

# **CITY OF MARSHALLTOWN, IOWA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Year Ended June 30, 2009**

**Prepared by:  
City Finance Department**

# CITY OF MARSHALLTOWN, IOWA

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## **INTRODUCTORY SECTION**

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December 23, 2009

Mayor Beach,  
Members of the City Council and  
Citizens of Marshalltown, Iowa:

In accordance with Chapter 11 of the Code of Iowa, I hereby submit the Comprehensive Annual Financial Report (CAFR) of the City of Marshalltown, Iowa, (City) for the fiscal year ended June 30, 2009. The accuracy of data, and the completeness and fairness of the presentation, including all disclosures, is the responsibility of the City management. To the best of our knowledge and belief, the enclosed data accurately, and in all material respects, is reported in a manner that presents fairly the financial position and results of operations for the City and its component units. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. Also included is information required to fulfill SEC disclosure regulations and bond covenants as it pertains to bonds held by the City of Marshalltown.

The CAFR is organized into the four sections: Introductory, Financial, Statistical and Compliance.

1. The introductory section is unaudited and includes the table of contents, this letter, a copy of the Certificate of Achievement for Excellence in Financial Reporting awarded for the FYE 08 CAFR, an organizational chart and a listing of principal elected and appointed officials.
2. The financial section includes the independent auditor's report, the management's discussion and analysis (MD&A) of the City's financial activities, the basic financial statements, the combining and individual fund financial statements, schedules and supplementary information.
3. The statistical section of the report, which is also unaudited, includes statistical information pertaining to the City's financial condition and operations, generally presented on a multi-year basis. This section has been expanded to comply with GASB (Government Accounting and Standards Board) Statement Number 44. Also included in this section are schedules required for bond covenant and SEC compliance.
4. The fourth section of the report provides the information needed to comply with the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to the single audit, including the independent auditor's report, the schedule of expenditures of federal awards (SEFA), schedule of findings and questioned costs are included in the compliance section.

The City of Marshalltown's financial statements have been audited by Eide Bailly, L.L.P. of Dubuque, IA, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended, June 30, 2009 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor, concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Marshalltown's financial statements for the fiscal year ended, June 30, 2009 are fairly presented in conformity with GAAP.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it. With the FY 05 financial report, the City implemented Governmental Accounting Standards Board Statement No. 44. This statement

expands the usefulness of the information presented in the Statistical Section of this report, presenting many multi-year histories of many financial trends. As the years progress, a greater amount of comparison will be provided to aid the reader in understanding the underlying financial condition of the City.

### **Profile of the Government**

The City was incorporated July 27, 1863 under the laws of the State of Iowa, later amended on June 16, 1975 under the City Home Rule Act. Marshalltown is located in the central region of the state, with a land area of 19.19 square miles and a population of 26,009 as of the 2000 census. The City is empowered to levy a property tax on both real and personal property located within its boundaries, and has the power to extend its corporate limits by annexation, which was done during the fiscal year of this report, adding 1.04 square miles for the potential Alliant Energy Plant expansion. The City operates under a mayor-council form of government. Setting policy and legislative authority are vested in the seven-member council. The City Council is responsible for passing ordinances, resolutions, adopting and amending the budget, appointing committees and hiring the City Administrator as provided by ordinance. The Mayor and Council are elected on a nonpartisan basis. Beginning November 1997 the elections are on a four year staggered term rotation, allowing continuity within the membership. Four of the council members are elected from within their respective districts. The mayor and the three remaining council members are elected at large. The City Administrator, hired by the City Council is responsible for carrying out the policies and ordinances of the council, overseeing the day-to-day operations of the government, and for hiring the City Clerk and department managers.

The City provides police, fire, traffic safety, culture, recreation, community development, public works, sewage collection and disposal, compost facility, a transit system, municipal parking lots, various housing programs as authorized by its charter. For financial reporting purposes, all funds, agencies, boards, commissions, trusts and authorities involved in the provision of these services are included if the City is financially accountable. Financial accountability is determined by several inherent factors, including fiscal dependence, ability to impose will upon the entity's governing body, provision of specific financial burdens or benefits and separate legal entity status. In Marshalltown, the library is overseen by a board of directors and included in the operations of the general fund. 911 Communications are administered by a 911 Commission, which uses an agreement allowed by Chapter 28 of the Code of Iowa and is included in this report. The water distribution system, administered by an independent utility board of trustees, and the Convention and Visitors Bureau, administered by a board of directors, are included as component units of the City. The Marshalltown School District and East Marshall School District are administered by independent and autonomous boards created and elected under the authority of the Code of Iowa, are legally separate and are fiscally independent of the state and other local governments. The school districts' financial statements are, therefore, not included as part of the City's financial report. However, the county and school district overlapping debt is displayed in the statistical schedules.

