

**CITY OF IOWA FALLS, IOWA**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**YEAR ENDED JUNE 30, 2009**

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**City of Iowa Falls, Iowa**

**List of Principal Officials**

**June 30, 2009**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jerrold Welden	Mayor	Jan 2010
John Allan	Mayor Pro-tem	Jan 2010
Mark Messa	Council Member	Jan 2010
Jody Anderson	Council Member	Jan 2012
David Gritsch	Council Member	Jan 2012
Bruce Thies	Council Member	Jan 2012
Brian Weuve	City Manager	July 2009
Jon Kies	City Clerk/Finance Director	July 2009
Clark McNeal	Attorney	July 2009
Ron Kuhfus	Police Chief	July 2009
Rick Gustin	Fire Chief	Indefinite
Terry Tikovitsch	Library Director	Indefinite
Brian Lorenzen	Parks & Recreation Director	Indefinite
Bruce Jeffries	Streets/Sanitation Superintendent	Indefinite
Jason Etnyre	Building & Zoning Director	Indefinite
Scott Peden	Water/Wastewater Superintendent	Indefinite
Jolene Liekweg	Deputy City Clerk	July 2009
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 Airport Authority, a 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, 2009, 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 or the Ellsworth Municipal Hospital Foundation, a discretely presented component unit. 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 and the Ellsworth Municipal Hospital Foundation 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 Airport Authority discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Iowa Falls at June 30, 2009, 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 December 7, 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 4 through 12 and 66 through 69 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 five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other auditors previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (none of which is presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

December 7, 2009

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2009**

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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, 2009. 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 \$35,605,752 (net assets). This was an increase of \$2,607,001 over net assets at June 30, 2008. Unrestricted assets at June 30, 2009 in the amount of \$9,441,940 may be used to meet the City's ongoing obligation to citizens and creditors.
- The expenses of the general fund exceeded revenues by \$44,452.
- At June 30, 2009, the unreserved balance for the general fund was \$235,272, or 12.6% percent of total general fund expenditures. This number represents a decrease in the unreserved balance of \$65,390.
- Within the City's business-type activities, revenues exceeded expenses by \$271,808. 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 7 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, Local Option Sales Tax fund, Payroll Tax fund, Debt Service fund and Capital Projects fund, all of which are considered to be major funds. Data from the other 5 governmental funds are combined into a single, aggregated presentation. Individual fund data fro each of these n-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net assets.** As noted earlier, net assets may serve as a useful indicator of a government's financial position when observed over time. In the case of the City, assets exceeded liabilities by \$35,605,752 at the close of the most recent fiscal year.

The most significant portion of the City's net assets (57.9%) 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	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 8,478,692	\$ 9,178,002	\$12,069,297	\$ 11,131,999	\$20,547,988	\$ 20,310,021
Capital assets, net of depreciation	13,821,614	12,405,157	13,223,630	13,754,645	27,045,244	26,159,802
<b>Total Assets</b>	<b>22,300,306</b>	<b>21,583,179</b>	<b>25,292,927</b>	<b>24,886,644</b>	<b>47,593,233</b>	<b>46,469,823</b>
Long-term debt outstanding	2,950,000	3,690,000	3,500,645	3,497,752	6,450,645	7,187,752
Other liabilities	3,464,787	4,342,853	2,072,049	1,940,467	5,536,836	6,283,320
<b>Total liabilities</b>	<b>6,414,787</b>	<b>8,032,853</b>	<b>5,572,694</b>	<b>5,438,219</b>	<b>11,987,481</b>	<b>13,471,072</b>
Net assets						
Invested in capital assets, net of related debt	10,871,614	8,715,157	9,722,985	10,256,893	20,594,599	18,972,050
Restricted	3,579,211	2,430,668	1,990,002	1,965,076	5,569,401	4,395,744
Unrestricted	1,434,694	2,404,501	8,007,246	7,226,456	9,441,940	9,630,957
<b>Total net assets</b>	<b>15,885,519</b>	<b>13,550,326</b>	<b>19,720,233</b>	<b>19,448,425</b>	<b>35,605,752</b>	<b>32,998,751</b>

A portion of the City's net assets (15.6%) represents resources that are subject to external restriction on how they may be used. The remaining balance of net assets (\$9,441,940) may be used to meet the City's ongoing obligations to citizens and creditors.

At the close of fiscal years 2009 and 2008, 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.

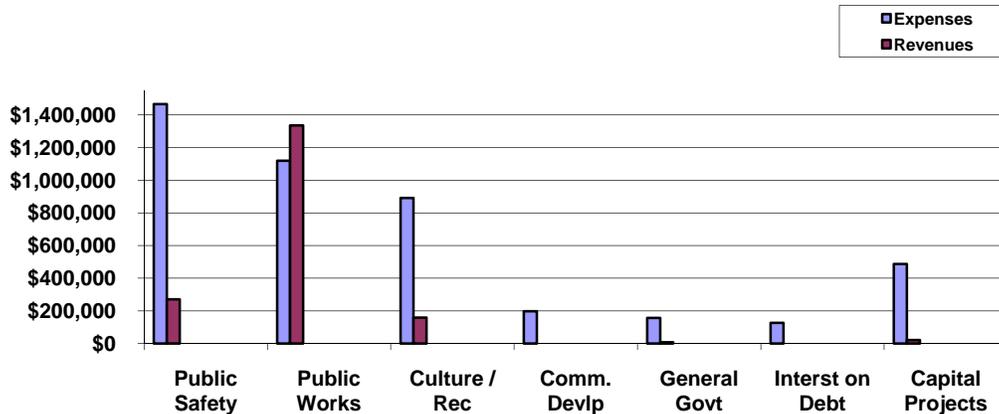
**Governmental activities.** Governmental activities increased the net assets of the City by \$2,325,193 or 89.5% of the total increase in net assets in 2009. Taxes are the largest source of governmental revenues with property taxes of \$1,684,763 in 2009 and other taxes (sales tax, TIF taxes, and hotel/motel tax) of \$2,784,780. Capital grants and contributions for 2009 totaled \$916,947. The \$81,472 increase in property tax collections in 2009 over 2008 was due to increased valuations as a result of releasing a portion of the increment held within the City's TIF districts. The increase in other taxes was due to increased local option tax, TIF taxes, and hotel/motel tax collections. Interest income increased by \$39,832 between Fiscal Year 2009 and 2008. Governmental expenses during 2009 decreased by \$543,373 over 2008 expenses or -10.9%

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

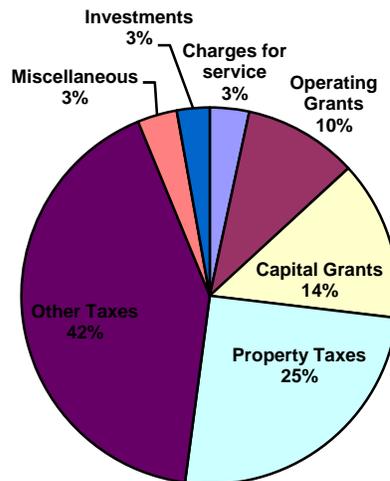
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
Program revenues						
Charges for service	\$ 224,787	\$ 240,157	\$21,095,112	\$ 19,794,096	\$21,319,899	\$ 20,034,256
Operating grants & contributions	666,364	603,252			664,364	603,252
Capital grants & contributions	916,947	681,847			916,947	681,847
General revenues						
Property taxes	1,684,763	1,603,288			1,684,763	1,603,288
Other taxes	2,784,780	2,498,805			2,784,780	2,498,805
Miscellaneous	227,050	332,353	1,042,081	1,393,914	1,269,131	1,726,267
Investment earnings	187,682	147,850	174,770	265,324	362,452	413,174
Other	-	(9,373)	(6,670)	(5,993)	(6,670)	(15,366)
<b>Total revenues</b>	<b>6,692,373</b>	<b>6,098,179</b>	<b>22,305,293</b>	<b>21,447,341</b>	<b>28,997,666</b>	<b>27,545,520</b>
<b>Expenses</b>						
Public safety	1,466,487	1,428,548			1,466,487	1,428,548
Public works	1,119,651	1,028,811			1,119,651	1,028,811
Culture and recreation	891,794	878,011			891,794	878,011
Community & economic development	197,772	75,050			197,772	75,050
General government	156,642	181,299			156,642	181,299
Interest on long-term debt	126,738	169,470			126,738	169,470
Other debt costs	5,744	4,014			5,744	4,014
Capital projects	486,962	1,220,960			486,962	1,220,960
Water utility			669,748	543,724	669,748	543,724
Sewer utility			916,350	844,777	916,350	844,777
Ellsworth Municipal Hospital			19,587,199	18,059,439	19,587,199	18,059,439
Sanitation utility			735,188	718,347	735,188	718,347
<b>Total expenses</b>	<b>4,451,790</b>	<b>4,986,163</b>	<b>21,908,485</b>	<b>20,166,287</b>	<b>26,360,275</b>	<b>25,152,450</b>
Excess before transfers	2,230,583	1,112,016	396,808	1,281,054	2,637,391	2,393,070
Transfers	94,610	79,705	(125,000)	(112,915)	(30,390)	(33,210)
<b>Increase in net assets</b>	<b>2,325,193</b>	<b>1,191,721</b>	<b>271,808</b>	<b>1,168,139</b>	<b>2,607,001</b>	<b>2,359,860</b>

