Iowa League of Cities

Financial Report

June 30, 2007

McGladrey & Pullen

Certified Public Accountants

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McGladrey & Pullen
Certified Public Accountants

Independent Auditor's Report
on the Financial Statements

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

We have audited the accompanying statements of financial position of Iowa League of Cities as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the League's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Iowa League of Cities as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Des Moines, Iowa
August 24, 2007

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Iowa League of Cities

Statements of Financial Position
June 30, 2007 and 2006

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash	$ 460,201	$ 159,594
Certificates of deposit	849,434	895,724
Receivables:		
Trade	2,316	4,976
Affiliate (Note 4)	3,992	3,168
Interest	18,378	9,834
Prepaid expenses	8,315	8,663
Total current assets	1,342,636	1,081,959
FURNITURE, FIXTURES AND EQUIPMENT, net (Note 2)	166,069	152,035
PREPAID EXPENSE	10,000	-
Total assets	$ 1,518,705	$ 1,233,994
LIABILITIES AND NET ASSETS (Note 4)		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 141,335	$ 142,867
Deferred income	328,646	142,137
Deferred rent	56,346	44,219
Total current liabilities	526,327	329,223
NET ASSETS, unrestricted	992,378	904,771
Total liabilities and net assets	$ 1,518,705	$ 1,233,994

See Notes to Financial Statements.

Iowa League of Cities

Statements of Activities
Years Ended June 30, 2007 and 2006

	2007	2006
Revenue:		
Membership dues	$ 621,243	$ 586,182
Associate member dues	43,877	42,245
Advertising	85,494	88,994
Sponsorship	24,838	23,700
Subscriptions	35,302	18,532
Registrations	214,572	199,172
Fees and royalties (Note 4)	1,624,256	1,562,655
Interest	70,473	41,817
Other	4,059	6,675
	2,724,114	2,569,972
Expenses (Note 6):		
Salaries, payroll taxes and fringe benefits (Note 3)	1,547,139	1,437,670
Rent and parking (Note 5)	202,853	201,256
Telephone	5,712	5,410
Travel	51,728	42,897
Professional fees	256,861	226,935
Dues and subscriptions	35,066	32,173
Registration	15,285	6,212
Insurance	48,349	45,658
Equipment and computer	104,775	76,706
Printing	73,479	88,206
Postage	36,880	45,725
Supplies	28,707	43,302
Meeting	141,408	146,453
Depreciation	62,181	70,865
Miscellaneous	26,084	12,256
	2,636,507	2,481,724
Increase in unrestricted net assets	87,607	88,248
Unrestricted net assets, beginning	904,771	816,523
Unrestricted net assets, ending	$ 992,378	$ 904,771

See Notes to Financial Statements.

Iowa League of Cities

Statements of Cash Flows
Years Ended June 30, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in unrestricted net assets	$ 87,607	$ 88,248
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation	62,181	70,865
Changes in working capital components:		
(Increase) decrease in receivables	(5,884)	4,459
(Increase) decrease in prepaid expenses	(9,652)	5,519
(Decrease) in accounts payable and accrued expenses	(1,532)	(8,711)
Increase in deferred income	186,509	17,263
Increase in deferred rent	12,127	12,126
Net cash provided by operating activities	331,356	189,769
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in advances to affiliate receivable	(824)	21,966
Purchase of furniture, fixtures and equipment	(76,215)	(75,153)
Purchase of certificates of deposit	(2,843,710)	(1,050,000)
Proceeds from redemption of certificates of deposit	2,890,000	901,695
Net cash (used in) investing activities	(30,749)	(201,492)
Net increase (decrease) in cash	300,607	(11,723)
CASH		
Beginning	159,594	171,317
Ending	$ 460,201	$ 159,594

See Notes to Financial Statements.

Note 1. Nature of League and Significant Accounting Policies

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

Significant accounting policies:

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

Cash: Cash consists of unrestricted funds to be used for operations.

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

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

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

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

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

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

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

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

Note 2. Furniture, Fixtures and Equipment

Detail of furniture, fixtures and equipment is as follows at June 30, 2007 and 2006:

	2007	2006
Furniture and fixtures	$ 117,075	$ 117,076
Computer equipment	152,592	125,640
Auto	60,737	40,451
Other equipment	72,186	64,598
	402,590	347,765
Accumulated depreciation	236,521	195,730
	$ 166,069	$ 152,035

Note 3. Retirement Benefits

The League has a noncontributory retirement plan covering all full-time employees who have completed 90 days of service. The League pays approximately 10% of gross salary into the plan in lieu of social security. Employer contributions totaled approximately $119,000 and $112,000 for the years ended June 30, 2007 and 2006, respectively. In 2004, the League began a contributory retirement plan covering all full-time employees. Employees may contribute a dollar amount or percent per pay period. The League matches fifty cents on the dollar up to two percent of gross salary. Employer contributions totaled approximately $85,000 and $18,000 for the years ended June 30, 2007 and 2006, respectively.