The annual budget serves as the foundation for the City of Marshalltown's financial planning, development and control. The budget is adopted as one document containing two components, the capital and operating budget. The capital budget includes all projects and assets acquisitions in excess of \$5,000. All City departments are required to submit appropriation requests to the finance department during the fall of each year. Revenue estimates and expenditure requests are verified for availability and compatibility with Council goals and policies. The city administrator then uses this analysis for developing a proposed budget. The proposed budget is presented to the council for review during January. The council is required to hold at least one public hearing on the proposed budget and to adopt a final budget before March 15. The legally adopted budget is prepared by function (e.g., Public Safety, Public Works, Capital Projects etc). Department managers may make transfers of appropriations within the department. The transfer of appropriations between functions, however, requires a public hearing and approval by the city council prior to exceeding the published function budget. Budgetary control is monitored at the function level. All funds budgeted in accordance with state statute are included in the budget-to-actual comparisons, presented on pages 75-77 as part of the required supplementary information.

## ECONOMIC CONDITION AND OUTLOOK

The local economic outlook is cautious based upon the recent events listed later in this letter. The national trend for a slowdown in construction is reflected within Marshalltown. Building permits were down to \$12,918,000 for new construction and \$14,757,000 for remodeling, repairs and additions. Ten new single-family units were constructed totaling \$2,501,000 as compared to seventeen valuing \$3,548,000 last year, reflecting the national slow down of housing development. Retail sales are strong demonstrating Marshalltown is still a stable regional economy. Unemployment at 6.7% is lower than national levels but the highest in the past ten years. The announcements of various industrial expansions discussed last year are still going forward. Their impact will be discussed later in this report.

The Local Option Sales Tax (LOST) begun April 1, 2000 was extended for another ten years in early 2004. The original ballot language required 20% of the LOST for the storm sewer, 5% for cash flow reserves and 75% designated for property tax relief. Having successfully achieved the goals of that mandate, the 2004 ballot changed the 5% to be designated by the City Council for any legal purpose and the 20% to be designated for storm sewer and other capital projects. The LOST generated over \$2.7 million tax collected, still demonstrating overall stability in the regional retail sector. The property tax relief portion of the LOST was applied during preparation of the budget for fiscal year 2008-2009, reduced the tax levy by \$3.12/\$1,000 of taxable valuation or \$2,206,215. The Council's discretionary designation for this year went towards the renovation of the old Carnegie Library project. The George Butler and Associates study on the condition of the storm sewer system, created a status and location database sighting repairs and reconstruction in excess of \$13.6 million. During this year Council continued chipping away at the long list of projects, completing work on Ingledue Street. Future projects are prioritized within the Capital Improvement Plan which is prepared as part of the budget process.

The School Infrastructure Local Option (SILO) Sales Tax, originally passed in 2004, was designated to buy down the \$25,000,000 infrastructure bonds for ten years. Voters in Marshalltown school district gave the extended collection of SILO tax through 2022. Beginning July 1, 2009 the State of Iowa began collecting a sales tax of six percent and abolished the schools Local Option Sales Tax. According to the terms of the legislation communities with outstanding bonds previously issued for school infrastructure will be allocated sufficient funds to retire those obligations.

The flooding in May and June of 2008 incurred more damages than the original estimates of \$250,000. Additional damage was discovered totaling \$864,000. FEMA and the state are expected to cover most of the expenses associated with the damage. However, little administration is reimbursed. At the time of this report only one repair, to a 33" interceptor pipe, has not been completed.

## MAJOR INITIATIVES

### BUILDING ON WHAT WE ALREADY HAVE

The Iowa Veteran's home (IVH) opened in 1887, employing 1,000. This facility is housed on a 160 acre campus serving over 755 beds for veterans, spouses and widows. IVH is well into the construction phase of a \$100 million construction and renovation project including a 120 bed nursing facility and a 60 bed pavilion to have a home-like feel for residents requiring less supervision. Funding of the \$26.75 million project has been granted from the U.S. Department of Veterans Affairs towards phase one of the project. \$20 million was budgeted from the state for the three final phases of the project on top of \$14 million for phase one.

