360)
<u>17,272,986</u>	<u>24,629,173</u>	<u>23,334,284</u>	<u>24,944,371</u>	<u>315,198</u>
408,175	877,266	515,030	(6,198)	883,464
-	<u>666,636</u>	<u>350,000</u>	<u>834,899</u>	<u>(168,263)</u>
408,175	1,543,902	865,030	828,701	715,201
<u>9,578,486</u>	<u>13,378,480</u>	<u>13,378,480</u>	<u>13,347,990</u>	<u>30,490</u>
<u>9,986,661</u>	<u>14,922,382</u>	<u>14,243,510</u>	<u>14,176,691</u>	<u>745,691</u>

City of Iowa Falls, Iowa

Budgetary Comparison Schedule-Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds			Proprietary Funds		
				Enterprise (Excluding Hospital)		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 5,231,956	173,050	5,405,006	2,553,147	91,875	2,645,022
Expenditures	<u>(5,372,809)</u>	<u>(14,762)</u>	<u>(5,387,571)</u>	<u>(1,919,858)</u>	<u>78,060</u>	<u>(1,841,798)</u>
Net	(140,853)	158,288	17,435	633,289	169,936	803,225
Other financing sources (uses)	427,252	240,314	667,566	216,039	(271,565)	(55,526)
Beginning 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>
Ending fund balances	<u>\$ 4,055,831</u>	<u>(14,074)</u>	<u>4,041,757</u>	<u>2,770,513</u>	<u>5,325,086</u>	<u>8,095,599</u>

	Discretely Presented Component Unit		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 40,175	164,670	204,845
Expenses	<u>(63,520)</u>	<u>(73,974)</u>	<u>(137,494)</u>
Net	(23,345)	90,696	67,351
Other financing sources (uses)	23,345		23,345
Beginning fund balance	<u>-</u>	<u>824,569</u>	<u>824,569</u>
Ending fund balance	<u>\$ -</u>	<u>915,265</u>	<u>915,265</u>

See accompanying independent auditor's report.

City of Iowa Falls, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2007

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 \$1,610,087, revenues by \$1,088,859 and other financing sources by \$484,899. 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, 2007, disbursements in the public safety, community and economic development, 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, 2007

	Special	
	Hotel Motel Tax	Emergency
<b>Assets</b>		
Cash	37,328	-
Receivables:		
Property tax:		
Delinquent	-	414
Succeeding year	-	22,892
Accrued interest	432	-
Due from other governments	-	-
Interfund receivable	-	-
<b>Total assets</b>	<b>37,760</b>	<b>23,306</b>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable	-	-
Deferred revenue:		
Succeeding year property tax	-	22,892
Other	-	130
Total liabilities	-	23,022
Fund balances:		
Reserved for:		
Advance to other funds		-
Unreserved, undesignated	37,760	284
Total fund balances	37,760	284
<b>Total liabilities and fund balances</b>	<b>37,760</b>	<b>23,306</b>

See accompanying independent auditor's report.

Schedule 1

Revenue			
<u>Carnegie- Ellsworth Endowment</u>	<u>Carnegie- Ellsworth Maintenance</u>	<u>Volunteer Fire Department</u>	<u>Total</u>
559,540	159,840	9,872	766,580
-	-	-	414
-	-	-	22,892
-	8,390	118	8,940
-	-	-	-
-	-	-	-
<u>559,540</u>	<u>168,230</u>	<u>9,990</u>	<u>798,826</u>
-	1,047	-	1,047
-	-	-	22,892
-	-	-	130
<u>-</u>	<u>1,047</u>	<u>-</u>	<u>24,069</u>
-	-	-	-
<u>559,540</u>	<u>167,183</u>	<u>9,990</u>	<u>774,757</u>
<u>559,540</u>	<u>167,183</u>	<u>9,990</u>	<u>774,757</u>
<u>559,540</u>	<u>168,230</u>	<u>9,990</u>	<u>798,826</u>

City of Iowa Falls, Iowa

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances

Nonmajor Governmental Funds

Year ended June 30, 2007

	Hotel/Motel Tax	Special Emergency	Revenue Carnegie- Ellsworth Endowment
Revenues:			
Property tax	-	-	-
Other city tax	70,032	24,607	-
Use of money and property	1,927	-	-
Miscellaneous	1,359	-	-
Total revenues	<u>73,318</u>	<u>24,607</u>	<u>-</u>
Expenditures:			
Operating:			
Public safety	-	-	-
Community and economic development	84,350	-	-
Total expenditures	<u>84,350</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>(11,032)</u>	<u>24,607</u>	<u>-</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(15,000)	(24,600)	-
Total other financing sources (uses):	<u>(15,000)</u>	<u>(24,600)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures and other financing uses	(26,032)	7	-
Fund balances beginning of year	<u>63,792</u>	<u>278</u>	<u>559,540</u>
Fund balances end of year	<u>37,760</u>	<u>285</u>	<u>559,540</u>

See accompanying independent auditor's report.

