

**CITY OF IOWA FALLS, IOWA**

**INDEPENDENT AUDITOR'S REPORTS**

**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2008**

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**City of Iowa Falls, Iowa**

**List of Principal Officials**

**June 30, 2008**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2008)</b>		
Rocky Lavallo	Mayor	Jan 2010
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
Brian Weuve	City Manager	July 2008
Cynthia Ellingson	City Clerk/Finance Director	July 2007
Angela Graves	City Clerk	Nov 2007
Larry Smith	City Clerk/Treasurer	Oct 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

**City of Iowa Falls, Iowa**

**List of Principal Officials**

**June 30, 2008**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(After January 2008)</b>		
Jerrold Weldon	Mayor	Jan 2010
John Allan	Mayor Pro-tem	Jan 2008
John Allan	Council Member	Jan 2010
Mark Messa	Council Member	Jan 2010
Jody Anderson	Council Member	Jan 2012
Michael Bahr	Council Member	Jan 2012
Bruce Thies	Council Member	Jan 2012
Brian Weuve	City Manager	July 2008
Jon Kies	City Clerk/Finance Director	July 2008
Clark McNeal	Attorney	July 2008
Ron Kuhfus	Police Chief	July 2008
Rick Gustin	Fire Chief	Indefinite
Terry Tikovitsch	Library Director	Indefinite
Brian Lorenzen	Parks & Recreation Director	Indefinite
Merlin Clock	Streets/Sanitation Superintendent	Indefinite
Jason Etnyre	Building & Zoning Director	Indefinite
Robert Wright	Water/Wastewater Superintendent	Indefinite
Jolene Liekweg	Deputy City Clerk	July 2008
John Swartz	Hospital Board of Trustees, Chairman	Jan 2010
Kraig Kasischke	Hospital Board of Trustees	Jan 2010
Diana Ruhl	Hospital Board of Trustees, Secretary	Jan 2012
Steve Howard	Hospital Board of Trustees	Jan 2012
Mike Stensland	Hospital Board of Trustees	Jan 2012

## 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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These 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, 2008, 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 5, 2009 on our consideration of the City of Iowa Falls' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 13 and 65 through 68 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, 2007 (none of which is presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, 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 5, 2009

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008**

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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, 2008. 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 \$32,998,751 (net assets). This was an increase of \$2,359,860 over net assets at June 30, 2007. Unrestricted assets at June 30, 2008 in the amount of \$9,630,957 may be used to meet the City's ongoing obligation to citizens and creditors.
- The expenses of the general fund exceeded revenues by \$92,762.
- At June 30, 2008, the unreserved balance for the general fund was \$300,662, or 17% percent of total general fund expenditures.
- Within the City's business-type activities, revenues exceeded expenses by \$657,456. 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 from each of these non-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 \$32,924,746 at the close of the most recent fiscal year.

The most significant portion of the City's net assets (56.2%) 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.

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 9,178,002	\$ 7,669,539	\$11,131,999	\$ 11,100,965	\$20,310,021	\$ 18,770,504
Capital assets, net of depreciation	12,405,157	12,755,137	13,754,645	13,853,348	26,159,802	26,608,485
<b>Total Assets</b>	<b>21,583,179</b>	<b>20,424,676</b>	<b>24,886,644</b>	<b>24,954,313</b>	<b>46,469,823</b>	<b>45,378,989</b>
Long-term debt outstanding	3,690,000	4,370,000	3,497,752	4,083,857	7,187,752	8,453,857
Other liabilities	4,342,853	3,696,071	1,940,467	2,590,169	6,283,320	6,286,240
<b>Total liabilities</b>	<b>8,032,853</b>	<b>8,066,071</b>	<b>5,438,219</b>	<b>6,674,026</b>	<b>13,471,072</b>	<b>14,740,097</b>
Net assets						
Invested in capital assets, net of related debt	8,715,157	8,385,137	10,256,893	9,769,490	18,972,050	18,154,627
Restricted	2,430,668	2,280,648	1,965,076	1,941,076	4,395,744	4,221,724
Unrestricted	2,404,501	1,692,820	7,226,456	6,569,720	9,630,957	8,262,540
<b>Total net assets</b>	<b>13,550,326</b>	<b>12,358,605</b>	<b>19,448,425</b>	<b>18,280,286</b>	<b>32,998,751</b>	<b>30,638,892</b>

A portion of the City's net assets (13.3%) represents resources that are subject to external restriction on how they may be used. The remaining balance of net assets (\$9,630,957) may be used to meet the City's ongoing obligations to citizens and creditors.

At the close of fiscal years 2008 and 2007, 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.

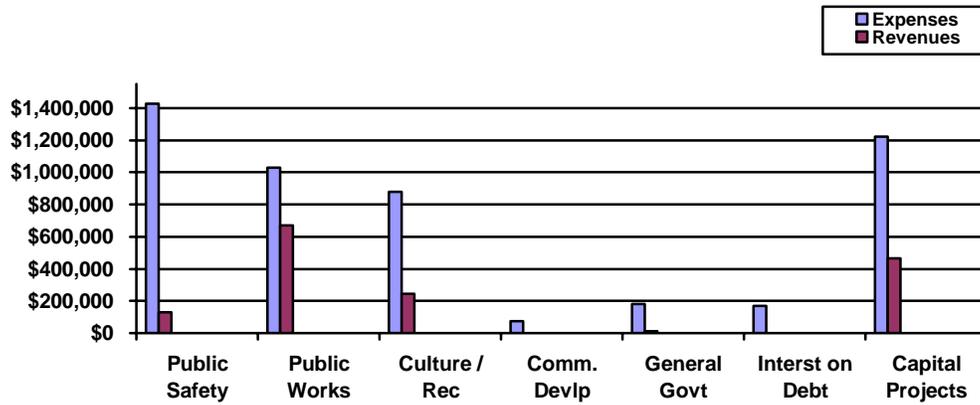
**Governmental activities.** Governmental activities increased the net assets of the City by \$1,191,721 or 50.5% of the total increase in net assets in 2008. Taxes are the largest source of governmental revenues with property taxes of \$1,603,288 in 2008 and other taxes (sales tax, TIF taxes, and hotel/motel tax) of \$2,498,805. Capital grants and contributions for 2007 totaled \$681,847. The \$70,001 increase in property tax collections in 2008 over 2007 was due to increased valuations and a \$0.75 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. Interest income decreased by \$63,641 between Fiscal Year 2008 and 2007. Governmental expenses during 2007 increased \$103,505 over 2007 expenses or 2.1%

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

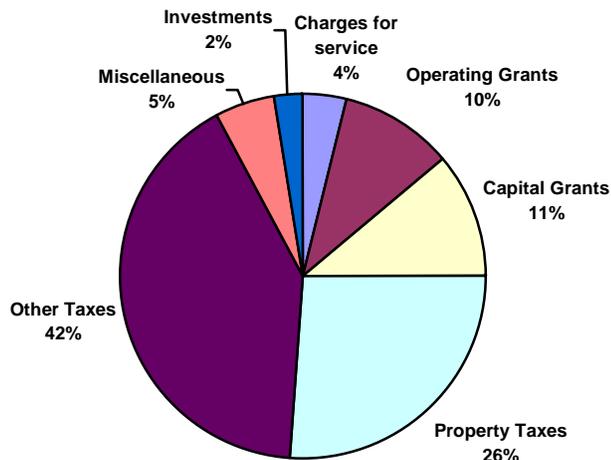
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues</b>						
Program revenues						
Charges for service	\$ 240,157	\$ 266,082	\$19,794,096	\$ 19,011,943	\$20,034,253	\$ 19,278,025
Operating grants & contributions	603,252	548,463			603,252	548,463
Capital grants & contributions	681,847	242,905			681,847	242,905
General revenues						
Property taxes	1,603,288	1,533,287			1,603,288	1,533,287
Other taxes	2,498,805	2,422,978			2,498,805	2,422,978
Miscellaneous	332,353	174,372	1,393,914	1,269,018	1,726,267	1,443,390
Investment earnings	147,850	211,491	265,324	130,396	413,174	341,887
Other	(9,373)	(4,799)	(5,993)	(1,036)	(15,366)	(5,835)
<b>Total revenues</b>	<b>6,098,179</b>	<b>5,394,779</b>	<b>21,447,341</b>	<b>20,410,321</b>	<b>27,545,520</b>	<b>25,805,100</b>
<b>Expenses</b>						
Public safety	1,428,548	1,199,969			1,428,548	1,199,969
Public works	1,028,811	925,555			1,028,811	925,555
Culture and recreation	878,011	864,405			878,011	864,405
Community & economic development	75,050	152,894			75,050	152,894
General government	181,299	147,717			181,299	147,717
Interest on long-term debt	169,470	190,777			169,470	190,777
Other debt costs	4,014	3,065			4,014	3,065
Capital projects	1,220,960	1,398,276			1,220,960	1,398,276
Water utility			543,724	483,544	543,724	483,544
Sewer utility			844,777	708,274	844,777	708,274
Ellsworth Municipal Hospital			18,059,439	17,157,762	18,059,439	17,157,762
Sanitation utility			718,347	649,980	718,347	649,980
<b>Total expenses</b>	<b>4,986,163</b>	<b>4,882,658</b>	<b>20,166,287</b>	<b>18,999,560</b>	<b>25,152,450</b>	<b>23,882,218</b>
Excess before transfers	1,112,016	512,121	1,281,054	1,410,761	2,393,070	1,922,882
Transfers	79,705	30,930	(112,915)	(54,275)	(33,210)	(23,345)
<b>Increase in net assets</b>	<b>1,191,721</b>	<b>543,051</b>	<b>1,168,139</b>	<b>1,356,486</b>	<b>2,359,860</b>	<b>1,899,537</b>