**Imagine** is a community-wide initiative facilitated by a coalition of community organizations and individuals. The mission for **Imagine** is to engage community members in a collaborative, community-wide visioning process which has developed 7 big ideas to be implemented by 2011. Their mission is to

Move Marshalltown into the future by focusing on sustainable community development: meeting the needs of the present without compromising the ability of future generations to meet their own needs. Many of the **Imagine** committees are still actively working towards the seven Imagine 2011 ideas. Biking enthusiasts came before the Council with a grant application proposal to build the connection between the City's bike trail head and Grimes Farm trails to complete the local links for the American Discovery Trail network, a 6,800 mile trail that goes from coast to coast.

The renovation of the historic Orpheum in Marshalltown's downtown district is a joint venture between Iowa Valley Community College, the Orpheum Board of directors, and the City. With visions of keeping the retro style of this 1949 movie theatre, the parties at hand have now completed construction on the \$3.22 million project, relocating an adjoining business. The facility is about to open for various cultural events, live theatre and a theatrical construction and storage area.

Mary Greeley opened a new dialysis center in the south area of the community. This new facility will give additional services locally, increasing availability to the regional geographical area. Also in the southern area of Marshalltown, a blighted trailer court was dismantled. Upgrading the infrastructure and creating street access enabled Hampton Inn & Suites to build an 80 room facility. Another community need addressed by the Hampton Inn was the addition of a 720 sf conference facility. Tax Increment Financing was used to assist the blight removal on the development site.

Almost 18 months ago, Alliant Energy announced their intention to construct a \$1 billion coal burning power generating system in Marshalltown. Through the rule making process with the Iowa Utility Board, Alliant determined that restrictions put upon the company and the change in the financial market made it impractical to go forward with the project at this time. The City is still in a good position should Alliant decide to make any other enhancements at the Marshalltown plant in the future.

During this same period, Alliant constructed a new technical training center. The new facility replaces the old training center which sits on the ground where the proposed new power plant would have been constructed. One of the buildings constructed is a classroom environment while the other is a hands-on learning space consuming 8,100 square feet with a new garage facility of 4,050 square feet. This facility also has the potential for training regional emergency crews on how to deal with natural gas fires and downed power lines.

Emerson's worldwide information technology operation was completed in Marshalltown during this year. The \$12 million investment supports a new data center to backup information from Emerson operations and development across the globe from Marshalltown, IA. Equipment for the center is housed in a 12,000 square foot section of a remodeled building on Fisher's Governor Road campus. The new data center is designed to rarely experience down time. It will backup anything Emerson does anywhere in the world. December 12, 2006, Emerson Process Management, a business of Emerson announced a \$19 million renovation and expansion of its Fisher® control valves research and development facilities in Marshalltown, Iowa. The project creates the Fisher Technology Development Center, which will be the industry's largest and most advanced flow control research facility. The center will be staffed by employees from Emerson's current research and development facility, with plans to add 15 research and development engineers. Construction began in early 2007 with final façade completion extending until late 2009. The new facility: 1) Quadruples current air and water flow rate capabilities to permit testing of valves for larger and higher-pressure applications. 2) Increases pressure and flow sub-systems to support noise abatement research and product development. 3) Provides new flow sciences research labs to support multi-phase, cavitations and real world fluid control problems through the expanded dynamic performance test loops to accommodate larger valves, supporting new product development, and improving customer demonstration and witness testing capability.

Marshalltown's April 2006 referendum received a 70% voter approval to build a new library. The referendum allowed not more than \$5,000,000 in general obligation bonds for the project which were sold last fiscal year. The challenge to raise \$4 million to construct the facility was surpassed with a combination of gifts and grants. Fisher-Emerson donated property to the City for the new library site and

a \$250,000 challenge grant for the project. The project received \$1.2 million from the Vision Iowa Grant in October 2006. All other necessary property was secured in the early winter of 2008 and sanitary and storm sewer modifications were completed. The opening of the facility was in December 2008. The new Marshalltown Public Library is a single story facility of approximately 35,700 square feet. The facility includes public meeting room space, a café area, dedicated Children's Collection and program space, Adult Collection space, Reference/Genealogy areas, dedicated study rooms, public service desk and administrative/work areas for the Library staff and volunteers. Since the new facility opened, circulation and visitor attendance have increased over 30% compared to the old facility.

The library has been LEED® Gold certified by the U.S. Green Building Council (USGBC) as verified by the Green Building Certification Institution (GBCI). LEED is the nation's preeminent program for the design, construction and operation of high performance green buildings.