Schedule 2

<u>Carnegie- Ellsworth Maintenance</u>	<u>Volunteer Fire Department</u>	<u>Total</u>
-	-	-
-	-	94,639
41,042	877	43,846
4	18,554	19,917
<u>41,046</u>	<u>19,431</u>	<u>158,402</u>
-	28,484	28,484
<u>17,914</u>	<u>-</u>	<u>102,264</u>
<u>17,914</u>	<u>28,484</u>	<u>130,748</u>
<u>23,132</u>	<u>(9,053)</u>	<u>27,654</u>
-	-	-
<u>-</u>	<u>-</u>	<u>(39,600)</u>
<u>-</u>	<u>-</u>	<u>(39,600)</u>
23,132	(9,053)	(11,946)
<u>144,051</u>	<u>19,042</u>	<u>786,703</u>
<u>167,183</u>	<u>9,989</u>	<u>774,757</u>

City of Iowa Falls, Iowa

Bond and Note Maturities

June 30, 2007

General Obligation						
Year Ending June 30,	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
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>\$ 110,000</u>		<u>\$ 510,000</u>		<u>\$ 770,000</u>

General Obligation Bonds/Notes						
Year Ending June 30,	Essential Corporate Purpose Issued Dec 15, 2002		Capital Loan Notes Series 2005 Issued Jan. 5, 2006		Capital Loan Notes Series 2005 Issued Oct. 1, 2006	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2008	3.00	70,000	3.50	85,000	-	20,000
2009	3.25	70,000	3.55	90,000	3.90	70,000
2010	3.50	75,000	3.60	95,000	3.90	70,000
2011	3.75	75,000	-	-	3.90	70,000
2012	3.85	80,000	-	-	3.90	75,000
2013	4.00	80,000	-	-	3.95	75,000
2014	-	-	-	-	4.00	85,000
2015	-	-	-	-	4.05	55,000
2016	-	-	-	-	4.10	60,000
2017	-	-	-	-	4.15	60,000
Total		<u>\$ 450,000</u>		<u>\$ 270,000.00</u>		<u>\$ 640,000.00</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	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>\$ 1,315,000</u>		<u>\$ 250,000</u>		<u>\$ 55,000</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	Interest		Interest		Interest	
Ending	Rates	Amount	Rates	Amount	Rates	Amount
June 30,						
2008	3.00	196,000	5.00	197,107	4.50	172,184
2009	3.00	202,000	5.00	207,170	4.50	44,288
2010	3.00	208,000	5.00	217,769		-
2011	3.00	215,000	5.00	228,911		-
2012	3.00	221,000	5.00	240,622		-
2013	3.00	228,000	5.00	252,933		-
2014	3.00	234,000	5.00	265,873		-
2015	3.00	241,000	5.00	232,167		-
2016	3.00	249,000		-		-
2017		-		-		-
Total		<u>\$ 1,994,000</u>		<u>\$ 1,842,552</u>		<u>\$ 216,472</u>

Bond and Note Maturities

June 30, 2007

General Obligation Bonds/Notes		Revenue Bonds/Notes	
Year Ending June 30,	Total	Year Ending June 30,	Total
2008	700,000	2008	565,291
2009	725,000	2009	453,458
2010	560,000	2010	425,769
2011	470,000	2011	443,911
2012	500,000	2012	461,622
2013	520,000	2013	480,933
2014	460,000	2014	499,873
2015	140,000	2015	473,167
2016	145,000	2016	249,000
2017	150,000	2017	-
Total	<u>\$ 4,370,000.00</u>	Total	<u>\$ 4,053,024.00</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>2007</u>	<u>2006</u>
Revenues:		
Property tax	\$ 1,400,514	1,362,623
Tax increment financing revenue	1,811,571	1,286,764
Other city tax	754,511	666,026
Licenses and permits	62,128	52,250
Use of money and property	243,822	217,700
Intergovernmental	776,088	819,551
Charges for service	146,950	137,101
Miscellaneous	<u>209,422</u>	<u>373,608</u>
 Total	 <u>\$ 5,405,007</u>	 <u>\$ 4,915,623</u>
Expenditures:		
Operating:		
Public safety	\$ 1,315,999	1,234,754
Public works	650,685	565,837
Culture and recreation	705,734	578,525
Community and economic development	153,248	136,666
General government	116,442	123,957
Debt service	845,465	800,951
Capital projects	<u>1,599,999</u>	<u>1,924,758</u>
 Total	 <u>\$ 5,387,572</u>	 <u>5,365,448</u>

See accompanying independent auditor's report.

Schedule 4

<u>Modified Accrual Basis</u>	
<u>2005</u>	<u>2004</u>
1,435,121	1,545,978
1,142,363	885,271
605,179	567,995
86,381	60,721
156,051	82,696
761,667	955,757
136,768	133,319
<u>368,117</u>	<u>377,068</u>
<u>4,691,647</u>	<u>4,608,805</u>
1,207,781	1,052,954
443,900	432,051
618,940	561,258
116,335	201,158
175,021	321,840
775,946	753,665
<u>2,341,908</u>	<u>1,622,095</u>
<u>5,679,831</u>	<u>4,945,021</u>

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

To the 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, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated March 10, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Iowa Falls' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Iowa Falls' internal control over financial reporting.