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

### Expenses and Program Revenues – Governmental Activities



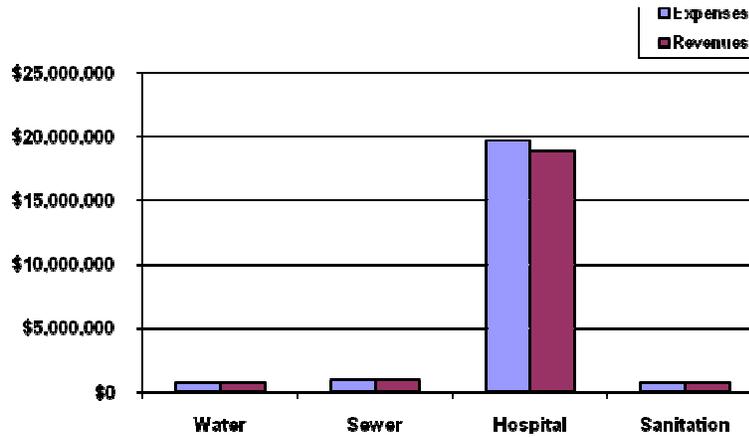
### Revenue Sources – Governmental Activities



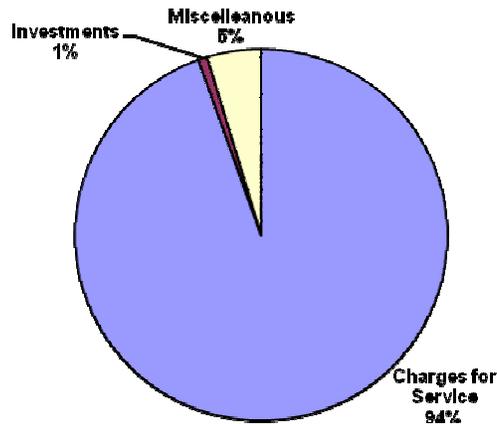
**Business-type activities.** Business-type activities increased net assets by \$271,808 accounting for 10.5% of the City of Iowa Falls growth in net assets at June 30, 2009. This was 76.74% lower than the 2008 increase in net assets of \$1,168,139. Business type charges for services increased \$1,301,016 during 2009 or 6.6% over 2008 totals. Investment earnings decreased \$90,554 or 34.1% during 2009.

The expenses of the business-type activities increased \$1,742,198 or 8.64% over 2008 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 \$4,948,156 at June 30, 2009. This was an increase of \$97,700 over the prior year. Approximately ninety-four percent (\$4,648,632) constitutes unreserved fund balance, an increase of \$163,983 over 2008 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 increased its fund balance for general operations during 2009 by \$6,074. At June 30, 2009, the fund balance of the general fund represented 12.6% of current annual expenditures.

The debt service fund balance increased \$11,638 or 11.1% to end the year at \$116,550. Expenditures in this fund total \$868,687 compared to \$2,193,492 in 2008, which represents a decrease of \$1,324,805 or -60.9%. The decrease in expenditures can be attributed to the City not issuing any new debt and the fact that in 2008, the City issued and refunding bonds and had to pay off the previous amount, thus increasing the amount of expenses for the one year.

**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, 2009 totals \$19,720,233 of which 41.0% (\$8,007,246) is unrestricted. This is a \$271,808 or 1.4% increase over the 2008 net assets of \$19,448,425.

The net assets of Ellsworth Municipal Hospital increase \$306,193 to \$10,912,459 or 2.89% over the 2008 net assets of \$10,606,266. The change in net assets includes investment earnings of \$96,122.

The water utility saw a decrease in net assets of \$12,248 or -0.3%. This includes investments earnings of \$35,093. Operating expenses for the water utility saw a 23.2% increase (\$126,024) over expenses in 2008 as the City was forced to make several repairs to equipment and sections of the system.

The wastewater utility saw a decrease in net assets of \$12,257 or -0.3%. This includes investment earnings of \$40,512. Operating expenses for the wastewater utility were up \$77,566 or 9.9% compared to 2008 expenses.

The solid waste disposal fund saw a decrease in net assets of \$9,880 or -2.6%. This includes investment earnings of \$3,043. Operating expenses for the solid waste disposal fund were up \$16,841 or 2.3% compared to 2008 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, 2009, amounts to \$27,045,244 (net of accumulated depreciation), an increase of \$885,442 or 3.4% above the 2008 investment of \$26,159,802. This increase can be attributed to the construction of new infrastructure, mainly the South Road RISE project to serve the new Ellsworth Community College buildings. 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	
	2009	2008	2009	2008	2009	2008
Land	\$ 885,920	\$ 885,920	\$ 733,257	\$ 733,257	\$ 1,619,177	\$ 1,619,177
Depreciable assets	10,882,532	11,334,470	12,278,552	12,597,302	23,161,084	23,941,772
Construction in progress	2,053,162	174,767	211,821	424,086	2,264,983	598,853
<b>Total</b>	<b>13,821,614</b>	<b>12,405,157</b>	<b>13,223,630</b>	<b>13,754,645</b>	<b>27,045,244</b>	<b>26,608,485</b>

**Long-term debt.** At the close of the fiscal year ended June 30, 2009, the City had bonds outstanding of \$6,450,645. General obligation debt was \$2,950,000 and revenue bonds outstanding totaled \$3,500,645. The City issued no new debt in Fiscal Year ending June 30, 2009.

**Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 2,950,000	\$ 3,690,000			\$ 2,950,000	\$ 3,690,000
Revenue Bonds			\$ 3,500,645	\$ 3,487,752	3,500,645	3,487,752
<b>Total net assets</b>	<b>2,950,000</b>	<b>3,690,000</b>	<b>3,500,645</b>	<b>3,487,752</b>	<b>6,450,645</b>	<b>7,177,752</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, 2007 related to the 2008-2009 fiscal year. The current debt limitation for the City is \$12,293,626. 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**

	2009	2008	Change
Local Option Tax	544,220	487,345	56,875
Hotel/Motel Tax	100,236	87,176	13,060
Road Use Tax	431,246	487,230	(55,984)
Building Permits	55,565	31,119	24,446

### ***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 2009-2010 budget actually lowered the overall property tax levy by \$1.76 to a rate of \$15.69 / \$1,000 of property valuation.

This decrease can be attributed mainly to the fact that the released valuation held within the City's TIF districts. By releasing this valuation back to the general valuation, the City's revenues needs are dispersed over a greater amount of tax value, thus driving the overall rate needed to generate the required amount of revenue down.

<b>Tax Levy Rate Comparison</b>		
	<b>2009</b>	<b>2008</b>
General Levy	8.10	8.10
Aviation Levy	0.27	0.27
Emergency Levy	0.27	0.27
Debt Service Levy	0.83	1.51
Trust and Agency Levy	5.42	6.26
Tort Liability	0.80	1.04
<b>Total</b>	<b>15.69</b>	<b>17.45</b>

### ***Utility rates.***

Rates charged the citizens of Iowa Falls by the water, wastewater and sanitation utilities were increased for FY 2009-2010. There is a proposed increase for all three utilities for FY 2010-2011. 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, 2009

	Primary Government		
	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash	\$ 5,003,747	6,352,193	11,355,940
Receivables:			
Property tax:			
Delinquent	22,138	-	22,138
Succeeding year	1,813,967	-	1,813,967
Tax increment financing:			
Delinquent	21,351	-	21,351
Succeeding year	1,301,172	-	1,301,172
Economic development loans	131,018	-	131,018
Customer accounts and unbilled usage (net of allowances for uncollectibles of 2,495,000)	-	3,318,194	3,318,194
Accounts	9,658	84,049	93,707
Accrued interest	5,371	23,721	29,092
Unconditional promises to give	-	-	-
Estimated third-party payor settlements	-	71,000	71,000
Due from other governments	104,782	2,568	107,350
Due from other funds	(50,674)	50,674	-
Inventories	-	384,655	384,655
Prepaid expenses	95,669	111,055	206,724
Restricted assets:			
Cash	-	1,054,323	1,054,323
Investment in affiliated organizations	-	605,097	605,097
Investments	-	-	-
Capital assets (net of accumulated depreciation)	13,821,614	13,223,630	27,045,244
Bond issuance costs	20,493	11,768	32,261
<b>Total assets</b>	<u>22,300,306</u>	<u>25,292,927</u>	<u>47,593,233</u>
<b>Liabilities</b>			
Accounts payable	102,673	657,096	759,769
Due to Ellsworth Municipal Hospital	-	-	-
Accrued interest payable	8,508	-	8,508
Salaries and benefits payable	87,763	624,912	712,675
Deferred Revenue:			
Succeeding year property tax	1,813,967	-	1,813,967
Succeeding year tax increment financing	1,301,172	-	1,301,172

Exhibit A

Component Units	
Airport Authority	Ellsworth Municipal Hospital Foundation
-	381,429
333	-
31,186	-
-	-
-	-
-	-
-	-
379	-
-	403
-	10,093
-	-
-	-
-	-
-	-
3,129	-
-	-
-	-
-	335,803
1,234,233	-
-	-
<u>1,269,260</u>	<u>727,728</u>
3,570	-
-	16,127
-	-
-	-
31,186	-
-	-

City of Iowa Falls, Iowa  
Statement of Net Assets  
June 30, 2009

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
<b>Liabilities (continued)</b>			
Liabilities payable from restricted assets:			
Revenue bonds/notes payable	-	327,876	327,876
Accrued and matured interest payable	-	3,990	3,990
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds/notes	565,000	-	565,000
Compensated absences	150,704	782,466	933,170
Portion due or payable after one year:			
General obligation bonds/notes	2,385,000	-	2,385,000
Revenue bonds/notes payable		3,172,769	3,172,769
Compensated absences	-	3,585	3,585
<b>Total liabilities</b>	6,414,787	5,572,694	11,987,481
<b>Net Assets</b>			
Invested in capital assets, net of related debt	10,871,614	9,722,985	20,594,599
Restricted for:			
Local option sales tax	1,157,648	-	1,157,648
Economic development loans	1,441,628	-	1,441,628
Carnegie library	738,215	-	738,215
Debt service	241,720	-	241,720
Revenue bond retirement	-	311,871	311,871
Wastewater replacement	-	100,000	100,000
Wastewater improvement	-	334,000	334,000
Capital improvements by donors	-	935,679	935,679
Bond indentures	-	308,452	308,452
Temporarily restricted	-	-	-
Unrestricted	1,434,694	8,007,246	9,441,940
<b>Total net assets</b>	\$ 15,885,519	19,720,233	35,605,752

See notes to financial statements.