The Library has been designed to achieve a high standard for energy efficiency, using materials with high recycled content, rapidly renewable materials such as bamboo and linoleum and low VOC paints and adhesives. Locally produced brick and stone were used on the project. The building even generates some of its own electricity through a rooftop photovoltaic array. The Library has been designed to minimize its impact on the environment by using native plants that do not require watering and by diverting more than 95% of the construction waste from being buried in a landfill. The Marshalltown Public Library is the first LEED (Leadership in Energy and Environmental Design) Certified public library in the state of Iowa and is one of only 13 public libraries in the U.S. to achieve LEED Gold certification.

The Library achieved LEED certification for energy use, lighting, water and material use as well as incorporating a variety of other sustainable strategies. By using less energy and water, LEED certified building saves money for families, businesses and taxpayers; reduces greenhouse gas emissions; and contributes to a healthier environment for residents, workers and the larger community.

The facility was also designated with the All Star Award from the Iowa League of Cities in September, 2009.

#### OTHER INFLUENCING FACTORS

Conveniently located at the junction of Highways 30 and 330 Marshalltown is the regional hub of central Iowa with six diverse golf courses, art galleries, historic Main Street, antique shopping, annual festivals and events, architectural tours, Lincoln Highway, indoor and outdoor aquatic centers, 8.9 miles of bike and walking trails, within 30 miles of the Iowa Speedway of Newton, vineyard and wineries, a Vegas-style casino, and other exciting attractions. Located forty-five minutes northeast of Des Moines, Marshalltown can offer small town life style within the reach of a large metropolitan area for culture and transportation.

##### State Economic Impact:

During fiscal year 08-09 the residential assessment rollback decreased slightly. Assessed values increased in FY 09 by \$23,585,018. However, the taxable growth in values was only increased 3.3%, influenced by the decrease of .440803% rollback factor for residential setting the commercial roll back factor to .9973% and the calculations used for the utility excise tax. During the 1980's, the state legislature limited the value growth by class to 4% statewide and linked or coupled agricultural and residential values so that neither class could increase at a greater percentage than the other. The emergence of ethanol plants in Iowa has changed the market value of agricultural prices which has impacted the property tax system in Iowa. Legislative Interim committees continue to examine the property tax system because, in part, the rollback factor continues to shift the burden for the payment of services onto our businesses and industries. The table below demonstrates the magnitude of roll back by property classification.

Fiscal Year	Residential	Agricultural	Commercial	Industrial	Utility
08-09	44.0803	90.102	99.73120	99.73120	Excise tax
07-08	45.5596	100.	100.	100.	Excise tax
06-07	45.9960	100.	99.1509	100.	Excise tax
05-06	47.9642	100.	100.	100.	Excise tax
04-05	45.9960	100.	99.2574	100.	Excise tax
03-04	47.9642	100.	100.	100.	Excise tax
02-03	48.4558	100.	97.7701	100.	Excise tax
01-02	51.3874	100.	100.	100.	Excise tax
00-01	51.6676	96.338	98.7732	100.	Excise tax
99-00	56.2651	100.	100.	100.	Excise tax
98-99	54.8525	96.4206	97.3606	100.	100.

The Utility Replacement Tax (URT) also known as the Excise Tax, replaced the centrally assessed property tax on utilities with an excise tax based on the generation, transmission and distribution of electricity and natural gas since 1998. An assessed value of utility property is, however still used to calculate bonding capacity. This fiscal year there was an increase of 5.3% from the Utility Replacement Tax.

Section 42, another factor shifting the property tax liability was enacted by the state legislature in 2005, known as Iowa Code Section 42. This provision changes the calculation of privately held rental residential units that qualify for federal tax credits. These units previously classified as commercial can now be classified as residential (enjoying the rollback factor) in part increasing the profitability of the unit. Pressures are being put upon the legislature to change the commercial classification on all residential units to enjoy the residential roll back. This would adversely affect the City's ability to generate revenues on properties generally requiring more services due to its high density and economic composition.

Capital Improvement Project (CIP) levy is property tax revenue used for the repair and replacement of capital items, approved by a referendum in 1999. This Capital Improvement levy generated \$416,300 this year. Use of this levy allows: 1) capital equipment and building maintenance on a routine, planned basis, 2) avoids or eliminates the use of debt capacity for capital equipment and building maintenance, 3) avoids or eliminates interest expense for capital equipment and building maintenance 4) allows more flexibility for operations within the general fund. By resolution, the City Council voted to set aside 15% of the annual capital improvement levy for large capital items such as fire engines. To better manage the resources generated by the levy, all departments prepare at least a five year capital needs plan for Council approval.