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

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

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

### 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, 2007 are based exclusively on knowledge obtained from procedures performed during our audit on 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.

The City of Iowa Falls' responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Iowa Falls' responses and, accordingly, we express no opinion on them.

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

March 10, 2008

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2007

**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-07 Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the public safety, community and economic development, 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-07 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-07 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, 2007

II-D-07 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	\$ 289
Steve Henry, Fire Secretary/ Treasurer, owner of Iowa Falls Glass	Supplies for fire station	1,775
Rick Gustin, Fire Chief Owner of Iowa Falls Heating & A/C	Heating & air conditioning maintenance & supplies	20,194

The transactions with the Fire Chief and Fire Secretary/Treasure appear to represent conflicts of interest since they were entered into without competitive bidding in accordance with Chapter 362.5(10) of the Code of Iowa. The other transactions does not appear to represent a conflict 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.

II-E-07 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.

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2007

- II-F-07 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should comply with Chapter 372 of the Code of Iowa and publish minutes as required.

Response – This was an oversight this year. We will publish minutes as required.

Conclusion – Response accepted.

- II-G-07 Revenue Bonds and Notes – The City has complied with the revenue bond and note provisions.

- II-H-07 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-07 Financial Condition – The Special Revenue Fund, Tax Increment Financing Account had a deficit balance of \$651,595 as of June 30, 2007.

Recommendation – The City should review this balance.

Response – We have reviewed this balance. See notes to the financial statements #11 for a description of how this deficit will be eliminated.

Conclusion – Response accepted.

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2007

II-J-07 Other Information Required by Bond Resolution

Insurance – The following insurance policies were in force at June 30, 2007:

<u>Insurer</u>	<u>Description</u>	<u>Amount</u>	<u>Expiration Date</u>
Employer's Mutual	Property coverage	\$ 18,354,787	Apr 1, 2008
Employer's Mutual	Liability coverage:		
	General aggregate	2,000,000	Apr 1, 2008
	Products aggregate	2,000,000	Apr 1, 2008
	Personal injury	1,000,000	Apr 1, 2008
	Each occurrence	1,000,000	Apr 1, 2008
	Fire damage	1,000,000	Apr 1, 2008
	Medical expense	5,000	Apr 1, 2008
Employer's Mutual	Inland Marine:		
	Contractor's equipment	665,878	Apr 1, 2008
	Data processing	192,569	Apr 1, 2008
	Valuable papers	650,000	Apr 1, 2008
	Miscellaneous property	51,028	Apr 1, 2008
Employer's Mutual	Automobile coverage:		
	Liability	1,000,000	Apr 1, 2008
	Auto medical	5,000	Apr 1, 2008
	Uninsured motorist	50,000	Apr 1, 2008
	Underinsured motorist	50,000	Apr 1, 2008
	Comprehensive/collision	Lesser of cash value or cost of repair	Apr 1, 2008

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2007

Insurer	Description	Amount	Expiration Date
Employer's Mutual	Worker's compensation:		
	Bodily injury by accident	500,000	Apr 1, 2008
	Bodily injury by disease	500,000	Apr 1, 2008
	Policy limit	500,000	Apr 1, 2008
Employer's Mutual	Umbrella:		
	Retained limit	10,000	Apr 1, 2008
	Occurrence limit	3,000,000	Apr 1, 2008
	Aggregate limit	3,000,000	Apr 1, 2008
Employer's Mutual	Linebacker:		
	Each loss	1,000,000	Apr 1, 2008
	Aggregate	1,000,000	Apr 1, 2008
Old Republic Insurance Company	Airport liability:		
	Combined single:		
	Each occurrence	1,000,000	Jul 1, 2007
	Malpractice aggregate	1,000,000	Jul 1, 2007
	Fire damage	50,000	Jul 1, 2007
	Medical expense	1,500	Jul 1, 2007
	Hangarkeepers-per aircraft	200,000	Jul 1, 2007
	Hangarkeepers-per occurrence	200,000	Jul 1, 2007
Personal injury and advertising injury aggregate limit	1,000,000	Jul 1, 2007	
Darwin Select Insurance Company	Airport public officials and employees' liability	100,000	Jul 1, 2007

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2007

Insurer	Description	Amount	Expiration Date
Allied Insurance Company	Public employees' blanket bond	100,000	Continuous until canceled
PMMIC	Polution liability: Underground tanks	1,000,000	Nov 17, 2007

Statistical Information:

Description	Amount
Customers served at June 30, 2007 – Water	2,246
Customers served at June 30, 2007 – Sewer	2,224

Water rates in effect at June 30, 2007:

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, 2007:

Minimum charge per month of \$5.00 plus \$3.80 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