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

### Expenses and Program Revenues – Governmental Activities



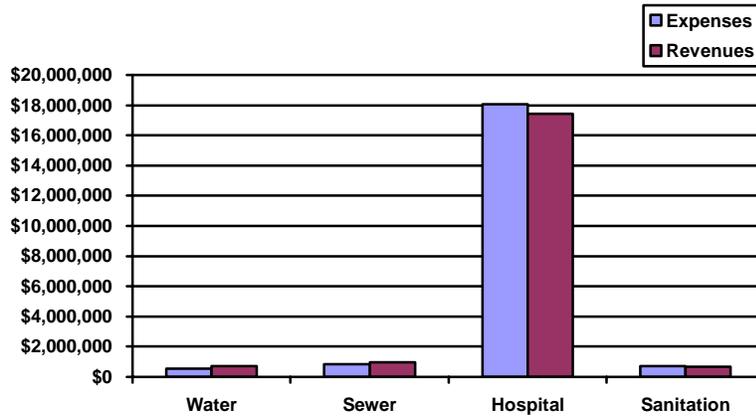
### Revenue Sources – Governmental Activities



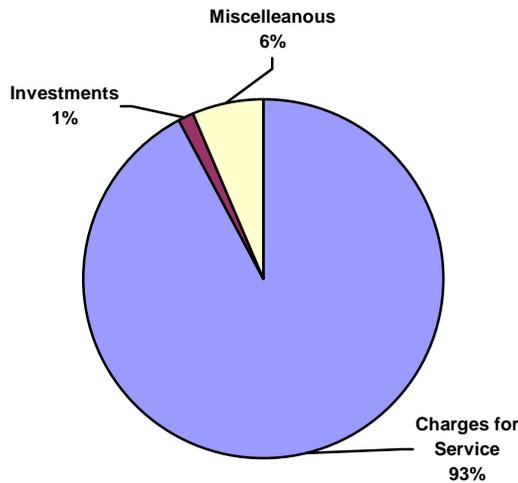
**Business-type activities.** Business-type activities increased net assets by \$1,168,139 accounting for 49.5% of the City of Iowa Falls growth in net assets at June 30, 2008. This was 13.88% lower than the 2007 increase in net assets of \$1,356,486. Business type charges for services increased \$782,153 during 2008 or 4.1% over 2007 totals. Investment earnings increased \$134,928 or 103.5% during 2008.

The expenses of the business-type activities increased \$1,157,572 or 6.1% over 2007 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 \$4,911,428 at June 30, 2008. This was an increase of \$869,671 over the prior year. Approximately ninety-one percent (\$4,451,393) constitutes unreserved fund balance, an increase of \$1,335,358 over 2007 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 \$20,247 of its fund balance for general operations during 2008. At June 30, 2007, the fund balance of the general fund represented 17.4% of current annual expenditures.

The debt service fund balance increased \$11,795 or 12.6% to end the year at \$104,912. Expenditures in this fund total \$2,193,492 compared to \$845,465 in 2007, which represents an increase of \$1,348,027 or 159.4%. The increase in expenditures can be attributed to increase in principal payments and interest payments on the city's debt along with the City issuing \$1.3 million in re-funding bonds, which will ultimately decrease the city's interest payment by over \$30,000 over the course of the next few years.

**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, 2008 totals \$19,374,420 of which 41.0% (\$7,948,327) is unrestricted. This is a \$1,094,134 or 5.98% increase over the 2007 net assets of \$18,280,286.

The net assets of Ellsworth Municipal Hospital increase \$622,184 to \$10,606,266 or 6.2% over the 2007 net assets of \$9,984,082. The change in net assets includes investment earnings of \$122,511.

The water utility saw an increase in net assets of \$346,153 or 10.1%. This includes investments earnings of \$59,788. Operating expenses for the water utility saw a 12.4% increase (\$60,180) over expenses in 2007.

The wastewater utility saw an increase in net assets of \$213,965 or 4.8%. This includes investment earnings of \$77,558. Operating expenses for the wastewater utility were up \$150,174 or 23.7% compared to 2007 expenses.

The solid waste disposal fund saw a decrease in net assets of \$14,164 or -3.6%. This includes investment earnings of \$5,466. Operating expenses for the solid waste disposal fund were up \$59,212 or 9.1% compared to 2007 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, 2008, amounts to \$26,159,802 (net of accumulated depreciation), a decrease of \$448,683 or -1.7% below the 2007 investment of \$26,608,485. This decrease can be attributed to 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	
	2008	2007	2008	2007	2008	2007
Land	\$ 885,920	\$ 835,920	\$ 733,257	\$ 733,257	\$ 1,619,177	\$ 1,569,177
Depreciable assets	11,344,470	11,578,609	12,597,302	12,704,545	23,941,772	24,283,154
Construction in progress	174,767	340,608	424,086	415,546	598,853	756,154
<b>Total</b>	<b>12,405,157</b>	<b>12,755,137</b>	<b>13,754,645</b>	<b>13,853,348</b>	<b>26,159,802</b>	<b>26,608,485</b>

**Long-term debt.** At the close of the fiscal year ended June 30, 2008, the City had bonds outstanding of \$7,177,752. General obligation debt was \$3,690,000 and revenue bonds outstanding totaled \$3,487,752. The City issued \$1,340,000 in the form of general obligation corporate purpose bonds/notes during 2008, resulting from the refunding of the July 1, 1999 general obligation bond in an original amount of \$2,400,000. The refunding bond was issued to decrease the city's overall interest payment due to lower interest rates this past year.

**Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 3,690,000	\$ 4,370,000			\$ 3,690,000	\$ 4,370,000
Revenue Bonds			\$ 3,487,752	\$ 4,053,026	3,487,752	4,053,026
<b>Total net assets</b>	<b>3,690,000</b>	<b>4,370,000</b>	<b>3,487,752</b>	<b>4,053,026</b>	<b>7,177,752</b>	<b>8,423,026</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, 2006 related to the 2007-2008 fiscal year. The current debt limitation for the City is \$11,493,146. 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**

	2008	2007	Change
Local Option Tax	487,345	540,895	(53,550)
Hotel/Motel Tax	87,176	70,032	17,144
Road Use Tax	487,230	410,035	77,195
Building Permits	31,119	14,151	16,968

**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 2008-2009 budget required a \$.38 (2.2%) increase in the property tax rate from \$17.07/\$1,000 of taxable valuation to \$17.45.

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		
	2008	2007
General Levy	8.10	8.10
Aviation Levy	0.27	0.27
Emergency Levy	0.27	0.27
Debt Service Levy	1.51	1.63
Trust and Agency Levy	6.26	5.75
Tort Liability	1.04	1.05
<b>Total</b>	<b>17.45</b>	<b>17.07</b>

**Utility rates.**

Rates charged the citizens of Iowa Falls by the water, wastewater and sanitation utilities were not increased for FY 2008-2009. There is a proposed increase for all three utilities for FY 2009-2010. The rate increases are necessary to cover increasing operating costs for each of the three utilities and to prepare for future infrastructure improvements that are needed.

**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, 2008

Exhibit A

	Primary Government			Component
	Governmental Activities	Business- Type Activities	Total	Unit  Airport Authority
<b>Assets</b>				
Cash	\$ 4,873,922	5,361,805	10,235,727	-
Receivables:				
Property tax:				
Delinquent	19,004	-	19,004	292
Succeeding year	1,585,496	-	1,585,496	23,478
Tax increment financing:				
Delinquent	26,550	-	26,550	-
Succeeding year	2,363,825	-	2,363,825	-
Economic development loans	46,123	-	46,123	-
Customer accounts and unbilled usage (net of allowances for uncollectibles of \$2,453,000)	-	3,420,854	3,420,854	-
Accounts	21,815	117,661	139,476	1,009
Accrued interest	19,199	33,311	52,510	-
Due from other governments	165,616	3,581	169,197	-
Due from other funds	(62,608)	62,608	-	-
Inventories	-	395,681	395,681	-
Prepaid expenses	92,843	113,873	206,716	2,865
Restricted assets:				
Cash	-	1,030,323	1,030,323	-
Investment in affiliated organizations	-	578,545	578,545	-
Capital assets (net of accumulated depreciation)	12,405,157	13,754,645	26,159,802	1,276,140
Bond issuance costs	26,237	13,757	39,994	-
<b>Total assets</b>	<b>21,583,179</b>	<b>24,886,644</b>	<b>46,469,823</b>	<b>1,303,784</b>
<b>Liabilities</b>				
Accounts payable	154,321	564,764	719,085	1,113
Accrued interest payable	10,457	-	10,457	-
Salaries and benefits payable	79,645	543,296	622,941	-
Third-party payor settlements	-	60,000	60,000	-
Deferred Revenue:				
Succeeding year property tax	1,585,496	-	1,585,496	23,478
Succeeding year tax increment financing	2,363,825	-	2,363,825	-
Other	-	-	-	2

City of Iowa Falls, Iowa  
Statement of Net Assets  
June 30, 2008

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	-	261,458	261,458	-
Accrued and matured interest payable	-	4,495	4,495	-
Long-term liabilities:				
Portion due or payable within one year:				
General obligation bonds/notes	555,000	-	555,000	-
Compensated absences	126,110	754,604	880,714	-
Portion due or payable after one year:				
General obligation bonds/notes	3,135,000	-	3,135,000	-
Revenue bonds/notes payable	-	3,236,294	3,236,294	-
Compensated absences	22,999	13,308	36,307	-
<b>Total liabilities</b>	<b>8,032,853</b>	<b>5,438,219</b>	<b>13,471,072</b>	<b>24,593</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	8,715,157	10,256,893	18,972,050	1,276,140
Restricted for:				
Local option sales tax	54,257	-	54,257	-
Economic development loans	1,531,119	-	1,531,119	-
Carnegie library	740,380	-	740,380	-
Debt service	104,912	-	104,912	-
Revenue bond retirement	-	311,871	311,871	-
Wastewater replacement	-	100,000	100,000	-
Wastewater improvement	-	310,000	310,000	-
Capital improvements by donors	-	934,753	934,753	-
Bond indentures	-	308,452	308,452	-
Unrestricted	2,404,501	7,226,456	9,630,957	3,051
<b>Total net assets</b>	<b>\$ 13,550,326</b>	<b>19,448,425</b>	<b>32,998,751</b>	<b>1,279,191</b>

See notes to financial statements.