Hotel/Motel Tax is imposed upon the occupancy of local hotel and motel units. In Marshalltown the 7% rate was imposed in 2005. The tax is used to promote tourism and convention activity within the community and through the Convention and Visitor's Bureau (CVB), a component unit of the City. The agreement with the CVB was amended changing the split ratio with the City. The agreement began July 1, 2006 is reflected below:

75% to be used by the CVB for fiscal year 06-07  
74% to be used by the CVB for fiscal year 07-08  
73% to be used by the CVB for fiscal year 08-09  
72% to be used by the CVB for fiscal year 09-10  
71% to be used by the CVB for fiscal year 10-11

Additionally, the Council designated 15% of all annual revenue generated by the hotel/motel tax to be earmarked for a special project. During FY 09, these designated funds contributed to finish parking and other amenities of the community center in the Riverview Park. The facility was constructed through the training program at the community college in time for the Iowa Barbeque Contest in FYE 08. This activity brings thousands of people into the community. The facility was designed to offer year round rentals to the park.

Special Assessments were used on another capital street project during this fiscal year continuing the change in cost sharing between the City and citizens that directly benefit from the street improvements. This has allowed the city to reduce the dependence on debt to fund street projects yet. The City policy uses the maximum interest rate allowed by state code (currently 9%) to encourage timely retirement of the assessment.

#### INTER-GOVERNMENTAL COOPERATION

A monthly meeting of the management of each of the governmental bodies continues in its 15<sup>th</sup> year. Discussions at these meetings allow informal discussions on changes in the community and their impact on each agency in the areas of taxation, tax increment financing, GIS mapping, data processing, zoning, demographics, personnel and transportation. Many of these managers also travel to Washington DC with the Chamber of Commerce and MEDIC (Marshall Economic Development Impact Committee) to explore available programs and funding assistance.

The County Board of Supervisors meets with the City Council on a quarterly basis to continue management's involvement in intergovernmental cooperation and efficiencies. Topics such as elimination of plastic bags and other joint projects were discussed.

#### FINANCIAL INFORMATION

The management of the City is responsible for establishing and maintaining a system of internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits require estimates and judgments by management. Internal controls have been established within the finance department and are evaluated to provide adequate control based on resources available. Management continues to modify internal controls to meet changing needs and recommendations by the external auditors.

The City maintains its daily financial records and budget on a cash basis of accounting. The accounting records for governmental operations and agency funds are converted to the modified accrual basis at the end of the fiscal year. Similarly, the enterprise, internal service, and pension trust fund are converted to the accrual basis of accounting. The fund balances on an accrual basis of accounting vary from the cash type of balances based on cash receipts and disbursements in that the latter reflect only moneys "on hand" that are available for spending.

*Compliance Audit.* As a recipient of federal and state financial assistance, the City also is responsible for ensuring that adequate internal controls are in place for compliance with applicable laws, regulations, contracts and grants related to those programs. Internal controls are subject to periodic evaluation by management and the external audit staff of the City.

As a part of the City's compliance audit, described earlier, tests are made to determine the adequacy of the internal controls, including that portion related to federal financial assistance programs, and the state programs determined under the same criteria, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's independent auditor's results for the fiscal year ended June 30, 2009, disclosed significant deficiencies in internal control over financial reporting. All findings and comments can be found in the Schedule of Findings and Questioned Costs in the Compliance Section of this report.

*Cash Management.* Cash temporarily idle during the year can be invested in demand deposits, certificates of deposits, commercial paper rated AAA or above, obligations of the U.S. Treasury or an investment pool. The investment pool utilized by the City was the IPAIT (Iowa Public Agency Investment Trust) which invests primarily in U.S. Treasury securities, repurchase agreements, and agency securities backed by the full faith

and credit of the U.S. Government. Investment of City funds are restricted by state statute and local policy. All investments of the primary government are directly held and managed by the City Finance Director with co-authority of the City Administrator. An Investment Advisory Committee of financial specialists within the community review all investment activity on not less than a quarterly basis, insuring the investment vehicles are diversified, staggered to meet cash flow needs, and with minimal risk exposure. The maturities of investments generally range from 30 days to 3 years. With the change in the investment market, the volatility in interest rates, and progress on capital projects there was a decrease in earnings from \$602,711 in FYE '08 to \$325,699 this year.

*Risk Management.* The city is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; worker's compensation; and health care of its employees. The city has participated in the Iowa Cities Assurance Pool since 2005 to insure itself from such losses. This is an intergovernmental organization created to secure affordable insurance to municipalities and counties with similar risk exposures. The City covers its worker's compensation coverage with the Iowa Worker's Compensation Association. Strategic planning of worker's compensation cases including medical case management, a safety committee, supervisory/employee relations, transitional work and litigation management have been incorporated into the City's risk management program. More details on the City's risk management can be found in the Notes to the Financial Statements found later in this report.