City of Iowa Falls, Iowa  
Statement of Activities  
Year ended June 30, 2009

		Program Revenues		
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 1,466,487	106,068	165,249	-
Public works	1,119,651	-	452,738	895,163
Culture and recreation	891,794	110,476	48,377	-
Community and economic development	197,772	-	-	-
General government	156,642	8,243	-	-
Interest on long-term debt	126,738	-	-	-
Other debt costs	5,744	-	-	-
Capital projects	486,962	-	-	21,784
Total governmental activities	4,451,790	224,787	666,364	916,947
Business type activities				
Water	669,748	690,438	-	-
Wastewater	916,350	893,827	-	-
Hospital	19,587,199	18,804,316	-	-
Sanitation	735,188	706,531	-	-
Total business type activities	21,908,485	21,095,112	-	-
<b>Total primary government</b>	<b>\$ 26,360,275</b>	<b>21,319,899</b>	<b>666,364</b>	<b>916,947</b>
<b>Component Units:</b>				
Airport authority	195,620	-	-	75,055
Ellsworth Municipal Hospital Foundation	107,273	-	25,276	266,503
<b>Total component units</b>	<b>\$ 302,893</b>	<b>-</b>	<b>25,276</b>	<b>341,558</b>
<b>General Revenues:</b>				
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 Activites	Total	Airport Authority	Ellsworth Municipal Hospital Foundation
(1,195,170)	-	(1,195,170)	-	-
228,250	-	228,250	-	-
(732,941)	-	(732,941)	-	-
(197,772)	-	(197,772)	-	-
(148,399)	-	(148,399)	-	-
(126,738)	-	(126,738)	-	-
(5,744)	-	(5,744)	-	-
(465,178)	-	(465,178)	-	-
<u>(2,643,692)</u>	<u>-</u>	<u>(2,643,692)</u>	<u>-</u>	<u>-</u>
-	20,690	20,690	-	-
-	(22,523)	(22,523)	-	-
-	(782,883)	(782,883)	-	-
-	(28,657)	(28,657)	-	-
-	(813,373)	(813,373)	-	-
<u>(2,643,692)</u>	<u>(813,373)</u>	<u>(3,457,065)</u>	<u>-</u>	<u>-</u>
-	-	-	(120,565)	-
-	-	-	-	184,506
-	-	-	<u>(120,565)</u>	<u>184,506</u>
1,454,412	-	1,454,412	25,420	-
230,351	-	230,351	-	-
2,140,323	-	2,140,323	-	-
544,221	-	544,221	-	-
100,236	-	100,236	-	-
187,682	174,770	362,452	-	617
227,050	1,042,081	1,269,131	20,069	-
94,610	(125,000)	(30,390)	30,390	-
-	(6,670)	(6,670)	-	-
<u>4,978,885</u>	<u>1,085,181</u>	<u>6,064,066</u>	<u>75,878</u>	<u>617</u>
2,335,193	271,808	2,607,001	(44,687)	185,123
<u>13,550,326</u>	<u>19,448,425</u>	<u>32,998,751</u>	<u>1,279,191</u>	<u>526,478</u>
<u>\$ 15,885,519</u>	<u>19,720,233</u>	<u>35,605,752</u>	<u>1,234,504</u>	<u>711,601</u>

City of Iowa Falls, Iowa  
Balance Sheet  
Governmental Funds  
June 30, 2009

		Special Revenue		
	<u>General</u>	<u>Tax Increment Financing Revenues</u>	<u>Economic Development Loans</u>	<u>Local Option Sales Tax</u>
<b>Assets</b>				
Cash	\$ 478,044	583,691	1,352,623	1,115,568
Receivables:				
Property tax:				
Delinquent	11,333	-	-	-
Succeeding year	1,031,240	-	-	-
Tax increment financing:				
Delinquent	-	21,351	-	-
Succeeding year	-	1,301,172	-	-
Economic development loans	-	-	131,018	-
Accounts	8,584	-	-	-
Accrued interest	601	-	1,700	1,401
Due from other governments	4,192	23,278	-	40,679
Interfund receivable	-	-	87,305	-
Prepaid expenditures	73,833	-	-	-
<b>Total assets</b>	<b>\$ 1,607,827</b>	<b>1,929,492</b>	<b>1,572,646</b>	<b>1,157,648</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 52,989	29,805	-	-
Salaries and benefits payable	77,570	-	-	-
Deferred revenue:				
Succeeding year property tax	1,031,240	-	-	-
Succeeding year tax increment financing	-	1,301,172	-	-
Other	2,747	70,704	131,018	-
Interfund payable	-	137,979	-	-
<b>Total liabilities</b>	<b>1,164,546</b>	<b>1,539,660</b>	<b>131,018</b>	<b>-</b>

Exhibit C

<u>Payroll Tax Levy</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
35,608	113,674	306,985	1,017,554	5,003,747
7,738	2,734	-	334	22,139
626,371	125,170	-	31,186	1,813,967
-	-	-	-	21,351
-	-	-	-	1,301,172
-	-	-	-	131,018
-	-	-	1,074	9,658
-	142	370	1,158	5,372
-	-	-	36,632	104,781
-	-	-	-	87,305
-	-	-	21,836	95,669
<u>669,717</u>	<u>241,720</u>	<u>307,355</u>	<u>1,109,774</u>	<u>8,596,179</u>
319	-	2,751	16,809	102,673
-	-	-	10,193	87,763
626,371	125,170	-	31,186	1,813,967
-	-	-	-	1,301,172
-	-	-	-	204,469
-	-	-	-	137,979
<u>626,690</u>	<u>125,170</u>	<u>2,751</u>	<u>58,188</u>	<u>3,648,023</u>

City of Iowa Falls, Iowa  
Balance Sheet  
Governmental Funds  
June 30, 2009

	<u>General</u>	Special Revenue		
		<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	73,833	-	-	-
Debt service	-	-	-	-
Advances to other funds	-	-	87,305	-
Unreserved:				
Designated for library gifts and memorials	89,932	-	-	-
Designated for park gifts and memorials	24,197	-	-	-
Designated for future equipment purchases/capital improvements	1,861	-	-	-
Designated for building maintenance	18,186	-	-	-
Undesignated:				
Reported in:				
General fund	235,272	-	-	-
Special revenue funds	-	389,833	1,354,323	1,157,648
Capital projects fund	-	-	-	-
Total fund balances	443,281	389,833	1,441,628	1,157,648
<b>Total liabilities and fund balances</b>	<b>\$ 1,607,827</b>	<b>1,929,493</b>	<b>1,572,646</b>	<b>1,157,648</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>
-	-	-	21,836	95,669
-	116,550	-	-	116,550
-	-	-	-	87,305
-	-	-	-	89,932
-	-	-	-	24,197
-	-	-	-	1,861
-	-	-	-	18,186
43,027	-	-	-	278,299
-	-	-	1,029,749	3,931,553
-	-	304,604	-	304,604
<u>43,027</u>	<u>116,550</u>	<u>304,604</u>	<u>1,051,585</u>	<u>4,948,156</u>
<u>669,717</u>	<u>241,720</u>	<u>307,355</u>	<u>1,109,773</u>	<u>8,596,179</u>

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

June 30, 2009

<b>Total governmental fund balances (page 22)</b>	<b>\$ 4,948,156</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 \$23,297,176 and the accumulated depreciation is \$9,475,562	13,821,614
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	204,469
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.	(3,109,213)
Other long-term assets are not available to pay current period debt and, therefore, are not included in the funds	<u>20,493</u>
<b>Net assets of governmental activities (page 18)</b>	<b><u><u>\$ 15,885,519</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, 2009

		Special	
	<u>General</u>	Tax Increment Financing <u>Revenues</u>	Economic Development <u>Loans</u>
Revenues:			
Property tax	\$ 797,529	-	-
Tax increment financing	-	2,149,640	-
Other city tax	65,281	-	-
Licenses and permits	84,228	-	-
Use of money and property	8,381	-	35,019
Intergovernmental	213,626	907,709	-
Charges for service	98,364	-	-
Miscellaneous	<u>153,759</u>	<u>16,363</u>	<u>15,105</u>
Total revenues	<u>1,421,168</u>	<u>3,073,712</u>	<u>50,124</u>
 Expenditures:			
Operating:			
Public safety	1,092,684	-	-
Public works	44,237	-	-
Culture and recreation	600,855	-	-
Community and economic development	10,388	7,711	100,037
General government	117,055	-	-
Debt service	-	-	-
Capital projects	<u>-</u>	<u>2,489,791</u>	<u>-</u>
Total expenditures	<u>1,865,219</u>	<u>2,497,502</u>	<u>100,037</u>
 Excess (deficiency) of revenues over (under) expenditures	<u>(444,051)</u>	<u>576,210</u>	<u>(49,913)</u>
	(444,051)	576,210	(49,913)
 Other financing sources (uses):			
Operating transfers in	451,666	40,185	-
Operating transfers out	<u>(52,067)</u>	<u>(386,268)</u>	<u>(39,578)</u>
Total other financing sources (uses)	<u>399,599</u>	<u>(346,083)</u>	<u>(39,578)</u>
 Net change in fund balances	(44,452)	230,127	(89,491)
 Fund balances (deficit) beginning of year	<u>487,733</u>	<u>159,706</u>	<u>1,531,119</u>
 Fund balances end of year	<u>\$ 443,281</u>	<u>389,833</u>	<u>1,441,628</u>

See notes to financial statements.