City of Iowa Falls, Iowa  
Statement of Activities  
Year ended June 30, 2008

		Program Revenues		
<b>Functions/Programs:</b>	<u>Expenses</u>	Charges for	Operating Grants, Contributions and Restricted <u>Interest</u>	Capital Grants, Contributions and Restricted <u>Interest</u>
<b>Primary Government:</b>		<u>Service</u>		
Governmental activities:				
Public safety	\$ 1,428,548	98,706	28,839	4,000
Public works	1,028,811	3,866	526,889	140,576
Culture and recreation	878,011	126,703	47,524	70,704
Community and economic development	75,050	-	-	-
General government	181,299	10,882	-	-
Interest on long-term debt	169,470	-	-	-
Other debt costs	4,014	-	-	-
Capital projects	1,220,960	-	-	466,567
Total governmental activities	4,986,163	240,157	603,252	681,847
Business type activities				
Water	543,724	707,137	-	-
Wastewater	844,777	949,315	-	-
Hospital	18,059,439	17,454,271	-	-
Sanitation	718,347	683,373	-	-
Total business type activities	20,166,287	19,794,096	-	-
<b>Total primary government</b>	<b>\$ 25,152,450</b>	<b>20,034,253</b>	<b>603,252</b>	<b>681,847</b>
<b>Component Unit:</b>				
Airport authority	\$ 196,624	-	-	484,794

**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 Unit
Governmental Activities	Business Type Activities	Total	Airport Authority
(1,297,003)	-	(1,297,003)	-
(357,480)	-	(357,480)	-
(633,080)	-	(633,080)	-
(75,050)	-	(75,050)	-
(170,417)	-	(170,417)	-
(169,470)	-	(169,470)	-
(4,014)	-	(4,014)	-
(754,393)	-	(754,393)	-
<u>(3,460,907)</u>	<u>-</u>	<u>(3,460,907)</u>	<u>-</u>
-	163,413	163,413	-
-	104,538	104,538	-
-	(605,168)	(605,168)	-
-	(34,974)	(34,974)	-
-	(372,191)	(372,191)	-
<u>(3,460,907)</u>	<u>(372,191)</u>	<u>(3,833,098)</u>	<u>-</u>
-	-	-	288,170
1,367,265	-	1,367,265	24,834
236,023	-	236,023	-
1,924,284	-	1,924,284	-
487,345	-	487,345	-
87,176	-	87,176	-
147,850	265,324	413,174	-
332,353	1,393,914	1,726,267	17,712
79,705	(112,915)	(33,210)	33,210
(9,373)	(5,993)	(15,366)	-
<u>4,652,628</u>	<u>1,540,330</u>	<u>6,192,958</u>	<u>75,755</u>
1,191,721	1,168,139	2,359,860	363,926
<u>12,358,605</u>	<u>18,280,286</u>	<u>30,638,891</u>	<u>915,265</u>
<u>13,550,326</u>	<u>19,448,425</u>	<u>32,998,751</u>	<u>1,279,191</u>

City of Iowa Falls, Iowa  
Balance Sheet  
Governmental Funds  
June 30, 2008

Assets	<u>General</u>	Special Revenue		
		<u>Tax Increment Financing Revenues</u>	<u>Economic Development Loans</u>	<u>Local Option Sales Tax</u>
Cash	\$ 520,973	357,158	1,424,735	1,109,657
Receivables:				
Property tax:				
Delinquent	9,949	-	-	-
Succeeding year	797,138	-	-	-
Tax increment financing:				
Delinquent	-	26,550	-	-
Succeeding year	-	2,363,825	-	-
Economic development loans	-	-	46,123	-
Accounts	9,845	-	-	-
Accrued interest	2,332	-	6,384	4,971
Due from other governments	15,362	-	-	47,068
Interfund receivable	-	-	100,000	68,052
Prepaid expenditures	71,469	-	-	-
<b>Total assets</b>	<u>\$ 1,427,068</u>	<u>2,747,533</u>	<u>1,577,242</u>	<u>1,229,748</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 70,776	-	-	-
Salaries and benefits payable	69,854	-	-	-
Deferred revenue:				
Succeeding year property tax	797,138	-	-	-
Succeeding year tax increment financing	-	2,363,825	-	-
Other	1,567	9,317	46,123	-
Interfund payable	-	199,327	-	-
<b>Total liabilities</b>	<u>939,335</u>	<u>2,572,469</u>	<u>46,123</u>	<u>-</u>

Exhibit C

<u>Payroll Tax Levy</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
59,073	101,936	374,376	926,014	4,873,922
6,224	2,539	-	292	19,004
544,724	220,156	-	23,478	1,585,496
-	-	-	-	26,550
-	-	-	-	2,363,825
-	-	-	-	46,123
-	-	-	11,970	21,815
-	455	1,252	3,802	19,196
-	-	59,949	43,236	165,615
-	-	-	-	168,052
-	-	-	21,374	92,843
<u>610,021</u>	<u>325,086</u>	<u>435,577</u>	<u>1,030,166</u>	<u>9,382,441</u>
11,000	-	45,725	26,820	154,321
-	-	-	9,790	79,644
544,724	220,156	-	23,478	1,585,496
-	-	-	-	2,363,825
40	18	60,972	2	118,039
-	-	31,333	-	230,660
<u>555,764</u>	<u>220,174</u>	<u>138,030</u>	<u>60,090</u>	<u>4,531,985</u>

City of Iowa Falls, Iowa  
Balance Sheet  
Governmental Funds  
June 30, 2008

		Special Revenue		
	<u>General</u>	<u>Tax Increment Financing Revenues</u>	<u>Economic Development Loans</u>	<u>Local Option Sales Tax</u>
<b>Liabilities and Fund Balances (continued)</b>				
Fund balances:				
Reserved for:				
Prepaid expenditures	71,469	-	-	-
Debt service	-	-	-	-
Advances to other funds	-	-	100,000	68,052
Unreserved:				
Designated for library gifts and memorials	91,026	-	-	-
Designated for park gifts and memorials	23,777	-	-	-
Designated for future equipment purchases/capital improvements	54,476	-	-	-
Designated for building maintenance	17,792	-	-	-
Undesignated:				
Reported in:				
General fund	229,193	-	-	-
Special revenue funds	-	175,064	1,431,119	1,161,696
Capital projects fund	-	-	-	-
Total fund balances	487,733	175,064	1,531,119	1,229,748
<b>Total liabilities and fund balances</b>	<b>\$ 1,427,068</b>	<b>\$ 2,747,533</b>	<b>\$ 1,577,242</b>	<b>\$ 1,229,748</b>

See notes to financial statements.

Exhibit C

<u>Payroll Tax Levy</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
-	-	-	21,374	92,843
-	104,912	-	-	104,912
-	-	-	-	168,052
-	-	-	-	91,026
-	-	-	-	23,777
-	-	-	-	54,476
-	-	-	-	17,792
54,257	-	-	-	283,450
-	-	-	948,702	3,716,581
-	-	297,547	-	297,547
<u>54,257</u>	<u>104,912</u>	<u>297,547</u>	<u>970,076</u>	<u>4,850,456</u>
<u>\$ 610,021</u>	<u>\$ 325,086</u>	<u>\$ 435,577</u>	<u>\$ 1,030,166</u>	<u>\$ 9,382,441</u>

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

June 30, 2008

<b>Total governmental fund balances (page 21 )</b>	<b>\$ 4,850,456</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 \$20,956,461 and the accumulated depreciation is \$8,551,304.	12,405,157
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	118,039
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.	(3,849,563)
Other long-term assets are not available to pay current period debt and, therefore, are not included in the funds	<u>26,237</u>
<b>Net assets of governmental activities (page 15)</b>	<b><u><u>\$ 13,550,326</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, 2008

		Special	
	General	Tax Increment Financing Revenues	Economic Development Loans
Revenues:			
Property tax	\$ 778,127	-	-
Tax increment financing	-	1,917,546	-
Other city tax	65,036	-	-
Licenses and permits	72,499	-	-
Use of money and property	19,169	-	64,743
Intergovernmental	80,363	-	-
Charges for service	119,465	-	-
Miscellaneous	163,173	-	8,340
Total revenues	1,297,832	1,917,546	73,083
Expenditures:			
Operating:			
Public safety	973,740	-	-
Public works	51,375	-	-
Culture and recreation	564,590	-	-
Community and economic development	-	18,074	-
General government	132,018	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	1,721,723	18,074	-
Excess (deficiency) of revenues over (under) expenditures	(423,891)	1,899,472	73,083
	(423,891)	1,899,472	73,083
Other financing sources (uses):			
Operating transfers in	408,900	-	112,930
Operating transfers out	(77,771)	(1,120,834)	(95,898)
General obligation bonds issued	-	-	-
Discount on general obligation bonds	-	-	-
Total other financing sources (uses)	331,129	(1,120,834)	17,032
Net change in fund balances	(92,762)	778,638	90,115
Fund balances (deficit) beginning of year (as restated)	580,495	(603,574)	1,441,004
Fund balances end of year	\$ 487,733	175,064	1,531,119

See notes to financial statements.