The City's self-funded health insurance also promotes safety and wellness through preventative incentives, publications and various activities. Third party coverage insures a stop loss limit of \$80,000 minimizing catastrophic exposure to losses. The Group Health Advisory Committee, made up of City employees and support staff, was formed to examine the City's self-administered insurance program. The committee continues to implement and monitor changes to the coverage of the group. Participation in the IRS Section 125 Cafeteria Plan, disability insurance, voluntary life insurance, prescription discounts and wellness programs have substantially increased. A self-funded Preferred Provider Organization (PPO) plan has been offered since January 1998 as an alternative to increased premiums. Provider discounts and favorable experience with claims positively impacts the city again this year increasing available cash balances in the internal service fund and helps control tax levies which support the City's portion of the premium. Cost containment measures and claim review continue to improve control over excessive claims. Cash balances increased due to the fewer major claims experience during the year.

*Post employment benefits.* The City of Marshalltown provides postretirement health care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 53 retired employees or surviving spouse receiving these benefits, which are financed on a pay-as-you-go basis. This is the first year, GAAP requires governments in Marshalltown's size bracket to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. The City prepared the Actuarial report for the reporting changes required by GASB in this area through various policy changes. See Note 8 under the Notes to Financial Statements for more detail on the policies and changes which affect the post employment benefits.

#### OTHER INFORMATION

*Independent Audit.* State statutes require an annual audit by independent certified public accountants. Eide Bailly, L.L.P. of Dubuque, IA was selected by the City Council for a five year engagement. In addition to meeting the requirements of state statutes, the audit is designed to meet the requirements of U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. To conduct the audit, the auditors used generally accepted auditing standards and the standards set forth in the General Accounting Office's *Government Auditing Standards*. The auditor's report on the basic financial statements is included in the financial section of this report. The auditor's reports on internal controls and compliance with applicable laws, regulations, contracts, and grants are included in the Compliance Section.

*Awards.* The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the years ending June 30, 1990, and consecutively 1993 through 2008. The Certificate of

Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

*Acknowledgments.* Improving the financial and economic outlook and stability for Marshalltown is a cooperative effort from community leaders and individuals in the private and public sector. That vision and the fiscal management of the City directly contribute towards the financial health of the City government. The City's progress in this past year has overall been positive despite the economic downturn on a national level.

The preparation of this report could not be accomplished without the dedicated services of the entire Finance Department. This has been another transition year in the department training new staff, we have made good progress. We also want to acknowledge the assistance from many other department staff, agencies and organizations which are all vital to the culmination of this report.

Respectfully submitted,



Richard Hierstein  
City Administrator

And



Cindy R. Kendall, CGFM  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Marshalltown  
Iowa