Exhibit E

<u>Revenue</u>					
Local Option Sales Tax	Payroll Tax Levy	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
-	545,038	222,137	-	-	1,564,704
-	-	-	-	-	2,149,640
544,220	44,739	8,232	-	125,656	788,128
-	-	-	-	-	84,228
23,217	-	10,454	6,356	19,363	102,790
-	-	-	-	431,266	1,552,601
-	-	-	-	-	98,364
-	-	-	54	59,684	244,965
<u>567,437</u>	<u>589,777</u>	<u>240,823</u>	<u>6,410</u>	<u>635,969</u>	<u>6,585,420</u>
-	307,828	-	-	30,990	1,431,502
-	114,287	-	-	518,881	677,405
-	107,612	-	-	-	708,467
-	25,874	-	-	53,762	197,772
-	11,038	-	-	-	128,093
-	-	868,687	-	-	868,687
-	-	-	80,613	-	2,570,404
-	<u>566,639</u>	<u>868,687</u>	<u>80,613</u>	<u>603,633</u>	<u>6,582,330</u>
<u>567,437</u>	<u>23,138</u>	<u>(627,864)</u>	<u>(74,203)</u>	<u>32,336</u>	<u>3,090</u>
567,437	23,138	(627,864)	(74,203)	32,336	3,090
40,185	-	639,502	106,087	76,677	1,354,302
<u>(679,722)</u>	<u>(34,368)</u>	<u>-</u>	<u>(40,185)</u>	<u>(27,504)</u>	<u>(1,259,692)</u>
<u>(639,537)</u>	<u>(34,368)</u>	<u>639,502</u>	<u>65,902</u>	<u>49,173</u>	<u>94,610</u>
(72,100)	(11,230)	11,638	(8,301)	81,509	97,700
<u>1,229,748</u>	<u>54,257</u>	<u>104,912</u>	<u>312,905</u>	<u>970,076</u>	<u>4,850,456</u>
<u>1,157,648</u>	<u>43,027</u>	<u>116,550</u>	<u>304,604</u>	<u>1,051,585</u>	<u>4,948,156</u>

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

Year ended June 30, 2009

**Net change in fund balances - Total governmental funds (page 25)** \$ 97,700

*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	2,354,338	
Depreciation expense	<u>(937,882)</u>	1,416,456

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	(9,442)	
Other	<u>95,869</u>	86,427

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:

Principal repayments	740,000	
Amortize bond issuance costs	<u>(5,744)</u>	734,256

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	(1,595)	
Accrued interest on long-term debt	<u>1,949</u>	<u>354</u>

**Change in net assets of governmental activities (page 18)** \$ 2,335,193

City of Iowa Falls, Iowa

Statement of Net Assets

Proprietary - Enterprise Funds

June 30, 2009

	<u>Water</u>	<u>Wastewater</u>
<b>Assets</b>		
Current assets:		
Cash	\$ 1,519,286	857,852
Receivables (net of allowance for uncollectibles):	-	
Customer accounts and unbilled usage	114,475	130,839
Accrued interest	1,909	2,016
Estimated third-party payor settlements	-	-
Other	-	-
Interfund receivable	25,337	25,337
Due from other governments	257	359
Inventories	20,246	-
Prepaid expenses	14,648	11,883
Noncurrent assets:		
Restricted assets:		
Cash:		
Revenue debt service reserve account	-	311,871
Wastewater improvement account	-	100,000
Wastewater replacement account	-	334,000
Investment in affiliated organizations	-	-
Capital assets (net of accumulated depreciation)	2,156,172	4,579,815
Bond issuance costs	-	-
<b>Total assets</b>	<u>3,852,330</u>	<u>6,353,972</u>

Exhibit G

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
3,812,380	162,675	6,352,193
2,983,023	89,857	3,318,194
19,594	202	23,721
71,000	-	71,000
84,049	-	84,049
-	-	50,674
-	1,952	2,568
364,409	-	384,655
65,541	18,983	111,055
308,452	-	620,323
-	-	100,000
-	-	334,000
605,097	-	605,097
6,349,980	137,663	13,223,630
11,768	-	11,768
<u>14,675,293</u>	<u>411,332</u>	<u>25,292,927</u>

City of Iowa Falls, Iowa  
Statement of Net Assets  
Proprietary - Enterprise Funds  
June 30, 2009

	<u>Water</u>	<u>Wastewater</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	48,802	62,594
Salaries and benefits payable	7,322	8,236
Compensated absences	17,743	21,748
Current liabilities payable from restricted assets:		
Revenue bonds/notes payable	-	-
Accrued and matured interest payable	-	3,990
Noncurrent liabilities:		
Revenue bonds/notes payable	-	1,596,000
Compensated absences	1,722	611
<b>Total liabilities</b>	<u>75,589</u>	<u>1,693,179</u>
<b>Net Assets</b>		
Invested in capital assets net of related debt	2,156,172	2,983,815
Restricted for:		
Revenue bond retirement	-	311,871
Wastewater replacement	-	100,000
Wastewater improvement	-	334,000
Capital improvements by donors	-	-
Bond indentures	-	-
Unrestricted	1,620,569	931,107
<b>Total net assets</b>	<u>\$ 3,776,741</u>	<u>4,660,793</u>

See notes to financial statements.

Exhibit G

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
530,404	15,296	657,096
597,317	12,037	624,912
730,468	12,507	782,466
327,876	-	327,876
-	-	3,990
1,576,769	-	3,172,769
-	1,252	3,585
<u>3,762,834</u>	<u>41,092</u>	<u>5,572,694</u>
4,445,335	137,663	9,722,985
-	-	311,871
-	-	100,000
-	-	334,000
935,679	-	935,679
308,452	-	308,452
5,222,993	232,577	8,007,246
<u>10,912,459</u>	<u>370,240</u>	<u>19,720,233</u>

City of Iowa Falls, Iowa

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary - Enterprise Funds

Year ended June 30, 2009

	<u>Water</u>	<u>Wastewater</u>
Operating revenues:		
Charges for service	\$ 657,887	893,827
Miscellaneous	<u>32,549</u>	<u>32,254</u>
Total operating revenues	<u>690,436</u>	<u>926,081</u>
Operating expenses:		
Business type activities	<u>669,748</u>	<u>862,016</u>
Total operating expenses	<u>669,748</u>	<u>862,016</u>
Operating income (loss)	<u>20,688</u>	<u>64,065</u>
Non-operating revenues (expenses):		
Interest income	35,093	40,512
Interest expense	-	(54,334)
Contributed capital	-	-
Share of net gain/loss of hospital's affiliated organizations	-	-
Gain/(Loss) on disposal of capital assets	<u>(5,529)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>29,564</u>	<u>(13,822)</u>
Excess of receipts over disbursements	50,252	50,243
Operating transfer in	-	-
Operating transfer out	<u>(62,500)</u>	<u>(62,500)</u>
Change in net assets	(12,248)	(12,257)
Net assets beginning of year	<u>3,788,989</u>	<u>4,673,050</u>
Net assets end of year	<u>\$ 3,776,741</u>	<u>4,660,793</u>

See notes to financial statements.

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
18,804,316	702,292	21,058,322
<u>867,339</u>	<u>19,973</u>	<u>952,115</u>
<u>19,671,655</u>	<u>722,265</u>	<u>22,010,437</u>
<u>19,506,171</u>	<u>735,188</u>	<u>21,773,123</u>
<u>19,506,171</u>	<u>735,188</u>	<u>21,773,123</u>
<u>165,484</u>	<u>(12,923)</u>	<u>237,314</u>
96,122	3,043	174,770
(81,028)	-	(135,362)
11,876	-	11,876
114,880	-	114,880
<u>(1,141)</u>	<u>-</u>	<u>(6,670)</u>
<u>140,709</u>	<u>3,043</u>	<u>159,494</u>
306,193	(9,880)	396,808
-	-	-
<u>-</u>	<u>-</u>	<u>(125,000)</u>
306,193	(9,880)	271,808
<u>10,606,266</u>	<u>380,120</u>	<u>19,448,422</u>
<u>10,912,459</u>	<u>370,240</u>	<u>19,720,233</u>

City of Iowa Falls, Iowa  
 Combined Statement of Cash Flows  
 Proprietary - Enterprise Funds  
 Year ended June 30, 2009

	<u>Water</u>	<u>Wastewater</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 673,207	923,299
Cash received from other revenues	-	-
Cash paid to suppliers and employees	<u>(512,164)</u>	<u>(596,569)</u>
Net cash provided by operating activities	<u>161,043</u>	<u>326,730</u>
Cash flows from noncapital financing activities:		
Net Transfers	<u>(56,532)</u>	<u>(56,533)</u>
Net cash provided by (used for) noncapital financing activities	<u>(56,532)</u>	<u>(56,533)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(44,314)	(118,912)
Principal paid on long-term debt	-	(212,000)
Proceeds from, issuance of long-term debt	-	-
Interest paid on long-term debt	-	(54,839)
Capital contribution	<u>-</u>	<u>-</u>
Net cash used for capital and related financing activities	<u>(44,314)</u>	<u>(385,751)</u>
Cash flows from investing activities:		
Interest on investments	39,545	45,994
Increase in investment in affiliated organizations	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>39,545</u>	<u>45,994</u>
Net increase (decrease) in cash and cash equivalents	99,742	(69,560)
Cash and cash equivalents beginning of year	<u>1,419,544</u>	<u>1,673,283</u>
Cash and cash equivalents end of year	<u>\$ 1,519,286</u>	<u>1,603,723</u>

