Iowa League of Cities

Financial Report

June 30, 2008

McGladrey & Pullen

Certified Public Accountants

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Certified Public Accountants

Independent Auditor's Report on the Financial Statements

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

We have audited the accompanying statements of financial position of Iowa League of Cities as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the League's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Iowa League of Cities as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Des Moines, Iowa
August 27, 2008

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Iowa League of Cities

Statements of Financial Position
June 30, 2008 and 2007

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash	$ 582,579	$ 460,201
Restricted cash	67,950	-
Certificates of deposit	899,600	849,434
Receivables:		
Trade	27,989	2,316
Affiliate (Note 4)	-	3,992
Interest	7,117	18,378
Prepaid expenses	7,225	8,315
Total current assets	1,592,460	1,342,636
FURNITURE, FIXTURES AND EQUIPMENT, net (Note 2)	111,796	166,069
PREPAID EXPENSE	10,000	10,000
Total assets	$ 1,714,256	$ 1,518,705
LIABILITIES AND NET ASSETS (Note 4)		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 251,447	$ 141,335
Deferred income	190,216	328,646
Deferred rent	54,325	56,346
Total current liabilities	495,988	526,327
NET ASSETS, unrestricted	1,218,268	992,378
Total liabilities and net assets	$ 1,714,256	$ 1,518,705

See Notes to Financial Statements.

Iowa League of Cities

Statements of Activities
Years Ended June 30, 2008 and 2007

	2008	2007
Revenue:		
Membership dues	$ 650,307	$ 621,243
Associate member dues	45,132	43,877
Advertising	100,912	85,494
Sponsorship	14,667	24,838
Subscriptions	37,217	35,302
Registrations	270,754	214,572
Fees and royalties (Note 4)	1,721,813	1,624,256
Interest	64,059	70,473
Other	13,755	4,059
	2,918,616	2,724,114
Expenses (Note 6):		
Salaries, payroll taxes and fringe benefits (Note 3)	1,584,339	1,547,139
Rent and parking (Note 5)	219,693	202,853
Telephone	7,139	5,712
Travel	31,915	51,728
Professional fees	177,956	256,861
Dues and subscriptions	36,128	35,066
Registration	1,123	15,285
Insurance	44,495	48,349
Equipment and computer	87,432	104,775
Printing	115,623	73,479
Postage	51,529	36,880
Supplies	36,462	28,707
Meeting	153,279	141,408
Depreciation	65,171	62,181
Miscellaneous	80,442	26,084
	2,692,726	2,636,507
Increase in unrestricted net assets	225,890	87,607
Unrestricted net assets, beginning	992,378	904,771
Unrestricted net assets, ending	$ 1,218,268	$ 992,378

See Notes to Financial Statements.

Iowa League of Cities

Statements of Cash Flows
Years Ended June 30, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in unrestricted net assets	$ 225,890	$ 87,607
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation	65,171	62,181
Changes in working capital components:		
(Increase) in receivables	(14,412)	(5,884)
(Increase) decrease in prepaid expenses	1,090	(9,652)
Increase (decrease) in accounts payable and accrued expenses	110,112	(1,532)
Increase (decrease) in deferred income	(138,430)	186,509
Increase (decrease) in deferred rent	(2,021)	12,127
Net cash provided by operating activities	247,400	331,356
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) in restricted cash	(67,950)	-
(Increase) decrease in advances to affiliate receivable	3,992	(824)
Purchase of furniture, fixtures and equipment	(10,898)	(76,215)
Purchase of certificates of deposit	(1,000,166)	(2,843,710)
Proceeds from redemption of certificates of deposit	950,000	2,890,000
Net cash (used in) investing activities	(125,022)	(30,749)
Net increase in cash	122,378	300,607
CASH		
Beginning	460,201	159,594
Ending	$ 582,579	$ 460,201

See Notes to Financial Statements.

Note 1. Nature of League and Significant Accounting Policies

Nature of organization: The League of Iowa Municipalities was founded in 1898, changed its name to the Iowa League of Cities (the League) in 1996 and is a grassroots organization controlled by its members. The purpose of the League is the improvement of municipal government and the administration thereof through cooperative effort and the promotion of the general welfare of the cities of Iowa. The members elect the League's officers and Executive Board (the Board of Directors or the Board) and determine, by direct vote, what the League's policies will be from year to year. The League is governed by a 19-member Board of Directors. A majority of the Board members must be elected officials, and representation on the Board must come from cities of all sizes. Officers are elected to a one-year term and Board members are elected to a two-year term at the League's annual meeting each fall.

Significant accounting policies:

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

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

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

Restricted cash: Restricted cash consists of amounts received by the League that are for the benefit of other agencies. The League will collect registration fees for conferences held by other agencies and these fees are held by the League until the conclusion of the conference.