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



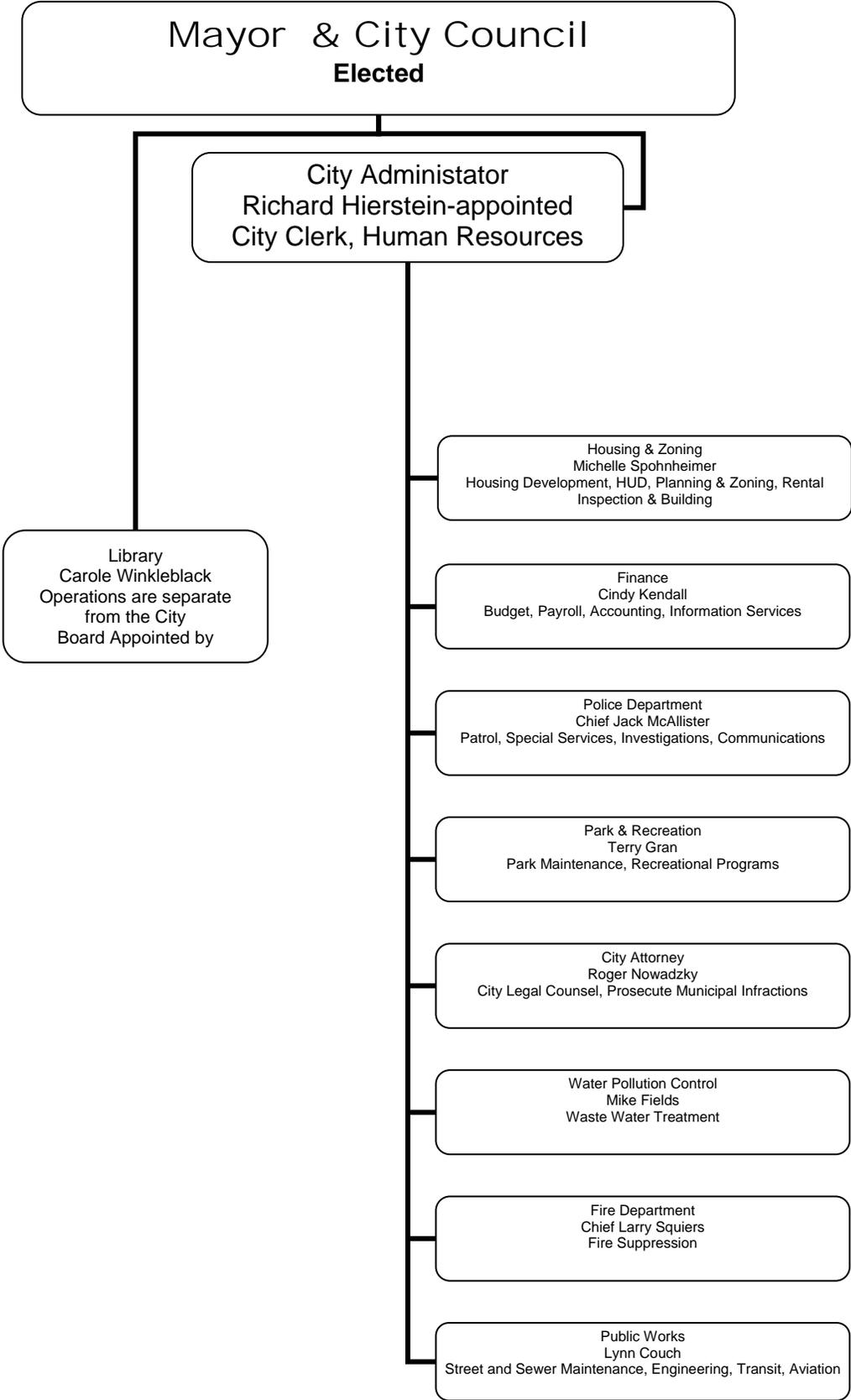
A handwritten signature in black ink, appearing to read "M. L. R. R.", written in a cursive style.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", written in a cursive style.

Executive Director

# Marshalltown Organizational Chart 2009



**CITY OF MARSHALLTOWN, IOWA**  
**OFFICIALS**  
**JUNE 30, 2009**

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Name	Title	Term Expires
Elected officials:		
Gene Beach	Mayor	December 31, 2009
Bethany Wirin	Mayor Pro-tem	December 31, 2009
Andrea Maxwell	Council Member	December 31, 2011
Robert Schubert	Council Member	December 31, 2009
Al Hoop	Council Member	December 31, 2011
William Backoff	Council Member	December 31, 2011
Robert Wenner	Council Member	December 31, 2009
Marla Grabenbauer	Council Member	December 31, 2009
Council-appointed officials:		
Dick Hierstein	City Administrator	June 30, 2010
City Administrator appointment with Council Approval:		
Roger Nowadzky	City Attorney	Indefinite
Shari Coughenhour	City Clerk	Indefinite
Cindy R. Kendall	Finance Director	Indefinite
Larry Squiers	Fire Chief	Indefinite
Michelle Spohnheimer	Housing Director	Indefinite
Terry Gray	Parks and Recreation Director	Indefinite
Jack McAllister	Acting Police Chief	Indefinite
John Phillips	Public Facilities Superintendent	Indefinite
Lynn Couch	Public Works Director	Indefinite
Nathan Stucky	Technical Services Coordinator	Indefinite
Mike Fields	Water Pollution Control Director	Indefinite

## **FINANCIAL SECTION**

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CPAs & BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

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To the Honorable Mayor and  
Members of the City Council  
City of Marshalltown, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshalltown, 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 management of the City of Marshalltown. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Marshalltown Water Works and the Marshalltown Convention and Visitors Bureau. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Marshalltown Water Works and the Marshalltown Convention and Visitors Bureau, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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. The financial statements of the Marshalltown Convention and Visitors Bureau were not audited in accordance with *Government Auditing Standards*. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshalltown, Iowa, as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2009, on our consideration of the City's internal control over financial reporting and on 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 the internal control over financial reporting or on 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.