Exhibit E

Revenue					
Local Option Sales Tax	Payroll Tax Levy	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
-	487,808	229,047	-	-	1,494,982
-	-	-	-	-	1,917,546
487,345	40,878	8,114	-	112,009	713,382
-	-	-	-	-	72,499
49,300	-	17,978	12,235	35,732	199,157
-	-	-	616,875	487,230	1,184,468
-	-	-	-	-	119,465
-	-	-	36,036	95,970	303,519
<u>536,645</u>	<u>528,686</u>	<u>255,139</u>	<u>665,146</u>	<u>730,941</u>	<u>6,005,018</u>
-	276,558	-	-	46,288	1,296,586
-	66,345	-	-	480,137	597,857
-	106,567	-	-	-	671,157
-	24,518	-	-	56,990	99,582
-	20,245	-	-	-	152,263
-	-	2,193,492	-	-	2,193,492
-	-	-	1,589,517	-	1,589,517
-	<u>494,233</u>	<u>2,193,492</u>	<u>1,589,517</u>	<u>583,415</u>	<u>6,600,454</u>
<u>536,645</u>	<u>34,453</u>	<u>(1,938,353)</u>	<u>(924,371)</u>	<u>147,526</u>	<u>(595,436)</u>
536,645	34,453	(1,938,353)	(924,371)	147,526	(595,436)
136,788	-	625,720	946,971	33,203	2,264,512
(659,881)	-	-	(205,595)	(24,828)	(2,184,807)
-	-	1,340,000	-	-	1,340,000
-	-	(15,572)	-	-	(15,572)
<u>(523,093)</u>	<u>-</u>	<u>1,950,148</u>	<u>741,376</u>	<u>8,375</u>	<u>1,404,133</u>
13,552	34,453	11,795	(182,995)	155,901	808,697
<u>1,216,196</u>	<u>19,804</u>	<u>93,117</u>	<u>480,542</u>	<u>814,175</u>	<u>4,041,759</u>
<u>1,229,748</u>	<u>54,257</u>	<u>104,912</u>	<u>297,547</u>	<u>970,076</u>	<u>4,850,456</u>

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

Year ended June 30, 2008

**Net change in fund balances - Total governmental funds (page 24 )** \$ 808,697

*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	516,864	
Depreciation expense	(857,471)	
Gains/(Losses) on sale of assets	<u>(9,373)</u>	(349,980)

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	(1,318)	
Other	<u>8,210</u>	6,892

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	(1,340,000)	
Discount on general obligation bonds	15,572	
Principal repayments	2,020,000	
Amortize bond issuance costs	<u>(4,014)</u>	691,558

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	30,532	
Accrued interest on long-term debt	<u>4,022</u>	<u>34,554</u>

**Change in net assets of governmental activities (page 17)** \$ 1,191,721

See notes to financial statements.

City of Iowa Falls, Iowa  
Statement of Net Assets  
Proprietary - Enterprise Funds  
June 30, 2008

	<u>Water</u>	<u>Wastewater</u>
<b>Assets</b>		
Current assets:		
Cash	\$ 1,419,544	951,412
Receivables (net of allowance for uncollectibles):		
Customer accounts and unbilled usage	95,802	126,681
Accrued interest	6,361	7,498
Other	-	-
Interfund receivable	31,304	31,304
Due from other governments	1,702	1,735
Inventories	25,690	-
Prepaid expenses	14,537	12,372
Noncurrent assets:		
Restricted assets:		
Cash:		
Revenue debt service reserve account	-	311,871
Wastewater improvement account	-	100,000
Wastewater replacement account	-	310,000
Investment in affiliated organizations	-	-
Capital assets (net of accumulated depreciation)	2,229,267	4,675,489
Bond issuance costs	-	-
<b>Total assets</b>	<b>3,824,207</b>	<b>6,528,362</b>

Exhibit G

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
2,837,275	153,574	5,361,805
3,115,449	82,922	3,420,854
18,764	688	33,311
117,661	-	117,661
-	-	62,608
-	144	3,581
369,991	-	395,681
69,445	17,519	113,873
308,452	-	620,323
-	-	100,000
-	-	310,000
578,545	-	578,545
6,676,823	173,066	13,754,645
13,757	-	13,757
<u>14,106,162</u>	<u>427,913</u>	<u>24,886,644</u>

City of Iowa Falls, Iowa

Statement of Net Assets

Proprietary - Enterprise Funds

June 30, 2008

	<u>Water</u>	<u>Wastewater</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	7,346	9,482
Salaries and benefits payable	6,528	7,705
Compensated absences	15,172	18,903
Third-party payor settlement	-	-
Current liabilities payable from restricted assets:		
Revenue bonds/notes payable	-	10,000
Accrued and matured interest payable	-	4,495
Noncurrent liabilities:		
Revenue bonds/notes payable	-	1,798,000
Compensated absences	6,172	6,727
<b>Total liabilities</b>	<u>35,218</u>	<u>1,855,312</u>
<b>Net Assets</b>		
Invested in capital assets net of related debt	2,229,267	2,867,489
Restricted for:		
Revenue bond retirement	-	311,871
Wastewater replacement	-	100,000
Wastewater improvement	-	310,000
Capital improvements by donors	-	-
Bond indentures	-	-
Unrestricted	<u>1,559,722</u>	<u>1,083,690</u>
<b>Total net assets</b>	<u>\$ 3,788,989</u>	<u>4,673,050</u>

See notes to financial statements.

Exhibit G

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
526,907	21,029	564,764
519,194	9,869	543,296
704,043	16,486	754,604
60,000	-	60,000
251,458	-	261,458
-	-	4,495
1,438,294	-	3,236,294
-	409	13,308
<u>3,499,896</u>	<u>47,793</u>	<u>5,438,219</u>
4,987,071	173,066	10,256,893
-	-	311,871
-	-	100,000
-	-	310,000
934,753	-	934,753
308,452	-	308,452
4,375,990	207,054	7,226,456
<u>10,606,266</u>	<u>380,120</u>	<u>19,448,425</u>

City of Iowa Falls, Iowa

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary - Enterprise Funds

Year ended June 30, 2008

	<u>Water</u>	<u>Wastewater</u>
Operating revenues:		
Charges for service	\$ 675,546	949,315
Miscellaneous	31,590	26,355
Total operating revenues	<u>707,136</u>	<u>975,670</u>
Operating expenses:		
Business type activities	<u>543,724</u>	<u>784,450</u>
Total operating expenses	<u>543,724</u>	<u>784,450</u>
Operating income (loss)	<u>163,412</u>	<u>191,220</u>
Non-operating revenues (expenses):		
Interest income	59,788	77,558
Interest expense	-	(60,327)
Contributed Capital	190,995	56,004
Share of net gain/loss of hospital's affiliated organizations	-	-
Gain/(Loss) on disposal of capital assets	-	(5,617)
Total non-operating revenues (expenses)	<u>250,783</u>	<u>67,618</u>
Excess of receipts over disbursements	414,195	258,838
Operating transfer in	-	127
Operating transfer out	<u>(68,042)</u>	<u>(45,000)</u>
Change in net assets	346,153	213,965
Net assets beginning of year	<u>3,442,836</u>	<u>4,459,085</u>
Net assets end of year	<u>\$ 3,788,989</u>	<u>4,673,050</u>

See notes to financial statements.

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
17,454,271	681,498	19,760,630
<u>824,468</u>	<u>17,219</u>	<u>899,632</u>
<u>18,278,739</u>	<u>698,717</u>	<u>20,660,262</u>
<u>17,965,440</u>	<u>718,347</u>	<u>20,011,961</u>
<u>17,965,440</u>	<u>718,347</u>	<u>20,011,961</u>
<u>313,299</u>	<u>(19,630)</u>	<u>648,301</u>
122,511	5,466	265,323
(93,999)	-	(154,326)
100,449	-	347,448
180,300	-	180,300
<u>(376)</u>	<u>-</u>	<u>(5,993)</u>
<u>308,885</u>	<u>5,466</u>	<u>632,752</u>
622,184	(14,164)	1,281,053
-	-	127
<u>-</u>	<u>-</u>	<u>(113,042)</u>
622,184	(14,164)	1,168,138
<u>9,984,082</u>	<u>394,284</u>	<u>18,280,284</u>
<u>10,606,266</u>	<u>380,120</u>	<u>19,448,425</u>

City of Iowa Falls, Iowa  
 Combined Statement of Cash Flows  
 Proprietary - Enterprise Funds  
 Year ended June 30, 2008

	<u>Water</u>	<u>Wastewater</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 702,701	973,676
Cash received from other revenues	-	-
Cash paid to suppliers and employees	<u>(435,109)</u>	<u>(570,804)</u>
Net cash provided by operating activities	<u>267,592</u>	<u>402,872</u>
Cash flows from noncapital financing activities:		
Net Transfers	<u>(55,361)</u>	<u>(32,192)</u>
Net cash provided by (used for) noncapital financing activities	<u>(55,361)</u>	<u>(32,192)</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of property and equipment	-	-
Acquisition of capital assets	(200,726)	(66,735)
Principal paid on long-term debt	-	(206,000)
Proceeds from, issuance of long-term debt	-	-
Interest paid on long-term debt	-	(60,817)
Capital contribution	<u>190,995</u>	<u>56,004</u>
Net cash used for capital and related financing activities	<u>(9,731)</u>	<u>(277,548)</u>
Cash flows from investing activities:		
Interest on investments	66,832	87,453
Increase in investment in affiliated organizations	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>66,832</u>	<u>87,453</u>
Net increase (decrease) in cash and cash equivalents	269,332	180,585
Cash and cash equivalents beginning of year	<u>1,150,212</u>	<u>1,492,698</u>
Cash and cash equivalents end of year	<u>\$ 1,419,544</u>	<u>1,673,283</u>