Exhibit I

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
18,805,742	713,522	21,115,770
900,951	-	900,951
<u>(18,544,864)</u>	<u>(707,950)</u>	<u>(20,361,547)</u>
<u>1,161,829</u>	<u>5,572</u>	<u>1,655,174</u>
-	-	(113,065)
-	-	<u>(113,065)</u>
(516,267)	-	(679,493)
(269,489)	-	(481,489)
484,382	-	484,382
(80,845)	-	(135,684)
<u>11,876</u>	<u>-</u>	<u>11,876</u>
<u>(370,343)</u>	<u>-</u>	<u>(800,408)</u>
-	-	-
-	-	-
95,292	3,529	-
<u>88,327</u>	<u>-</u>	<u>88,327</u>
<u>183,619</u>	<u>3,529</u>	<u>272,687</u>
975,105	9,101	1,014,388
<u>3,145,727</u>	<u>153,574</u>	<u>6,392,128</u>
<u>4,120,832</u>	<u>162,675</u>	<u>7,406,516</u>

City of Iowa Falls, Iowa  
 Combined Statement of Cash Flows  
 Proprietary - Enterprise Funds  
 Year ended June 30, 2009

	<u>Water</u>	<u>Wastewater</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income (loss)	\$ 20,688	64,065
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	111,879	214,585
Provision for bad debt	-	-
(Increase) decrease in inventories, at cost	5,444	-
(Increase) decrease in prepaid expenses	(111)	489
Increase (decrease) in accounts payable	41,457	53,113
Increase accrued expenses	-	-
Increase in salaries payable	794	531
Increase in compensated absences	(1,879)	(3,271)
Increase in third-party payor settlement	-	-
Increase in receivables	(17,229)	(2,782)
Net cash provided by operating activities	<u>\$ 161,043</u>	<u>326,730</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	\$ 1,519,286	857,852
Restricted assets:		
Cash:		
Revenue debt service reserve account	-	311,871
Wastewater improvement account	-	100,000
Wastewater replacement account	-	334,000
Cash and cash equivalents at year end	<u>\$ 1,519,286</u>	<u>1,603,723</u>

See notes to financial statements.

Exhibit I

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
165,484	(12,923)	237,314
843,959	35,403	1,205,826
1,148,643	-	1,148,643
5,582	-	11,026
3,904	(1,464)	2,818
3,497	(5,733)	92,334
104,365		104,365
-	2,168	3,493
-	(3,136)	(8,286)
(131,000)	-	(131,000)
<u>(982,605)</u>	<u>(8,743)</u>	<u>(1,011,359)</u>
<u>1,161,829</u>	<u>5,572</u>	<u>1,655,174</u>
3,812,380	162,675	6,352,193
308,452	-	620,323
-	-	100,000
-	-	334,000
<u>4,120,832</u>	<u>162,675</u>	<u>7,406,516</u>

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2009

**(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, 2009

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 Units

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.

The Ellsworth Municipal Hospital Foundation (the Foundation) is a legally separate, tax-exempt component unit of the Hospital. It is organized under the provisions of the Internal Revenue Service Code Section 501(c)(3). The Foundation's financial statements have been included as a discretely presented component unit. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the Hospital in support of its operations and programs. The Hospital does not appoint a voting majority to of the Foundation's Board of Trustees or in any way impose its will over the Foundation. However, the Foundation is included as a discretely presented component unit due to the nature of the significance of its relationship to the Hospital. Complete financial statements for this foundation can be obtained from it's respective administrative office in Iowa Falls, Iowa.

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.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2009

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.

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, 2009

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 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, 2009

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, 2009

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, 2009

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, 2009 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, 2009

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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2008.

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, 2009, 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, 2009

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, 2009

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, 2009. 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, 2009

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, 2009, disbursements exceeded the amounts budgeted in the community and economic development and business type activities functions.

F. Subsequent Events

The City has evaluated subsequent events through December 7, 2009, the date which the financial statements were available to be issued.

(2) **Cash**

The City's deposits in banks at June 30, 2009 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, 2009

**(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>5,478,023</u>	<u>2,495,000</u>	<u>2,983,023</u>

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2009 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	\$ 885,920	-	-	885,920
Construction in progress - infrastructure	165,035	1,878,395	-	2,043,430
Construction in progress - other	<u>9,732</u>	-	-	<u>9,732</u>
Total capital assets not being depreciated	<u>1,060,687</u>	<u>1,878,395</u>	-	<u>2,939,082</u>
Capital assets being depreciated:				
Buildings	5,870,406	-	-	5,870,406
Improvements other than buildings	3,099,943	-	-	3,099,943
Equipment and vehicles	2,899,520	271,390	(13,623)	3,157,287
Infrastructure, street network	<u>8,025,905</u>	<u>204,553</u>	-	<u>8,230,458</u>
Total capital assets being depreciated	<u>19,895,774</u>	<u>475,943</u>	<u>(13,623)</u>	<u>20,358,094</u>
Less accumulated depreciation for:				
Buildings	963,865	118,817	-	1,082,682
Improvements other than buildings	1,331,115	156,404	-	1,487,519
Equipment and vehicles	1,754,644	268,833	(13,623)	2,009,854
Infrastructure, street network	<u>4,501,680</u>	<u>393,827</u>	-	<u>4,895,507</u>
Total accumulated depreciation	<u>8,551,304</u>	<u>937,881</u>	<u>(13,623)</u>	<u>9,475,562</u>
Total capital assets being depreciated, net	<u>11,344,470</u>	<u>(461,938)</u>	-	<u>10,882,532</u>
Governmental activities capital assets, net	<u>\$ 12,405,157</u>	<u>1,416,457</u>	-	<u>13,821,614</u>

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2009

<b><u>Business type activities</u></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>424,086</u>	<u>487,231</u>	<u>(699,496)</u>	<u>211,821</u>
Total capital assets not being depreciated	<u>1,157,343</u>	<u>487,231</u>	<u>(699,496)</u>	<u>945,078</u>
Capital assets being depreciated:				
Buildings	5,584,933	119,928	-	5,704,861
Improvements other than buildings	711,114	-	-	711,114
Equipment and vehicles	11,067,434	771,828	(31,597)	11,807,665
Infrastructure, water and sewer network	<u>10,198,645</u>	<u>-</u>	<u>-</u>	<u>10,198,645</u>
Total capital assets being depreciated	<u>27,562,126</u>	<u>891,756</u>	<u>(31,597)</u>	<u>28,422,285</u>
Less accumulated depreciation for:				
Buildings	2,950,696	187,742	-	3,138,438
Improvements other than buildings	694,571	55,035	-	749,606
Equipment and vehicles	7,039,161	720,859	(24,927)	7,735,093
Infrastructure, water and sewer network	<u>4,280,396</u>	<u>240,200</u>	<u>-</u>	<u>4,520,596</u>
Total accumulated depreciation	<u>14,964,824</u>	<u>1,203,836</u>	<u>(24,927)</u>	<u>16,143,733</u>
Total capital assets being depreciated, net	<u>12,597,302</u>	<u>(312,080)</u>	<u>(6,670)</u>	<u>12,278,552</u>
Business type activities capital assets, net	<u>\$ 13,754,645</u>	<u>175,151</u>	<u>(706,166)</u>	<u>13,223,630</u>

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2009

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

Governmental activities:	
Public safety	\$ 188,346
Public works	487,385
Culture and recreation	233,711
General government	<u>28,439</u>
Total depreciation expense – governmental activities	\$ 937,881 =====
Business type activities:	
Water	\$ 111,879
Wastewater	214,585
Hospital	841,969
Sanitation	<u>35,403</u>
Total depreciation expense – business type activities	\$ 1,203,836 =====

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2009

<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>270,979</u>	<u>31,593</u>	<u>(223,861)</u>	<u>78,711</u>
Total capital assets not being depreciated	<u>345,091</u>	<u>31,593</u>	<u>(223,861)</u>	<u>152,823</u>
Capital assets being depreciated:				
Buildings	279,045	267,323	-	546,368
Improvements other than buildings	80,574	-	-	80,574
Equipment and vehicles	189,137	-	-	189,137
Infrastructure, runway network	<u>1,499,408</u>	<u>-</u>	<u>-</u>	<u>1,499,408</u>
Total capital assets being depreciated	<u>2,048,164</u>	<u>267,323</u>	<u>-</u>	<u>2,315,487</u>
Less accumulated depreciation for:				
Buildings	144,599	19,871	-	164,470
Improvements other than buildings	47,461	10,671	-	58,132
Equipment and vehicles	59,405	24,317	-	83,722
Infrastructure, runway network	<u>865,650</u>	<u>62,103</u>	<u>-</u>	<u>927,753</u>
Total accumulated depreciation	<u>1,117,115</u>	<u>116,962</u>	<u>-</u>	<u>1,234,077</u>
Total capital assets being depreciated, net	<u>931,049</u>	<u>150,361</u>	<u>-</u>	<u>1,081,410</u>
Business type activities capital assets, net	<u>\$ 1,276,140</u>	<u>181,954</u>	<u>(223,861)</u>	<u>1,234,233</u>
 Total depreciation expense - discretely presented component unit				 \$ <u>116,962</u>

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2009

**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2009 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	\$ 3,690,000	---	740,000	2,950,000	565,000
Compensated absences	<u>149,109</u>	<u>127,705</u>	<u>126,110</u>	<u>150,704</u>	<u>150,704</u>
Total	<u>\$ 3,839,109</u>	<u>127,705</u>	<u>866,110</u>	<u>3,100,704</u>	<u>715,704</u>
	=====	=====	=====	=====	=====

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Business type activities:					
Revenue bonds/notes:					
Wastewater	\$ 1,808,000	---	212,000	1,596,000	208,000
Hospital	1,689,752	484,382	269,489	1,904,645	327,876
Compensated absences	<u>767,912</u>	<u>772,743</u>	<u>754,604</u>	<u>786,051</u>	<u>782,466</u>
	<u>\$ 4,265,664</u>	<u>1,257,125</u>	<u>1,236,093</u>	<u>4,286,696</u>	<u>1,318,342</u>
	=====	=====	=====	=====	=====

The government-wide Statement of Activities includes \$327,876 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, 2009

Bonded Debt

General obligation bonds/notes:

Six issues of unmatured general obligation bonds/notes, totaling \$2,950,000, are outstanding at June 30, 2009. General obligation bonds/notes bear interest with rates ranging from 2.50% to 4.15% and mature in varying annual amounts ranging from \$70,000 to \$210,000, with the final maturities due in the year ending June 30, 2017.