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

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

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

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

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

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

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

Note 2. Furniture, Fixtures and Equipment

Detail of furniture, fixtures and equipment is as follows at June 30, 2008 and 2007:

	2008	2007
Furniture and fixtures	$ 120,369	$ 117,075
Computer equipment	160,196	152,592
Auto	60,737	60,737
Other equipment	72,186	72,186
	413,488	402,590
Accumulated depreciation	301,692	236,521
	$ 111,796	$ 166,069

Note 3. Retirement Benefits

The League has a noncontributory retirement plan covering all full-time employees who have completed 90 days of service. The League pays approximately 10% of gross salary into the plan in lieu of social security. Employer contributions totaled approximately $117,000 and $119,000 for the years ended June 30, 2008 and 2007, respectively. In 2004, the League began a contributory retirement plan covering all full-time employees. Employees may contribute a dollar amount or percent per pay period. The League matches fifty cents on the dollar up to 2% of gross salary. Employer contributions totaled approximately $81,000 and $85,000 for the years ended June 30, 2008 and 2007, respectively.

Note 4. Related-Party Transactions

The League has a cooperation agreement with the Iowa Communities Assurance Pool (ICAP) that provides for service fees to be paid to the League. Service fees received by the League totaled approximately $235,000 and $269,000 for the years ended June 30, 2008 and 2007, respectively. The agreement is subject to termination by either party annually upon 30 days written notice. The League's executive director serves as a member of the Board of Directors of ICAP.

The League has a management agreement with the Iowa Municipalities Workers' Compensation Association (IMWCA), an affiliate, that provides for a management fee of $96,666 per month at June 30, 2008. During the years ended June 30, 2008 and 2007, the League received approximately $1,160,000 and $1,040,000, respectively, in management fees. The agreement is subject to termination by either party upon six months written notice. In addition, the League purchased fixed assets on behalf of IMWCA. At June 30, 2008 and 2007, the League had recorded a receivable related to these purchases totaling approximately none and $4,000, respectively.

The League also has an agreement with IMWCA which provides the League a fee for institutional value equal to 1.5% of the annual net premium for the participating member cities of the workers' compensation program for as long as the agreement is in effect. The annual premiums received totaled approximately $117,000 and $111,000 for the years ended June 30, 2008 and 2007, respectively. The IMWCA Board stipulated that money paid to the League for institutional value be used to promote the League and affiliated programs.

The League and Iowa Public Agency Investment Trust (IPAIT) have a license agreement which provides for royalty payments. Royalty payments received by the League totaled approximately $140,000 and $137,000 for the years ended June 30, 2008 and 2007, respectively. This agreement is subject to termination by either party upon 60 days written notice. The League's executive director serves as an ex-officio board member for IPAIT.

The League has a contract with the Iowa City Management Association (IaCMA) to provide membership services. Service fees received by the League totaled approximately $1,500 for both years ended June 30, 2008 and 2007. The contract is subject to termination annually with 60 days written notice. The League's executive director serves as the nonvoting secretary/treasurer of IaCMA.

The League is party to an agreement among three associations that establishes the Drug and Alcohol Testing Alliance (DATA) in order to provide drug and alcohol testing services to local government entities required to conduct such tests by federal regulation. The agreement provides that the League perform administrative oversight to the third party administrator on behalf of the associations. The League received approximately $25,000 and $28,000 of the administrative fees paid to DATA to cover administrative overhead for the years ended June 30, 2008 and 2007, respectively.

Note 5. Lease Commitments and Rent Expense

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

Approximate future minimum lease payments are as follows:

Year ending June 30:	
2009	$ 160,000
2010	160,000
2011	160,000
2012	160,000
2013	67,000
	$ 707,000

Related rent expense for the years ended June 30, 2008 and 2007 totaled approximately $187,000 and $170,000, respectively.

Note 6. Functional Expenses

Approximate expenses for program service and general and administrative supporting activities for the years ended June 30, 2008 and 2007 are as follows:

	2008	2007
Program service	**$ 2,450,000**	$ 2,400,000
Supporting activities, general and administrative	**243,000**	237,000
	$ 2,693,000	$ 2,637,000

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Certified Public Accountants

Independent Auditor's Report
on the Supplementary Information

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

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

McGladrey & Pullen, LLP

Des Moines, Iowa
August 27, 2008

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Iowa League of Cities

Executive Board and Staff

Name	Title	Board Term Expires
	EXECUTIVE BOARD (Before September 2008 Election)	
Jim Fausett	President	Sept 2008
Tim Hurley	President Elect	Sept 2008
Christine Hensley	Immediate Past President	Sept 2008
Thomas Hanafan	Past President	Sept 2009
Terry Donahue	Past President	Sept 2008
Lorie Bennett	Director	Sept 2008
Guy Brace	Director	Sept 2008
Denise Hoy	Director	Sept 2009
Mark Arentsen	Director	Sept 2008
John Freeland	Director	Sept 2008
Kris Gulick	Director	Sept 2009
Terry L. Cox	Director	Sept 2009
A.J. Johnson	Director	Sept 2008
Ronald Peterson	Director	Sept 2009
Brent Hinson	Director	Sept 2010
Jeffrey Pomeranz	Director	Sept 2009
Ruth Randleman	Director	Sept 2008
Dale Uehling	Director	Sept 2009
Michael Isaacson	Director	Sept 2009
	STAFF	
Alan Kemp	Executive Director	Indefinite