Exhibit I

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
16,547,632	700,610	18,924,619
791,144	-	791,144
<u>(16,898,768)</u>	<u>(680,903)</u>	<u>(18,585,584)</u>
<u>440,008</u>	<u>19,707</u>	<u>1,130,179</u>
-	-	<u>(87,553)</u>
-	-	<u>(87,553)</u>
100	-	100
(749,003)	-	(1,016,464)
(380,105)	-	-
-	-	-
(94,023)	-	-
<u>100,449</u>	<u>-</u>	<u>-</u>
<u>(1,122,582)</u>	<u>-</u>	<u>-</u>
-	-	-
-	-	-
124,713	6,264	-
<u>152,820</u>	<u>-</u>	<u>152,820</u>
<u>277,533</u>	<u>6,264</u>	<u>438,082</u>
(405,041)	25,971	70,847
<u>3,550,768</u>	<u>127,603</u>	<u>-</u>
<u>3,145,727</u>	<u>153,574</u>	<u>6,392,128</u>

City of Iowa Falls, Iowa  
 Combined Statement of Cash Flows  
 Proprietary - Enterprise Funds  
 Year ended June 30, 2008

	<u>Water</u>	<u>Wastewater</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income (loss)	\$ 163,412	191,220
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	107,353	209,590
Provision for bad debt	-	-
(Increase) decrease in inventories, at cost	838	-
(Increase) decrease in prepaid expenses	1,154	4,256
Increase (decrease) in accounts payable	(1,056)	(1,506)
Increase accrued expenses	-	-
Increase in salaries payable	934	901
Increase in compensated absences	(607)	406
Increase in third-party payor settlement	-	-
Increase in receivables	(4,436)	(1,992)
Net cash provided by operating activities	<u>\$ 267,592</u>	<u>402,875</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	\$ 1,419,544	951,411
Restricted assets:		
Cash:		
Revenue debt service reserve account	-	311,871
Wastewater improvement account	-	100,000
Wastewater replacement account	-	310,000
Cash and cash equivalents at year end	<u>\$ 1,419,544</u>	<u>1,673,282</u>

See notes to financial statements.

Exhibit I

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
313,299	(19,630)	648,301
757,918	36,203	1,111,064
1,048,707	-	737,509
6,952	-	7,790
14,124	(2,822)	16,712
128,466	3,323	129,227
159,212		159,212
-	1,808	3,643
-	(1,068)	(1,269)
(940,000)	-	(940,000)
<u>(1,048,670)</u>	<u>1,893</u>	<u>(1,053,205)</u>
<u>440,008</u>	<u>19,707</u>	<u>818,984</u>
2,837,275	153,574	5,361,805
308,452	-	620,323
-	-	100,000
-	-	310,000
<u>3,145,727</u>	<u>153,574</u>	<u>6,392,128</u>

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2008

**(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, 2008

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 Council. 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, 2008

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, 2008

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

The 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, 2008

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, 2008

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, 2008

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, 2008 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 in both the government-wide and fund financial statements 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, 2008

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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2007.

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, 2008, 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, 2008

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, 2008

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 liability 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, 2008. 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, 2008

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, 2008, disbursements exceeded the amounts budgeted in the public safety and debt service functions.

(2) **Cash**

The City's deposits in banks at June 30, 2008 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, 2008

**(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	\$ <u>5,568,449</u>	<u>2,453,000</u>	<u>3,115,449</u>

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Primary Government</b>				
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 835,920	50,000	-	885,920
Construction in progress - infrastructure	266,657	334,762	(436,384)	165,035
Construction in progress - other	<u>73,951</u>	<u>33,796</u>	<u>(98,015)</u>	<u>9,732</u>
Total capital assets not being depreciated	<u>1,176,528</u>	<u>418,558</u>	<u>(534,399)</u>	<u>1,060,687</u>
Capital assets being depreciated:				
Buildings	5,870,406	-	-	5,870,406
Improvements other than buildings	3,001,928	98,015	-	3,099,943
Equipment and vehicles	2,835,758	148,305	(84,543)	2,899,520
Infrastructure, street network	<u>7,639,521</u>	<u>386,384</u>	<u>-</u>	<u>8,025,905</u>
Total capital assets being depreciated	<u>19,347,613</u>	<u>632,704</u>	<u>(84,543)</u>	<u>19,895,774</u>
Less accumulated depreciation for:				
Buildings	844,954	118,911	-	963,865
Improvements other than buildings	1,176,288	154,827	-	1,331,115
Equipment and vehicles	1,578,324	251,491	(75,171)	1,754,644
Infrastructure, street network	<u>4,169,438</u>	<u>332,242</u>	<u>-</u>	<u>4,501,680</u>
Total accumulated depreciation	<u>7,769,004</u>	<u>857,471</u>	<u>(75,171)</u>	<u>8,551,304</u>
Total capital assets being depreciated, net	<u>11,578,609</u>	<u>(224,767)</u>	<u>(9,372)</u>	<u>11,344,470</u>
Governmental activities capital assets, net	<u>\$ 12,755,137</u>	<u>193,791</u>	<u>(543,771)</u>	<u>12,405,157</u>

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2008

<b>Business type activities</b>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 733,257	-	-	733,257
Construction in progress	<u>415,546</u>	<u>894,970</u>	<u>(886,430)</u>	<u>424,086</u>
Total capital assets not being depreciated	<u>1,148,803</u>	<u>894,970</u>	<u>(886,430)</u>	<u>1,157,343</u>
Capital assets being depreciated:				
Buildings	5,496,018	88,915	-	5,584,933
Improvements other than buildings	711,114	-	-	711,114
Equipment and vehicles	10,972,109	558,672	(463,347)	11,067,434
Infrastructure, water and sewer network	<u>9,838,309</u>	<u>360,336</u>	<u>-</u>	<u>10,198,645</u>
Total capital assets being depreciated	<u>27,017,550</u>	<u>1,007,923</u>	<u>(463,347)</u>	<u>27,562,126</u>
Less accumulated depreciation for:				
Buildings	2,775,969	178,517	(3,790)	2,950,696
Improvements other than buildings	637,710	56,861	-	694,571
Equipment and vehicles	6,851,623	641,004	(453,466)	7,039,161
Infrastructure, water and sewer network	<u>4,047,703</u>	<u>232,693</u>	<u>-</u>	<u>4,280,396</u>
Total accumulated depreciation	<u>14,313,005</u>	<u>1,109,075</u>	<u>(457,256)</u>	<u>14,964,824</u>
Total capital assets being depreciated, net	<u>12,704,545</u>	<u>(101,152)</u>	<u>(6,091)</u>	<u>12,597,302</u>
Business type activities capital assets, net	<u>\$ 13,853,348</u>	<u>793,818</u>	<u>(892,521)</u>	<u>13,754,645</u>

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2008

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

Governmental activities:	
Public safety	\$ 166,737
Public works	429,342
Culture and recreation	232,026
General government	<u>29,366</u>
Total depreciation expense – governmental activities	\$ 857,471 =====
Business type activities:	
Water	\$ 107,353
Wastewater	209,590
Hospital	757,918
Sanitation	<u>36,203</u>
Total depreciation expense – business type activities	\$ 1,111,064 =====

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2008

<b><u>Discretely presented component unit</u></b>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 74,112	-	-	74,112
Construction in progress	<u>154,770</u>	<u>448,307</u>	<u>(332,098)</u>	<u>270,979</u>
Total capital assets not being depreciated	<u>228,882</u>	<u>448,307</u>	<u>(332,098)</u>	<u>345,091</u>
Capital assets being depreciated:				
Buildings	148,524	130,521	-	279,045
Improvements other than buildings	80,574	-	-	80,574
Equipment and vehicles	76,944	147,578	(35,385)	189,137
Infrastructure, runway network	<u>1,408,921</u>	<u>90,487</u>	<u>-</u>	<u>1,499,408</u>
Total capital assets being depreciated	<u>1,714,963</u>	<u>368,586</u>	<u>(35,385)</u>	<u>2,048,164</u>
Less accumulated depreciation for:				
Buildings	137,190	7,409	-	144,599
Improvements other than buildings	36,522	10,939	-	47,461
Equipment and vehicles	54,856	30,254	(25,705)	59,405
Infrastructure, runway network	<u>805,809</u>	<u>59,841</u>	<u>-</u>	<u>865,650</u>
Total accumulated depreciation	<u>1,034,377</u>	<u>108,443</u>	<u>(25,705)</u>	<u>1,117,115</u>
Total capital assets being depreciated, net	<u>680,586</u>	<u>260,143</u>	<u>(9,680)</u>	<u>931,049</u>
Business type activities capital assets, net	<u>\$ 909,468</u>	<u>708,450</u>	<u>(341,778)</u>	<u>1,276,140</u>
 Total depreciation expense - discretely presented component unit				 \$ 108,443

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2008

**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2008 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	\$ 4,370,000	1,340,000	2,020,000	3,690,000	555,000
Compensated absences	<u>179,641</u>	<u>103,186</u>	<u>133,718</u>	<u>149,109</u>	<u>126,110</u>
Total	<u>\$ 4,549,641</u>	<u>1,443,186</u>	<u>2,153,718</u>	<u>3,839,109</u>	<u>681,110</u>
	=====	=====	=====	=====	=====

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Business type activities:					
Revenue bonds/notes:					
Wastewater	\$ 2,014,000	---	206,000	1,808,000	212,000
Hospital	2,059,024	---	369,272	1,689,752	251,458
Capital lease	10,833	---	10,833	---	---
Compensated absences	<u>684,610</u>	<u>764,232</u>	<u>680,930</u>	<u>767,912</u>	<u>754,604</u>
	<u>\$ 4,768,467</u>	<u>764,232</u>	<u>1,267,035</u>	<u>4,265,664</u>	<u>1,218,062</u>
	=====	=====	=====	=====	=====

The government-wide Statement of Activities includes \$261,458 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, 2008

Bonded Debt

General obligation bonds/notes:

Eight issues of unmatured general obligation bonds/notes, totaling \$3,690,000, are outstanding at June 30, 2008. General obligation bonds/notes bear interest with rates ranging from 2.35% to 4.15% and mature in varying annual amounts ranging from \$25,000 to \$210,000, with the final maturities due in the year ending June 30, 2017.