Revenue bonds/notes:

Four issues of unmatured revenue bonds/notes, totaling \$3,500,645, are outstanding at June 30, 2009. These bonds/notes bear interest at rates of 2.49% to 6.073% and mature in varying annual amounts ranging from \$20,000 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 \$1,793,160. For the current year, principal and interest paid and total customer net revenues were \$255,940 and \$213,998 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, 2009

- (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, 2009, the City was in compliance with the revenue bond/note provisions.

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2009

Details of bond/notes payable at June 30, 2009 are as follows:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	Amount Originally <u>Issued</u>	Outstanding <u>June 30, 2009</u>
Governmental activities:						
General obligation bonds/notes:						
Corporate purpose	Oct 1, 2003	1.40-4.00%	Jun 1, 2014	60,000-80,000	700,000	375,000
Corporate purpose	Oct 1, 2004	2.00-4.00%	Jun 1, 2017	65,000-90,000	900,000	635,000
Corporate purpose	Jan 1, 2006	3.40-3.60%	Jun 1, 2010	80,000-95,000	350,000	95,000
Corporate purpose	Oct 15, 2006	3.90-4.15%	Jun 1, 2017	20,000-90,000	640,000	550,000
Corporate purpose	Mar 15, 2008	2.35-3.20%	Jun 1, 2014	170,000-210,000	1,340,000	985,000
Essential corporate purpose	Dec 15, 2002	2.40-4.00%	Jun 1, 2013	60,000-80,000	700,000	310,000
Total governmental activities						<u>\$ 2,950,000</u>
Business type activities:						
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	\$ 1,596,000
Hospital revenue bond, series 1998	Nov 1, 1998	5.00%	Jun 1, 2015	187,000-266,000	3,000,000	1,438,294
Hospital revenue note	Jul 18, 2008	6.073%	Dec 10, 2011	11,000-22,000	72,345	54,314
Hospital USDA Loan	Jun 30, 2009	2.49%	Oct 31, 2013	40,000-96,000	412,037	412,037
Total business type activities						<u>\$ 3,500,645</u>

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2009

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

Year Ending June 30,	General Obligation			Total
	Principal	Interest	Total	
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	455,000	33,603	488,603	
2015-2017	435,000	35,278	470,278	
	<u>\$ 2,950,000</u>	<u>376,078</u>	<u>3,326,078</u>	

Year Ending June 30,	Revenue			Total
	Principal	Interest	Total	
2010	535,876	127,007	662,883	1,329,976
2011	557,564	105,883	663,447	1,222,730
2012	567,067	84,195	651,262	1,220,147
2013	577,223	62,673	639,896	1,211,834
2014	540,729	40,836	581,565	1,070,168
2015-2018	722,186	27,518	749,704	1,219,982
	<u>\$ 3,500,645</u>	<u>448,112</u>	<u>3,948,757</u>	<u>7,274,835</u>

As of June 30, 2009, the general obligation debt issued by the City did not exceed its legal debt margin computed as follows:

Actual valuation	\$ <u>245,872,521</u>
Debt limit – 5% of total actual valuation	12,293,626
Debt applicable to debt limit:	
General obligation bonded debt outstanding	<u>2,950,000</u>
Legal debt margin	<u>\$ 9,343,626</u>
	=====

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2009

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, 2009 is \$0.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Emergency	\$ 25,376
	Local Option Sales Tax	279,794
	Payroll Tax Levy	19,368
	Carnegie-Ellsworth Maintenance	2,128
	Enterprise:	
	Water	62,500
	Sewer	<u>62,500</u>
		<u>451,661</u>
Special Revenue		
Road Use	Special Revenue:	
	Local Option Sales Tax	40,000
	General	<u>17,029</u>
		<u>57,029</u>
TIF	Special Revenue:	
	Local Option Sales Tax	<u>40,185</u>

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2009

Self Insurance	Special Revenue: Payroll Tax Levy	<u>15,000</u>
Local Option Sales Tax	Capital Projects	<u>40,185</u>
Police Designated	General	<u>4,648</u>
Debt Service	Special Revenue: TIF	363,221
	Local Option Sales Tax	<u>276,281</u>
		<u>639,502</u>
Capital Projects	Special Revenue: TIF	23,047
	Local Option Sales Tax	43,462
	Economic Development Loans	<u>39,578</u>
		<u>106,087</u>
Component Unit – Airport	General	<u>30,390</u>
Total		\$1,384,692 =====

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

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2009

**(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	\$ 87,305
Enterprise:	Special Revenue:	
Water	Tax Increment Financing Revenues	25,337
Wastewater	Special Revenue:	
	Tax Increment Financial Revenues	<u>25,337</u>
Total		<u>\$ 137,979</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, 2009

**(8) Economic Development Loans Receivable**

The City has three long-term loans receivable totaling \$131,018 as of June 30, 2009 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 \$3,529 as of June 30, 2009 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, 2009 requires annual interest payments of 3%. The principle amount due each year is reviewed annually. The loan is secured by assignment contract and mortgage.

The third loan of \$93,489 as of June 30, 2009 requires monthly payments of \$966, including interest at 3% until September 1, 2018. 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 4.1% of their annual covered salary and the City is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$114,588, \$105,813 and \$102,005, respectively, equal to the required contributions for each year.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2009

**(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 \$1,243,428 is outstanding at June 30, 2009. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

**(11) 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, 2009 is \$355,000.

**(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

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2009

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 \$1,993,665 for the year ended June 30, 2009.

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 \$439,362 for the years ended June 30, 2009.

Due to Affiliated Organization

As of June 30, 2009, the Hospital records reflect a due to Medical Center – North Iowa of \$135,213 for the various services and distributions related to these agreements.

**(14) Construction Commitments**

As of June 30, 2009, 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 2.1 million which will be paid from a RISE grant, local option sales tax and county funds. As of June 30, 2009, 2.04 million has been spent on this project.

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

The Elk Run treatment plant project will be approximately \$597,000 and will be paid from issuance of bonds. As of June 30, 2009, \$40,000 has been spent on this project.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2009

The South River interceptor project will be approximately \$1.3 million and will be paid from the issuance of bonds. As of June 30, 2009, \$27,000 has been paid on this project.

The Country Club Road project will be approximately \$430,000 and will be paid from TIF taxes.

**(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, 2009 was \$50,270. Future payments are as follows:

6-30-10	\$ <u>50,270</u>
---------	------------------

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:

6-30-10	\$ <u>25,200</u>
---------	------------------

Rent expense of \$25,200 and \$25,200 on the rental agreement is included in the clinic's expenses for the years ended June 30, 2009 and 2008, respectively.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2009

**(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.

Lawsuit

The City has a pending lawsuit against them as of the audit report date. Legal council's opinion is that the insurance would cover damages, if any.

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2009

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

The beginning balances of two governmental funds were restated to correctly reflect the beginning balances after combining the TIF Capital Projects Fund with the TIF Fund, as noted below:

	Tax Increment Financing <u>Revenues</u>	Capital <u>Projects</u>
Balance as originally stated	\$ 175,064	297,547
Adjustment	<u>(15,358)</u>	<u>15,358</u>
Restated Beginning Balance	\$ <u>159,706</u>	<u>312,905</u>

The beginning fund balance of the total governmental funds did not change, just the balance of the two 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 Airport Authority  
 Discretely Presented Component Unit  
 Required Supplementary Information  
 Year ended June 30, 2009

	Funds Budgeted on Cash Basis - Actual				
	Governmental <u>Fund Types</u>	Proprietary Fund Type -		Component Unit - Airport <u>Authority</u>	<u>Total</u>
		Enterprise (excluding Hospital)			
Receipts/Revenues:					
Property tax	\$ 1,582,400	-	23,448		1,605,848
Tax increment financing	2,145,522	-	-		2,145,522
Other city tax	796,844	-	1,928		798,772
Licenses and permits	78,687	-	-		78,687
Use of money and property	122,109	86,162	19,893		228,164
Intergovernmental	1,608,292	-	-		1,608,292
Charges for service	91,234	2,297,236	-		2,388,470
Special assessments	-	-	-		-
Miscellaneous	245,451	12,792	806		259,049
Total receipts/revenues	<u>6,670,539</u>	<u>2,396,190</u>	<u>46,075</u>		<u>9,112,804</u>
Disbursements/Expenses:					
Public safety	1,454,210	-	-		1,454,210
Public works	680,657	-	76,465		757,122
Culture and recreation	733,638	-	-		733,638
Community and economic development	374,765	-	-		374,765
General government	157,362	-	-		157,362
Debt service	868,688	-	-		868,688
Capital projects	2,347,502	-	-		2,347,502
Business type activities	-	2,250,410	-		2,250,410
Total disbursements/expenses	<u>6,616,822</u>	<u>2,250,410</u>	<u>76,465</u>		<u>8,943,697</u>
Excess (deficiency) of receipts/revenues over (under) disbursements/expenses	53,717	145,780	(30,390)		169,107
Other financing sources, net	<u>79,770</u>	<u>(110,160)</u>	<u>30,390</u>		<u>-</u>
Excess (deficiency) of receipts/revenues and other and other financing uses	133,487	35,620	-		169,107
Balances/net assets beginning of year	<u>5,185,792</u>	<u>903,674</u>	<u>-</u>		<u>6,089,466</u>
Balances/net assets end of year	<u>\$ 5,319,279</u>	<u>939,294</u>	<u>-</u>		<u>6,258,573</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>Variance</u>
-	1,605,848	1,608,974	1,608,974	(3,126)
-	2,145,522	2,363,825	2,363,825	(218,303)
-	798,772	706,947	709,227	89,545
-	78,687	37,890	75,491	3,196
-	228,164	284,562	297,195	(69,031)
-	1,608,292	1,145,986	1,654,142	(45,850)
19,881,516	22,269,986	22,221,156	22,241,740	28,246
-	-	1,500	1,500	(1,500)
-	259,049	114,144	211,760	47,289
<u>19,881,516</u>	<u>28,994,320</u>	<u>28,484,984</u>	<u>29,163,854</u>	<u>(169,534)</u>
-	1,454,210	1,395,549	1,540,206	85,996
-	757,122	737,918	849,912	92,790
-	733,638	748,537	829,054	95,416
-	374,765	257,929	368,429	(6,336)
-	157,362	147,762	172,928	15,566
-	868,688	877,333	877,333	8,645
-	2,347,502	2,311,026	3,039,026	691,524
19,587,199	21,837,609	21,419,594	21,539,258	(298,351)
<u>19,587,199</u>	<u>28,530,896</u>	<u>27,895,648</u>	<u>29,216,146</u>	<u>685,250</u>
294,317	463,424	589,336	(52,292)	515,716
-	-	-	-	-
294,317	463,424	589,336	(52,292)	515,716
<u>10,618,142</u>	<u>16,707,608</u>	<u>15,767,916</u>	<u>16,707,608</u>	-
<u>10,912,459</u>	<u>17,171,032</u>	<u>16,357,252</u>	<u>16,655,316</u>	<u>515,716</u>