Note 4. Related-Party Transactions

The League has a cooperation agreement with the Iowa Communities Assurance Pool (ICAP) that provides for service fees to be paid to the League. Service fees received by the League totaled approximately $269,000 and $277,000 for the years ended June 30, 2007 and 2006, respectively. The agreement is subject to termination by either party annually upon 30 days' written notice. The League's executive director serves as a member of the Board of Directors of ICAP.

The League has a management agreement with the Iowa Municipalities Workers' Compensation Association (IMWCA), an affiliate, that provides for a management fee of approximately $87,000 per month at June 30, 2007. During the years ended June 30, 2007 and 2006, the League received approximately $1,040,000 and $930,000, respectively, in management fees. The agreement is subject to termination by either party upon six months' written notice. In addition, the League purchased fixed assets on behalf of IMWCA. At June 30, 2007 and 2006, the League had recorded a receivable related to these purchases of approximately $4,000 and $3,000, respectively.

The League also has an agreement with IMWCA which provides the League a fee for institutional value equal to 1.5% of the annual net premium for the participating member cities of the workers' compensation program for as long as the agreement is in effect. The annual premium received was approximately $111,000 and $136,000 for the years ended June 30, 2007 and 2006, respectively. The IMWCA Board stipulated that money paid to the League for institutional value be used to promote the League and affiliated programs.

The League and Iowa Public Agency Investment Trust (IPAIT) have a license agreement which provides for royalty payments. Royalty payments received by the League totaled approximately $137,000 and $145,000 for the years ended June 30, 2007 and 2006, respectively. This agreement is subject to termination by either party upon 60 days' written notice. The League's executive director serves as an ex-officio board member for IPAIT.

The League has a contract with the Iowa City Management Association (IaCMA) to provide membership services. Service fees received by the League totaled approximately $1,500 and none for the years ended June 30, 2007 and 2006, respectively. The contract is subject to termination annually with 60 days' written notice. The League's executive director serves as the nonvoting secretary/treasurer of IaCMA.

The League has a contract with the Iowa Municipal Attorneys Association to provide membership services. Service fees received by the League totaled approximately none and $650 for the years ended June 30, 2007 and 2006, respectively. The contract is subject to termination annually with 60 days' written notice by either party.

The League is party to an agreement among three associations that establishes the Drug and Alcohol Testing Alliance (DATA) in order to provide drug and alcohol testing services to local government entities required to conduct such tests by federal regulation. The agreement provides that the League perform administrative oversight to the third party administrator on behalf of the associations. The League received approximately $28,000 and $32,000 of the administrative fees paid to DATA to cover administrative overhead for the years ended June 30, 2007 and 2006, respectively.

Note 5. Lease Commitments and Rent Expense

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

Approximate future minimum lease payments are as follows:

Year ending June 30:	
2008	$ 160,000
2009	160,000
2010	160,000
2011	160,000
2012	160,000
Thereafter	67,000
	$ 867,000

Related rent expense for the years ended June 30, 2007 and 2006 was approximately $170,000 in each year.

Note 6. Functional Expenses

Approximate expenses for program service and general and administrative supporting activities for the years ended June 30, 2007 and 2006 are as follows:

	2007	2006
Program service	**$ 2,400,000**	$ 2,259,000
Supporting activities, general and administrative	**237,000**	223,000
	$ 2,637,000	$ 2,482,000

McGladrey & Pullen
Certified Public Accountants

Independent Auditor's Report
on the Supplementary Information

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

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

McGladrey & Pullen, LLP

Des Moines, Iowa
August 24, 2007

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Iowa League of Cities

Executive Board and Staff

Name	Title	Board Term Expires
	EXECUTIVE BOARD (Before September 2007 Election)	
Dee Vanderhoef	President	Sept 2007
Jim Fausett	President Elect	Sept 2007
John W. Mardis	Immediate Past President	Sept 2007
Thomas Hanafan	Past President	Sept 2007
Lametta K. Wynn	Past President	Sept 2008
Lorie Bennett	Director	Sept 2008
Robert Blok	Director	Sept 2008
Denise Hoy	Director	Sept 2007
Mark Arentsen	Director	Sept 2008
Julie Egland	Director	Sept 2007
Marty Glanz	Director	Sept 2007
Tim Hurley	Director	Sept 2007
A.J. Johnson	Director	Sept 2008
William Hutcheson	Director	Sept 2007
Carl Schumacher	Director	Sept 2008
Jeffrey Pomeranz	Director	Sept 2007
Ruth Randleman	Director	Sept 2008
Chris Ward	Director	Sept 2007
Peggy White	Director	Sept 2008
	STAFF	
Alan Kemp	Acting Executive Director	Indefinite