Revenue bonds/notes:

Three issues of unmatured revenue bonds/notes, totaling \$3,487,752, are outstanding at June 30, 2008. These bonds/notes bear interest at rates of 3.00% to 5.00% and mature in varying annual amounts ranging from \$44,000 to \$249,000, with the final maturities due in the year ending June 30, 2016.

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay \$4,745,000 in sewer revenue notes issued in February 1996. Proceeds from the notes provided financing for the construction of improvements to the wastewater treatment plant. The notes are payable solely from wastewater customer net revenues and are payable through 2016. Annual principal and interest payments on the notes are expected to require less than 90 percent of net revenues. The total principal and interest remaining to be paid on the notes is \$2,049,100. For the current year, principal and interest paid and total customer net revenues were \$255,820 and \$478,368 respectively.

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.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2008

- (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.
- (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, 2008, the City was in compliance with the revenue bond/note provisions.

City of Iowa Falls, Iowa  
Notes to Financial Statements  
June 30, 2008

Details of bond/notes payable at June 30, 2008 are as follows:

Governmental activities:	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	Amount Originally Issued	Outstanding <u>June 30, 2008</u>
General obligation bonds/notes:						
Corporate purpose	Oct 1, 2003	1.40-2.95%	Jun 1, 2009	\$ 50,000-55,000	\$ 260,000	\$ 55,000
Corporate purpose	Oct 1, 2003	1.40-4.00%	Jun 1, 2014	60,000-80,000	700,000	445,000
Corporate purpose	Oct 1, 2004	2.00-4.00%	Jun 1, 2017	65,000-90,000	900,000	705,000
Corporate purpose	Oct 15, 2001	2.45-4.00%	Jun 1, 2009	110,000-130,000	800,000	130,000
Corporate purpose	Jan 1, 2006	3.40-3.60%	Jun 1, 2010	80,000-95,000	350,000	185,000
Corporate purpose	Oct 15, 2006	3.90-4.15%	Jun 1, 2017	20,000-90,000	640,000	620,000
Corporate purpose	Mar 15, 2008	2.35-3.20%	Jun 1, 2014	170,000-210,000	1,340,000	1,170,000
Essential corporate purpose	Dec 15, 2002	2.40-4.00%	Jun 1, 2013	60,000-80,000	700,000	380,000
Total governmental activities						\$ 3,690,000

Business type activities:	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	Amount Originally Issued	Outstanding <u>June 30, 2008</u>
Revenue bonds/notes:						
Wastewater revenue capital loan notes, series 1996	Feb 16, 1996	4.19%	Jun 1, 2016	\$ 156,000-261,000	\$ 4,745,000	\$ 1,798,000
Hospital revenue bond, series 1998	Nov 1, 1998	5.00%	Jun 1, 2015	187,000-266,000	3,000,000	1,645,464
Hospital revenue note	Oct 7, 2005	4.50%	Jun 1, 2009	44,000-172,000	500,000	44,288
Total business type activities						3,487,752
Total						\$ 7,177,752

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2008

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

Year Ending <u>June 30,</u>	General Obligation		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 740,000	125,488	865,488
2010	565,000	102,093	667,093
2011	475,000	84,283	559,283
2012	500,000	68,885	568,885
2013	520,000	51,938	571,938
2014-2017	<u>890,000</u>	<u>68,880</u>	<u>958,880</u>
	<u>\$ 3,690,000</u>	<u>501,565</u>	<u>4,191,565</u>

Year Ending <u>June 30,</u>	Revenue			<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2009	\$ 453,458	131,837	585,295	1,450,783
2010	425,769	114,836	540,605	1,207,698
2011	443,911	97,454	541,365	1,100,648
2012	461,622	79,293	540,915	1,109,800
2013	480,933	60,352	541,285	1,113,223
2014-2018	<u>1,222,059</u>	<u>68,090</u>	<u>1,290,149</u>	<u>2,249,029</u>
	<u>\$ 3,487,752</u>	<u>551,862</u>	<u>4,039,614</u>	<u>8,231,179</u>

As of June 30, 2008, the general obligation debt issued by the City did not exceed its legal debt margin computed as follows:

Actual valuation	\$ <u>229,862,919</u>
Debt limit – 5% of total actual valuation	11,493,146
Debt applicable to debt limit:	
General obligation bonded debt outstanding	<u>3,690,000</u>
Legal debt margin	<u>\$ 7,803,146</u>
	=====

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2008

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, 2008 is \$20,000.

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2008

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Emergency	\$ 24,828
	Local Option Sales Tax	271,651
	Capital Projects	12,421
	Enterprise:	
	Water	55,000
	Sewer	45,000
Special Revenue		
Economic Development	TIF	43,502
	Capital Projects	69,428
Road Use	General	19,338
Local Option Sales Tax	Enterprise:	
	Water	13,042
	Capital Projects	123,746
Special Revenue		
Police Designated	General	13,865
Debt Service	Special Revenue:	
	TIF	353,998
	Local Option Sales Tax	271,722
Capital Projects	General	11,231
	Special Revenue:	
	TIF	723,334
	Local Option Sales Tax	116,508
	Economic Development Loans	95,898

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2008

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Enterprise Wastewater	General	127
Component Unit – Airport	General	<u>33,210</u>
Total		<u>\$ 2,297,849</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>
Special Revenue:	Special Revenue:	
Economic Development Loans	Tax Increment Financing Revenues	100,000
Local Option Sales Tax	Special Revenue:	
	Tax Increment Financing Revenues	36,719
	Capital Projects	31,333
Enterprise:	Special Revenue:	
Water	Tax Increment Financing Revenues	31,304
Wastewater	Special Revenue:	
	Tax Increment Financial Revenues	<u>31,304</u>
Total		<u>\$ 230,660</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, 2008

**(8) Economic Development Loans Receivable**

The City has two long-term loans receivable totaling \$46,123 as of June 30, 2008 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 \$12,123 as of June 30, 2008 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.

The second loan of \$34,000 as of June 30, 2008 requires annual interest payments of 3%. The principle amount due each year is reviewed annually. The loan is secured by assignment contract and mortgage.

**(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 3.90% of their annual covered salary and the City is required to contribute 6.05% 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, 2008, 2007 and 2006 were \$105,813, \$102,005 and \$99,171, respectively, equal to the required contributions for each year.

**(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 \$1,269,132 is outstanding at June 30, 2008. 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.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2008

**(11) 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, 2008 is \$405,000.00.

**(12) 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.

**(13) 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 \$1,782,464 for the year ended June 30, 2008.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2008

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 \$384,715 for the years ended June 30, 2008.

Due to Affiliated Organization

As of June 30, 2008, the Hospital records reflect a due to Medical Center – North Iowa of \$188,458 for the various services and distributions related to these agreements.

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, 2008, 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, 2008, is as follows:

Assets	\$ 531,031
	=====
Liabilities	\$ 4,553
Net assets	<u>526,478</u>
Total liabilities and net assets	\$ 531,031
	=====
Revenues	\$ 242,370
	=====
Net income	\$ 50,723
	=====

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2008

**(14) Construction Commitments**

As of June 30, 2008, the City had the following commitments with respect to capital projects that have been approved by the Council:

The South Road project will be approximately 1.8 million which will be paid from a RISE grant, local option sales tax and county funds.

The Trail project will be approximately \$442,000 and paid by grants and local sources.

**(15) 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, 2008 was \$50,270. Future payments are as follows:

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:

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

Rent expense of \$25,200 and \$20,800 on the rental agreement is included in the clinic's expenses for the years ended June 30, 2008 and 2007, respectively.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2008

**(16) 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.

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.

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2008

**(17) Restatement of Beginning Fund Balances**

The beginning balances of a few governmental funds were restated to correctly reflect the beginning balances of interfund loans, as noted below:

	<u>General</u>	<u>Tax Increment Financing Revenues</u>	<u>Local Option Sales Tax</u>	<u>Capital Projects</u>
Balance as originally stated	\$ 581,682	(591,624)	1,207,746	475,853
Adjustment	<u>(1,187)</u>	<u>(11,950)</u>	<u>8,450</u>	<u>4,686</u>
Restated Beginning Balance	\$ <u>580,495</u>	<u>(603,574)</u>	<u>1,216,196</u>	<u>480,542</u>

The beginning fund balance of the total governmental funds did not change, just the balance of some individual funds.