City of Iowa Falls, Iowa

Budgetary Comparison Schedule-Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds			Proprietary Funds		
				Enterprise (Excluding Hospital)		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 6,670,539	(85,120)	6,585,420	2,396,190	21,240	2,417,430
Expenditures	<u>(6,616,822)</u>	<u>34,492</u>	<u>(6,582,330)</u>	<u>(2,250,410)</u>	<u>(70,876)</u>	<u>(2,321,286)</u>
Net	53,717	(50,628)	3,090	145,780	(49,636)	96,144
Other financing sources (uses)	79,770	14,840	94,610	(110,160)	(20,369)	(130,529)
Beginning fund balances	<u>5,185,792</u>	<u>(412,676)</u>	<u>4,850,456</u>	<u>903,674</u>	<u>7,938,485</u>	<u>8,842,159</u>
Ending fund balances	<u>\$ 5,319,279</u>	<u>(371,124)</u>	<u>4,948,156</u>	<u>939,294</u>	<u>7,868,480</u>	<u>8,807,774</u>

Discretely Presented Airport Authority Component Unit			
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 46,075	74,468	120,543
Expenses	<u>(76,465)</u>	<u>(119,155)</u>	<u>(195,620)</u>
Net	(30,390)	(44,687)	(75,077)
Other financing sources (uses)	30,390		30,390
Beginning fund balance	<u>-</u>	<u>1,279,191</u>	<u>1,279,191</u>
Ending fund balance	<u>\$ -</u>	<u>1,234,504</u>	<u>1,234,504</u>

See accompanying independent auditor's report.

City of Iowa Falls, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2009

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 \$1,302,498, revenues by \$678,870. 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, 2009, disbursements in the community and economic development and business type activities functions exceeded the amounts budgeted.

## **Other Supplementary Information**

City of Iowa Falls, Iowa  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2009

		Special		
		Hotel Motel Tax	Emergency	Self- Insurance
<b>Assets</b>				
Cash	\$	156,349	-	15,000
Receivables:				
Property tax:				
Delinquent		-	334	-
Succeeding year		-	31,186	-
Accounts		-	-	-
Accrued interest		197	-	-
Due from other governments		-	-	-
Prepaid expenditures		-	-	-
<b>Total assets</b>		<b>156,546</b>	<b>31,520</b>	<b>15,000</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable		2,428	-	-
Salaries and benefits payable		-	-	-
Deferred revenue:				
Succeeding year property tax		-	31,186	-
Other		-	-	-
<b>Total liabilities</b>		<b>2,428</b>	<b>31,186</b>	<b>-</b>
Fund balances:				
Reserved for:				
Prepaid expenditures		-	-	-
Advance to other funds		-	-	-
Unreserved, undesignated		154,118	334	15,000
<b>Total fund balances</b>		<b>154,118</b>	<b>334</b>	<b>15,000</b>
<b>Total liabilities and fund balances</b>		<b>\$ 156,546</b>	<b>31,520</b>	<b>15,000</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>
81,034	559,540	176,725	12,760	16,146	1,017,554
-	-	-	-	-	334
-	-	-	-	-	31,186
1,074	-	-	-	-	1,074
-	-	925	16	20	1,158
36,632	-	-	-	-	36,632
20,229	-	1,607	-	-	21,836
<u>138,969</u>	<u>559,540</u>	<u>179,257</u>	<u>12,776</u>	<u>16,166</u>	<u>1,109,774</u>
13,139	-	582	155	505	16,809
10,193	-	-	-	-	10,193
-	-	-	-	-	31,186
-	-	-	-	-	-
<u>23,332</u>	<u>-</u>	<u>582</u>	<u>155</u>	<u>505</u>	<u>58,188</u>
20,229	-	1,607	-	-	21,836
-	-	-	-	-	-
<u>95,407</u>	<u>559,540</u>	<u>177,068</u>	<u>12,621</u>	<u>15,661</u>	<u>1,029,749</u>
<u>115,636</u>	<u>559,540</u>	<u>178,675</u>	<u>12,621</u>	<u>15,661</u>	<u>1,051,585</u>
<u>138,968</u>	<u>559,540</u>	<u>179,257</u>	<u>12,776</u>	<u>16,166</u>	<u>1,109,773</u>

City of Iowa Falls, Iowa

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances

Nonmajor Governmental Funds

Year ended June 30, 2009

	Special		
	Hotel/Motel Tax	Emergency	Self- Insurance
Revenues:			
Other city tax	\$ 100,236	25,420	-
Use of money and property	2,443	-	-
Intergovernmental	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>102,679</u>	<u>25,420</u>	<u>-</u>
Expenditures:			
Operating:			
Public safety	-	-	-
Public works	-	-	-
Community and economic development	37,458	-	-
Total expenditures	<u>37,458</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>65,221</u>	<u>25,420</u>	<u>-</u>
Other financing sources (uses):			
Transfers in	-	-	15,000
Transfers out	-	(25,376)	-
Total other financing sources (uses):	<u>-</u>	<u>(25,376)</u>	<u>15,000</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures and other financing uses	65,221	44	15,000
Fund balances beginning of year	<u>88,897</u>	<u>290</u>	<u>-</u>
Fund balances end of year	<u>\$ 154,118</u>	<u>334</u>	<u>15,000</u>

See accompanying independent auditor's report.

Schedule 2

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>
-	-	-	-	-	125,656
-	-	16,267	376	277	19,363
431,266	-	-	-	-	431,266
23,978	-	-	17,693	18,013	59,684
<u>455,244</u>	<u>-</u>	<u>16,267</u>	<u>18,069</u>	<u>18,290</u>	<u>635,969</u>
-	-	-	19,289	11,701	30,990
518,881	-	-	-	-	518,881
-	-	16,304	-	-	53,762
<u>518,881</u>	<u>-</u>	<u>16,304</u>	<u>19,289</u>	<u>11,701</u>	<u>603,633</u>
<u>(63,637)</u>	<u>-</u>	<u>(37)</u>	<u>(1,221)</u>	<u>6,589</u>	<u>32,336</u>
57,029	-	-	4,648	-	76,677
-	-	(2,128)	-	-	(27,504)
<u>57,029</u>	<u>-</u>	<u>(2,128)</u>	<u>4,648</u>	<u>-</u>	<u>49,173</u>
(6,608)	-	(2,165)	3,428	6,589	81,509
<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>115,636</u>	<u>559,540</u>	<u>178,675</u>	<u>12,621</u>	<u>15,661</u>	<u>1,051,585</u>

City of Iowa Falls, Iowa

Bond and Note Maturities

June 30, 2009

General Obligation Bonds/Notes						
Year Ending June 30,	Corporate Purpose Issued Oct 1, 2003		Corporate Purpose Issued Oct 1, 2004		GO Refunding Capital Loan Notes Issued Mar 15, 2008	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2010	3.30	\$ 70,000	3.00	\$ 70,000	2.50	\$ 185,000
2011	3.55	70,000	3.20	70,000	2.70	190,000
2012	3.70	75,000	3.35	75,000	2.90	195,000
2013	3.85	80,000	3.55	80,000	3.05	205,000
2014	4.00	80,000	3.70	80,000	3.20	210,000
2015	-	-	3.80	85,000	-	-
2016	-	-	3.90	85,000	-	-
2017	-	-	4.00	90,000	-	-
Total		<u>\$ 375,000</u>		<u>\$ 635,000</u>		<u>\$ 985,000</u>

Revenue Bonds/Notes						
Year Ending June 30,	Wastewater Revenue Capital Loan Notes Series 1996 Issued Feb 16, 1996		Hospital Revenue Bond Series 1998 Issued Nov 1, 1998		Hospital Revenue USDA Loan	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2010	3.00	\$ 208,000	5.00	\$ 217,769	2.49	\$ 89,363
2011	3.00	215,000	5.00	228,911	2.49	91,614
2012	3.00	221,000	5.00	240,622	2.49	93,914
2013	3.00	228,000	5.00	252,933	2.49	96,290
2014	3.00	234,000	5.00	265,873	2.49	40,856
2015	3.00	241,000	5.00	232,186	-	-
2016	3.00	249,000	-	-	-	-
Total		<u>\$ 1,596,000</u>		<u>\$ 1,438,294</u>		<u>\$ 412,037</u>

See accompanying independent auditor's report.