**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, 2008

	Funds Budgeted on Cash Basis - Actual			Total
	Governmental Fund Types	Proprietary Fund Type - Enterprise (excluding Hospital)	Component Unit - Airport Authority	
Receipts/Revenues:				
Property tax	\$ 1,513,197	-	22,907	1,536,104
Tax increment financing	1,917,274	-	-	1,917,274
Other city tax	711,274	-	1,920	713,194
Licenses and permits	64,039	-	-	64,039
Use of money and property	221,319	156,057	16,820	394,196
Intergovernmental	1,247,330	-	-	1,247,330
Charges for service	101,447	2,373,664	-	2,475,111
Special assessments	-	-	-	-
Miscellaneous	1,587,572	3,322	203	1,591,097
Total receipts/revenues	<u>7,363,452</u>	<u>2,533,043</u>	<u>41,850</u>	<u>9,938,345</u>
Disbursements/Expenses:				
Public safety	1,330,496	-	-	1,330,496
Public works	595,701	-	75,059	670,760
Culture and recreation	654,799	-	-	654,799
Community and economic development	34,684	-	-	34,684
General government	158,511	-	-	158,511
Debt service	2,193,492	-	-	2,193,492
Capital projects	1,627,531	-	-	1,627,531
Business type activities	-	1,974,091	-	1,974,091
Total disbursements/expenses	<u>6,595,214</u>	<u>1,974,091</u>	<u>75,059</u>	<u>8,644,364</u>
Excess (deficiency) of receipts/revenues over (under) disbursements/expenses	768,238	558,952	(33,209)	1,293,981
Other financing sources, net	<u>49,852</u>	<u>(83,063)</u>	<u>33,209</u>	<u>(2)</u>
Excess (deficiency) of receipts/revenues and other and other financing uses	818,090	475,889	-	1,293,979
Balances/net assets beginning of year	<u>4,055,831</u>	<u>2,770,513</u>	<u>-</u>	<u>6,826,344</u>
Balances/net assets end of year	<u>\$ 4,873,921</u>	<u>3,246,402</u>	<u>-</u>	<u>8,120,323</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>
-	1,536,104	1,536,612	1,536,612	(508)
-	1,917,274	1,749,000	1,749,000	168,274
-	713,194	721,860	721,860	(8,666)
-	64,039	50,085	57,085	6,954
-	394,196	181,923	381,273	12,923
-	1,247,330	841,622	1,625,776	(378,446)
18,581,197	21,056,308	20,905,644	21,071,044	(14,736)
-	-	500	500	(500)
-	1,591,097	97,129	175,579	1,415,518
18,581,197	28,519,542	26,084,375	27,318,729	1,200,813
-	1,330,496	1,251,424	1,317,899	(12,597)
-	670,760	680,883	774,783	104,023
-	654,799	678,612	724,442	69,643
-	34,684	73,000	73,000	38,316
-	158,511	149,566	172,266	13,755
-	2,193,492	877,353	877,353	(1,316,139)
-	1,627,531	1,056,929	2,181,729	554,198
18,059,460	20,033,551	21,224,097	21,476,597	1,443,046
18,059,460	26,703,824	25,991,864	27,598,069	894,245
521,737	1,815,718	92,511	(279,340)	2,095,058
-	(2)	-	-	(2)
521,737	1,815,716	92,511	(279,340)	2,095,056
9,986,661	14,891,892	13,789,870	14,891,892	-
10,508,398	16,707,608	13,882,381	14,612,552	2,095,056

City of Iowa Falls, Iowa

Budgetary Comparison Schedule-Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds			Proprietary Funds		
				Enterprise (Excluding Hospital)		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 7,363,452	(1,358,434)	6,005,018	2,533,043	238,291	2,771,334
Expenditures	<u>(6,595,214)</u>	<u>(5,240)</u>	<u>(6,600,454)</u>	<u>(1,974,091)</u>	<u>(138,374)</u>	<u>(2,112,465)</u>
Net	768,238	(1,363,674)	(595,436)	558,952	99,917	658,869
Other financing sources (uses)	49,852	1,354,281	1,404,133	(83,063)	(29,852)	(112,915)
Beginning fund balances	<u>4,055,831</u>	<u>(412,676)</u>	<u>4,041,759</u>	<u>2,770,513</u>	<u>5,525,692</u>	<u>8,296,205</u>
Ending fund balances	<u>\$ 4,873,921</u>	<u>(23,465)</u>	<u>4,850,456</u>	<u>3,246,402</u>	<u>5,595,757</u>	<u>8,842,159</u>

	Discretely Presented Component Unit		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 41,850	485,489	527,339
Expenses	<u>(75,059)</u>	<u>(121,565)</u>	<u>(196,624)</u>
Net	(33,209)	363,925	330,716
Other financing sources (uses)	33,209		33,210
Beginning fund balance	<u>-</u>	<u>915,265</u>	<u>915,265</u>
Ending fund balance	<u>\$ -</u>	<u>1,279,190</u>	<u>1,279,191</u>

See accompanying independent auditor's report.

City of Iowa Falls, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2008

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 \$1,606,205, revenues by \$1,234,354. 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, 2008, disbursements in the public safety and debt service functions exceeded the amounts budgeted.

## **Other Supplementary Information**

City of Iowa Falls, Iowa  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2008

	Special	
	Hotel Motel Tax	Emergency
<b>Assets</b>		
Cash	\$ 92,602	-
Receivables:		
Property tax:		
Delinquent	-	292
Succeeding year	-	23,478
Accounts		
Accrued interest	415	-
Due from other governments	-	-
Prepaid expenditures	-	-
<b>Total assets</b>	<b>93,017</b>	<b>23,770</b>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable	4,120	-
Salaries and benefits payable	-	-
Deferred revenue:		
Succeeding year property tax	-	23,478
Other	-	2
<b>Total liabilities</b>	<b>4,120</b>	<b>23,480</b>
Fund balances:		
Reserved for:		
Prepaid expenditures	-	-
Advance to other funds		-
Unreserved, undesignated	88,897	290
<b>Total fund balances</b>	<b>88,897</b>	<b>290</b>
<b>Total liabilities and fund balances</b>	<b>\$ 93,017</b>	<b>23,770</b>

See accompanying independent auditor's report.

Schedule 1

Revenue						
<u>Road Use Tax</u>	<u>Carnegie- Ellsworth Endowment</u>	<u>Carnegie- Ellsworth Maintenance</u>	<u>Police Designated</u>	<u>Volunteer Fire Department</u>	<u>Total</u>	
77,055	559,540	178,341	9,153	9,323	926,014	
-	-	-	-	-	292	
-	-	-	-	-	23,478	
11,970						
-	-	3,307	40	40	3,802	
43,236	-	-	-	-	43,236	
21,374	-	-	-	-	21,374	
<u>153,635</u>	<u>559,540</u>	<u>181,648</u>	<u>9,193</u>	<u>9,363</u>	<u>1,030,166</u>	
21,601	-	808	-	291	26,820	
9,790	-	-	-	-	9,790	
-	-	-	-	-	23,478	
-	-	-	-	-	2	
<u>31,391</u>	<u>-</u>	<u>808</u>	<u>-</u>	<u>291</u>	<u>60,090</u>	
21,374	-	-	-	-	21,374	
-	-	-	-	-	-	
<u>100,870</u>	<u>559,540</u>	<u>180,840</u>	<u>9,193</u>	<u>9,072</u>	<u>948,702</u>	
<u>122,244</u>	<u>559,540</u>	<u>180,840</u>	<u>9,193</u>	<u>9,072</u>	<u>970,076</u>	
<u>153,635</u>	<u>559,540</u>	<u>181,648</u>	<u>9,193</u>	<u>9,363</u>	<u>1,030,166</u>	

City of Iowa Falls, Iowa

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances

Nonmajor Governmental Funds

Year ended June 30, 2008

	Special		
	Hotel/Motel Tax	Emergency	Road Use Tax
Revenues:			
Other city tax	\$ 87,176	24,833	-
Use of money and property	2,764	-	-
Intergovernmental	-	-	487,230
Miscellaneous	-	-	56,395
Total revenues	<u>89,940</u>	<u>24,833</u>	<u>543,625</u>
Expenditures:			
Operating:			
Public safety	-	-	-
Public works	-	-	480,137
Community and economic development	38,803	-	-
Total expenditures	<u>38,803</u>	<u>-</u>	<u>480,137</u>
Excess of revenues over expenditures	<u>51,137</u>	<u>24,833</u>	<u>63,488</u>
Other financing sources (uses):			
Transfers in	-	-	19,338
Transfers out	-	(24,828)	-
Total other financing sources (uses):	<u>-</u>	<u>(24,828)</u>	<u>19,338</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures and other financing uses	51,137	5	82,826
Fund balances beginning of year	<u>37,760</u>	<u>285</u>	<u>39,418</u>
Fund balances end of year	<u>\$ 88,897</u>	<u>290</u>	<u>122,244</u>

See accompanying independent auditor's report.

Schedule 2

Revenue				
<u>Carnegie- Ellsworth Endowment</u>	<u>Carnegie- Ellsworth Maintenance</u>	<u>Police Designated</u>	<u>Volunteer Fire Department</u>	<u>Total</u>
-	-	-	-	112,009
-	31,844	602	522	35,732
-	-	-	-	487,230
-	-	27,556	12,019	95,970
-	31,844	28,158	12,541	730,941
-	-	32,830	13,458	46,288
-	-	-	-	480,137
-	18,187	-	-	56,990
-	18,187	32,830	13,458	583,415
-	13,657	(4,672)	(917)	147,526
-	-	13,865	-	33,203
-	-	-	-	(24,828)
-	-	13,865	-	8,375
-	13,657	9,193	(917)	155,901
559,540	167,183	-	9,989	814,175
559,540	180,840	9,193	9,072	970,076

City of Iowa Falls, Iowa

Bond and Note Maturities

June 30, 2008

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
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>\$ 55,000</u>		<u>\$ 445,000</u>		<u>\$ 705,000</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
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>\$ 380,000</u>		<u>\$ 185,000.00</u>		<u>\$ 620,000.00</u>

See accompanying independent auditor's report.

<u>Bonds/Notes</u>				
<u>GO Refunding Capital Loan Notes</u>			<u>Capital Loan Notes</u>	
<u>Issued Mar 15, 2008</u>			<u>Issued Oct 15, 2001</u>	
Interest			Interest	
<u>Rates</u>	<u>Amount</u>		<u>Rates</u>	<u>Amount</u>
2.35 %	\$	185,000	4.00 %	\$ 130,000
2.50		185,000		-
2.70		190,000		-
2.90		195,000		-
3.05		205,000		-
3.20		210,000		-
		-		-
		-		-
		-		-
		<u>\$ 1,170,000</u>		<u>\$ 130,000</u>

<u>Revenue Bonds/Notes</u>						
<u>Wastewater Revenue</u>			<u>Hospital Revenue</u>		<u>Hospital Revenue</u>	
<u>Capital Loan Notes</u>			<u>Bond Series 1998</u>		<u>Note Series 2005</u>	
<u>Series 1996</u>			<u>Issued Nov 1, 1998</u>		<u>Issued Oct 7, 2005</u>	
<u>Year</u>	Interest		Interest		Interest	
<u>Ending</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
<u>June 30,</u>						
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	232,186		-
2016	3.00	249,000		-		-
2017		-		-		-
Total		<u>\$ 1,798,000</u>		<u>\$ 1,645,464</u>		<u>\$ 44,288</u>

Bond and Note Maturities

June 30, 2008

General Obligation Bonds/Notes			Revenue Bonds/Notes		
Year Ending June 30,		Total	Year Ending June 30,		Total
2009	\$	555,000	2009	\$	453,458
2010		565,000	2010		425,769
2011		470,000	2011		443,911
2012		495,000	2012		461,622
2013		510,000	2013		480,933
2014		450,000	2014		499,873
2015		350,000	2015		473,186
2016		145,000	2016		249,000
2017		150,000	2017		-
Total	\$	<u>3,690,000</u>	Total	\$	<u>3,487,752</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>2008</u>	<u>2007</u>
Revenues:		
Property tax	\$ 1,494,982	1,400,514
Tax increment financing revenue	1,917,546	1,811,571
Other city tax	713,382	754,511
Licenses and permits	72,499	62,128
Use of money and property	199,157	243,822
Intergovernmental	1,184,468	776,088
Charges for service	119,465	146,950
Miscellaneous	<u>303,519</u>	<u>209,422</u>
Total	<u>\$ 6,005,018</u>	<u>5,405,007</u>
Expenditures:		
Operating:		
Public safety	\$ 1,296,586	1,315,999
Public works	597,857	650,685
Culture and recreation	671,157	705,734
Community and economic development	99,582	153,248
General government	152,263	116,442
Debt service	2,193,492	845,465
Capital projects	<u>1,589,517</u>	<u>1,599,999</u>
Total	<u>\$ 6,600,454</u>	<u>5,387,572</u>

See accompanying independent auditor's report.

Schedule 4

<u>Modified Accrual Basis</u>	
<u>2006</u>	<u>2005</u>
1,362,623	1,435,121
1,286,764	1,142,363
666,026	605,179
52,250	86,381
217,700	156,051
819,551	761,667
137,101	136,768
<u>373,608</u>	<u>368,117</u>
<u><u>4,915,623</u></u>	<u><u>4,691,647</u></u>
1,234,754	1,207,781
565,837	443,900
578,525	618,940
136,666	116,335
123,957	175,021
800,951	775,946
<u>1,924,758</u>	<u>2,341,908</u>
<u><u>5,365,448</u></u>	<u><u>5,679,831</u></u>

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

<u>Granter/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Transportation:			
Airport Improvement Program	20.106	03-19-0048-2006	\$ 5,766
Airport Improvement Program	20.106	03-19-0048-2007	<u>287,842</u>
			<u>293,608</u>
Department of Homeland Security:			
Assistance to Firefighters	97.044	2005-FF-01083	3,230
Assistance to Firefighters	97.044	2006-FG-02535	6,539
Assistance to Firefighters	97.044	2007-FF-00355	<u>1,567</u>
			<u>11,336</u>
Total Direct			<u>304,944</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grant/ State's Program	14.228	06-HSG-03-05	<u>137,343</u>
U.S. Department of Transportation:			
Iowa Department of Transportation Highway Planning and Construction	20.205	STP-U-3270(607)-70-42	<u>95,026</u>
Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance	97.036		<u>18,132</u>
Total Indirect			<u>250,501</u>
Total			<u>\$ 555,445</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Iowa Falls and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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, 2008, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated March 5, 2009. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency.

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 generally accepted accounting principles 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. We consider the deficiency described in Part II of the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 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 and Questioned Costs. 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 5, 2009

Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the compliance of the City of Iowa Falls, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2008. The City of Iowa Falls' major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of the City of Iowa Falls' management. Our responsibility is to express an opinion on the City of Iowa Falls' compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Iowa Falls' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Iowa Falls' compliance with those requirements.

In our opinion, the City of Iowa Falls complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

## Internal Control Over Compliance

The management of the City of Iowa Falls is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Iowa Falls' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Iowa Falls' internal control over compliance.

A *control deficiency* in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

The City of Iowa Falls' response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's 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.

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

March 5, 2009

City of Iowa Falls, Iowa  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2008

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.106 – Airport Improvement Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Iowa Falls did not qualify as a low-risk auditee.

City of Iowa Falls, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Part II: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

II-A-08 - Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP). The City of Iowa Falls does not have an internal control system designed to provide for the preparation of the financial statements, including accompanying footnotes and statements of cash flows, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in and Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with generally accepted accounting principles can be considered costly and ineffective. However, it is the responsibility of the City’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the time necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

City of Iowa Falls, Iowa  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2008

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

No material weaknesses in internal control over the major programs were noted.

**Part IV: Other Findings Related to Statutory Reporting:**

IV-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the public safety and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “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.

Conclusion – Response accepted.

IV-B-08 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-08 Travel Expense – No disbursements 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, 2008

IV-D-08 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	\$ 476
Steve Henry, Fire Secretary/ Treasurer, owner of Iowa Falls Glass	Supplies for fire station	1,675
Rick Gustin, Fire Chief Owner of Iowa Falls Heating & A/C	Heating & air conditioning maintenance & supplies	10,060

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. \$6,200 of the fees paid to Iowa Falls Heating and A/C was done on an emergency basis and there was not time for a bid.

Conclusion – Response accepted.

II-E-08 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, 2008

- IV-F-08 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-08 Revenue Bonds and Notes – The City has complied with the revenue bond and note provisions.
- IV-H-08 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.

City of Iowa Falls, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

IV-I-08 Other Information Required by Bond Resolution

Insurance – The following insurance policies were in force at June 30, 2008:

<u>Insurer</u>	<u>Description</u>	<u>Amount</u>	<u>Expiration Date</u>
Employer's Mutual	Property coverage	\$ 18,939,995	Apr 1, 2009
Employer's Mutual	Liability coverage:		
	General aggregate	2,000,000	Apr 1, 2009
	Products aggregate	2,000,000	Apr 1, 2009
	Personal injury	1,000,000	Apr 1, 2009
	Each occurrence	1,000,000	Apr 1, 2009
	Fire damage	1,000,000	Apr 1, 2009
	Medical expense	5,000	Apr 1, 2009
Employer's Mutual	Inland Marine:		
	Contractor's equipment	665,878	Apr 1, 2009
	Data processing	192,569	Apr 1, 2009
	Valuable papers	650,000	Apr 1, 2009
	Miscellaneous property	51,028	Apr 1, 2009
Employer's Mutual	Automobile coverage:		
	Liability	1,000,000	Apr 1, 2009
	Auto medical	5,000	Apr 1, 2009
	Uninsured motorist	50,000	Apr 1, 2009
	Underinsured motorist	50,000	Apr 1, 2009
	Comprehensive/collision	Lesser of cash value or cost of repair	Apr 1, 2009

City of Iowa Falls, Iowa  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2008

Insurer	Description	Amount	Expiration Date
Employer's Mutual	Worker's compensation:		
	Bodily injury by accident	500,000	Apr 1, 2009
	Bodily injury by disease	500,000	Apr 1, 2009
	Policy limit	500,000	Apr 1, 2009
Employer's Mutual	Umbrella:		
	Retained limit	10,000	Apr 1, 2009
	Occurrence limit	3,000,000	Apr 1, 2009
	Aggregate limit	3,000,000	Apr 1, 2009
Employer's Mutual	Linebacker:		
	Each loss	1,000,000	Apr 1, 2009
	Aggregate	1,000,000	Apr 1, 2009
Old Republic Insurance Company	Airport liability:		
	Combined single:		
	Each occurrence	1,000,000	Jul 1, 2009
	Malpractice aggregate	1,000,000	Jul 1, 2009
	Fire damage	50,000	Jul 1, 2009
	Medical expense	1,000	Jul 1, 2009
	Hangarkeepers-per aircraft	200,000	Jul 1, 2009
	Hangarkeepers-per occurrence	200,000	Jul 1, 2009
Darwin Select Insurance Company	Airport public officials and employees' liability	1,000,000	Jul 1, 2009

City of Iowa Falls, Iowa  
 Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Insurer	Description	Amount	Expiration Date
Allied Insurance Company	Public employees' blanket bond	100,000	Continuous until canceled
PMMIC	Pollution liability: Underground tanks	1,000,000	Nov 17, 2008

Statistical Information:

Description	Amount
Customers served at June 30, 2008 – Water	2,246
Customers served at June 30, 2008 – Sewer	2,224

Water rates in effect at June 30, 2008:

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, 2008:

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