General Obligation Bonds/Notes					
Essential Corporate Purpose		Capital Loan Notes Series 2005		Capital Loan Notes Series 2005	
Issued Dec 15, 2002		Issued Jan. 5, 2006		Issued Oct. 1, 2006	
Interest		Interest		Interest	
<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
3.50	\$ 75,000	3.60	\$ 95,000	3.90	\$ 70,000
3.75	75,000		-	3.90	70,000
3.85	80,000		-	3.90	75,000
4.00	80,000		-	3.95	75,000
	-		-	4.00	85,000
	-		-	4.05	55,000
	-		-	4.10	60,000
	-		-	4.15	60,000
	<u>\$ 310,000</u>		<u>\$ 95,000.00</u>		<u>\$ 550,000.00</u>

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Hospital Revenue  
Cedar Rapids Bank & Trust

Interest	
<u>Rates</u>	<u>Amount</u>
6.073	\$ 20,744
6.073	22,039
6.073	11,531
	-
	-
	-
	-
	<u>\$ 54,314</u>

Bond and Note Maturities

June 30, 2009

General Obligation Bonds/Notes			Revenue Bonds/Notes		
Year Ending June 30,		Total	Year Ending June 30,		Total
2010	\$	565,000	2010	\$	535,876
2011		475,000	2011		557,564
2012		500,000	2012		567,067
2013		520,000	2013		577,223
2014		455,000	2014		540,729
2015		140,000	2015		473,186
2016		145,000	2016		249,000
2017		150,000			
Total	\$	<u>2,950,000</u>	Total	\$	<u>3,500,645</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 Seven Years

	2009	2008	2007	2006
<b>Revenues:</b>				
Property tax	\$ 1,564,704	1,494,982	1,400,514	1,362,623
Tax increment financing revenue	2,149,640	1,917,546	1,811,571	1,286,764
Other city tax	788,128	713,382	754,511	666,026
Licenses and permits	84,228	72,499	62,128	52,250
Use of money and property	102,790	199,157	243,822	217,700
Intergovernmental	1,552,601	1,184,468	776,088	819,551
Charges for service	98,364	119,465	146,950	137,101
Miscellaneous	244,965	303,519	209,422	373,608
<b>Total</b>	<b>\$ 6,585,420</b>	<b>6,005,018</b>	<b>5,405,007</b>	<b>4,915,623</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety	\$ 1,431,502	1,296,586	1,315,999	1,234,754
Public works	677,405	597,857	650,685	565,837
Culture and recreation	708,467	671,157	705,734	578,525
Community and economic development	197,772	99,582	153,248	136,666
General government	128,093	152,263	116,442	123,957
Debt service	868,687	2,193,492	845,465	800,951
Capital projects	2,570,404	1,589,517	1,599,999	1,924,758
<b>Total</b>	<b>\$ 6,582,330</b>	<b>6,600,454</b>	<b>5,387,572</b>	<b>5,365,448</b>

See accompanying independent auditor's report.

Schedule 4

2005	2004	2003
1,435,121	1,545,978	1,428,398
1,142,363	885,271	781,318
605,179	567,995	582,462
86,381	60,721	41,528
156,051	82,696	95,151
761,667	955,757	1,394,722
136,768	133,319	146,660
<u>368,117</u>	<u>377,068</u>	<u>348,223</u>
<u>4,691,647</u>	<u>4,608,805</u>	<u>4,818,462</u>
1,207,781	1,052,954	1,092,281
443,900	432,051	436,786
618,940	561,258	668,445
116,335	201,158	438,733
175,021	321,840	335,867
775,946	753,665	697,591
<u>2,341,908</u>	<u>1,622,095</u>	<u>2,586,624</u>
<u>5,679,831</u>	<u>4,945,021</u>	<u>6,256,327</u>

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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Iowa Falls, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 7, 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 I of the accompanying schedule of findings 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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit on the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Iowa Falls and other parties to whom the City of Iowa Falls may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Iowa Falls during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

December 7, 2009

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2009

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

**SIGNIFICANT DEFICIENCIES:**

I-A-09 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

Year ended June 30, 2009

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

II-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the community and economic development and business activities 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.

II-B-09 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.

II-C-09 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, 2009

II-D-09 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	\$ 332
Steve Henry, Fire Secretary/ Treasurer, owner of Iowa Falls Glass	Supplies for fire station	505
Rick Gustin, Fire Chief Owner of Iowa Falls Heating & A/C	Heating & air conditioning maintenance & supplies	13,262
DennisBarrick, Fireman Owner of Hardin County Tire	Tires and repairs for vehicles	18,191
Tyler Prochaska, Fireman Owner of Pro-Repair & Performance	Repairs	1,804

The transactions with the Fire Chief and Firemen appear to represent conflicts of interest since they were entered into without competitive bidding in accordance with Chapter 362.5(10) of the Code of Iowa. The other transactions does not appear to represent a conflict of interest as the transactions with each individual were less than \$1,500 during the fiscal year.

Recommendation – The City should comply with Chapter 362.5 of the Code of Iowa and have competitive bidding if transactions with City officials will exceed \$1,500 during the fiscal year.

Response – We will review this with our City attorney.

Conclusion – Response accepted.

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2009

- II-E-09 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.
- II-F-09 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-09 Revenue Bonds and Notes – The City has complied with the revenue bond and note provisions.
- II-H-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- II-I-09 Economic Development – The City paid \$42,500 to the Iowa Falls Area Council Development (IFACD) which may not be an appropriate expenditure of public funds.

In accordance with Chapter 15A of the Code of Iowa and an Attorney General’s opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting the public purpose.

Recommendation – The City should evaluate and document the public purpose served by the expenditure before authorizing further payments and should require the IFACD to provide documentation of how the funds were used to accomplish economic development activities. Furthermore, the council should require IFACD to substantiate any TIF eligible expenditures.

Response – We will review our procedures.

Conclusion – Response accepted.

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2009

II-J-09 Excess Cash Balances – It was noted that the Special Revenue Fund, TIF account had an excess cash balance.

Recommendation – City officials should review this balance.

Response – We have and we are aware of a planned TIF eligible project for which we will use the excess cash balance.

Conclusion – Response accepted.

II-K-09 Other Information Required by Bond Resolution

Insurance – The following insurance policies were in force at June 30, 2009:

<u>Insurer</u>	<u>Description</u>	<u>Amount</u>	<u>Expiration Date</u>
Employer's Mutual	Property coverage	\$ 19,318,790	Apr 1, 2010
Employer's Mutual	Liability coverage:		
	General aggregate	2,000,000	Apr 1, 2010
	Products aggregate	2,000,000	Apr 1, 2010
	Personal injury	1,000,000	Apr 1, 2010
	Each occurrence	1,000,000	Apr 1, 2010
	Fire damage	1,000,000	Apr 1, 2010
	Medical expense	5,000	Apr 1, 2010
Employer's Mutual	Inland Marine:		
	Contractor's equipment	778,557	Apr 1, 2010
	Data processing	194,419	Apr 1, 2010
	Valuable papers	650,000	Apr 1, 2010
	Miscellaneous property	43,750	Apr 1, 2010

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2009

Insurer	Description	Amount	Expiration Date
Employer's Mutual	Automobile coverage:		
	Liability	1,000,000	Apr 1, 2010
	Auto medical	5,000	Apr 1, 2010
	Uninsured motorist	50,000	Apr 1, 2010
	Underinsured motorist	50,000	Apr 1, 2010
	Comprehensive/collision	Lesser of cash value or cost of repair	Apr 1, 2010
Employer's Mutual	Worker's compensation:		
	Bodily injury by accident	500,000	Apr 1, 2010
	Bodily injury by disease	500,000	Apr 1, 2010
	Policy limit	500,000	Apr 1, 2010
Employer's Mutual	Umbrella:		
	Occurrence limit	3,000,000	Apr 1, 2010
	Aggregate limit	3,000,000	Apr 1, 2010
Employer's Mutual	Linebacker:		
	Each loss	1,000,000	Apr 1, 2010
	Aggregate	1,000,000	Apr 1, 2010
	Insured's Deductible per Loss	3,000	Apr 1, 2010
Old Republic Insurance Company	Airport liability:		
	Completed Ops Agg Limit	1,000,000	Jul 1, 2010
	Each occurrence	1,000,000	Jul 1, 2010
	Malpractice aggregate	1,000,000	Jul 1, 2010
	Fire damage	50,000	Jul 1, 2010
	Medical expense	1,000	Jul 1, 2010
	Hangarkeepers-per aircraft	200,000	Jul 1, 2010

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2009

Insurer	Description	Amount	Expiration Date
	Hangarkeepers-per occurrence	200,000	Jul 1, 2010
	Personal injury and advertising injury aggregate limit	1,000,000	Jul 1, 2010
Darwin Select Insurance Company	Airport public officials Professional Liability	1,000,000	Jul 1, 2010
	Employment Practices Liab.	1,000,000	Jul 1, 2010
	Policy Aggregate	1,000,000	Jul 1, 2010
	Supplementary Payments	50,000	Jul 1, 2010
	Supplementary Payments Agg.	50,000	Jul 1, 2010
Allied Insurance Company	Public employees' blanket bond	100,000	Continuous until canceled
PMMIC	Pollution liability: Underground tanks	1,000,000	Nov 17, 2009

Statistical Information:

Description	Amount
Customers served at June 30, 2009 – Water	2,238
Customers served at June 30, 2009– Sewer	2,213

Water rates in effect at June 30, 2009:

Per month:

- First 1,000 gallons - \$3.57 minimum charge
- 1,000 to 20,000 gallons - \$2.85 per 1,000 gallons
- Over 20,000 gallons - \$2.46 per 1,000 gallons

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2009

Sewer rates in effect at June 30, 2009:

Minimum charge per month of \$5.25 plus \$4.00 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