The management's discussion and analysis and other required supplementary information, listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors 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 basic financial statements of the City of Marshalltown, Iowa. The introductory section, combining nonmajor fund financial statements, schedule of bond maturities, and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Marshalltown. The combining nonmajor fund financial statements, schedule of bond maturities, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Dubuque, Iowa  
December 23, 2009

## Management's Discussion & Analysis (MD&A)

The following is a narrative overview and analysis of the financial activities of the City of Marshalltown for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-9 of this report. We continue to add more comparison tables and graphs to the MD&A showing major variances in dollars and percent. Additional historical information can be found in the Statistical Section of this report supporting some of the analysis presented in this discussion and the transmittal letter.

### Financial Highlights of Primary Government

- Assets of the City of Marshalltown exceeded its liabilities at the close of the most recent fiscal year by \$71,034,355 (*net assets*) as compared to \$65,801,684 in the prior year.
- The City's total net assets increased by \$5,232,671. This increase is attributable primarily to the reduction and refinancing of debt liabilities, an increase in Capital Grants and Contributions and Construction in Progress. The contributions and state funding for the library were the largest impact on the increase in net governmental assets as the project closed out.
- As of the close of the current fiscal year, the City of Marshalltown's governmental funds reported combined ending fund balances of \$11,146,716 a decrease of \$2,276,291 in comparison with the prior year. This reflects the planned drawdown of the fund balances to be used for capital projects such as the library construction and various storm water and street projects.
- \$2,442,898 a decrease of \$1,012,125 over last year's ending balance for governmental funds is available for spending at the City's discretion (*unreserved undesignated fund balance*). This reduction is due to the progress on certain projects and the designation of capital project funds as reserved. For example, the Road Use Tax fund balance was reduced as additional resurfacing projects were completed.
- The City's total debt had a net decrease of \$3,073,840 during the current fiscal year. This change reflects the retirement of existing bonds and refinancing of two issues.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Marshalltown's basic financial statements. The City of Marshalltown's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Transmittal Letter, submitted as part of the overall report, gives general information about the government and economic spirit of the community. Comparative data are now available for a comprehensive discussion of the City of Marshalltown's change in net assets. The City has also adopted GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries; Statement No. 44, Economic Condition Reporting; The Statistical Section; Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 46, Net Assets Restricted by Enabling Legislation and Statement No. 47, Accounting for Termination Benefits.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Marshalltown's finances, in a manner more similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Marshalltown'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 of Marshalltown 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Marshalltown that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Marshalltown include public safety, public works (roads, utilities and traffic controls), health and social services, parks and recreation, library, economic development, general government administration and employee insurance. The business-type activities of the City of Marshalltown include compost, concessions, storm sewer, water pollution control and transportation activities.

The government-wide financial statements include the City of Marshalltown itself (known as the *primary government*) and also a legally separate Water Works and Convention and Visitors Bureau for which the City of Marshalltown is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 33-35 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Marshalltown, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Marshalltown can be divided into three categories: governmental, proprietary and fiduciary.

**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 statements, 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 financing 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 financing decisions. Both the governmental fund balance sheet and 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 of Marshalltown maintains fifteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances. Major funds include General, Road Use Tax, Debt Service, HUD Programs and other capital project and special revenue funds. Data from the other six non-major governmental funds are combined into a single, aggregated presentation in the governmental funds financial statements. Individual fund data on each of the non-major governmental funds is provided in the form of *combining statements* in the supplementary information section.

The City of Marshalltown adopts an annual appropriated budget for all funds as required by state statute. In Iowa, budgetary compliance is at the function level, transcending fund level accounting as demonstrated in this report. Budgetary comparison statements have been provided for the governmental and enterprise/proprietary fund levels. This comparison demonstrates the City's compliance with state requirements. This comparison can be found on pages 75-77 of this report.

The basic governmental fund financial statements can be found on pages 36-39 of this report.

**Proprietary funds.** The City of Marshalltown maintains two different types 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 of Marshalltown uses enterprise funds to account for its Storm Sewer, Water Pollution Control, Compost, Transit and Concession activities. *Internal service funds* are an accounting vehicle used to accumulate and allocate costs internally among the City of Marshalltown's various functions. The City of Marshalltown uses internal service funds to account for its insurance operations. Because this service predominantly benefits governmental rather than business-type functions, they have been included with governmental activities in the government-wide financial statements. Individual fund data for the internal service funds are provided in the form of *combining statements* in the supplementary information section.

Proprietary funds 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 Storm Sewer, Water Pollution Control and Non-major Enterprise funds, namely, Compost, Transit and Concession activities.

The basic proprietary fund financial statements can be found on pages 40-44 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* available to support the City of Marshalltown's own programs. The most significant fiduciary fund maintained by the City of Marshalltown is the payroll fund; which records the taxes collected for other taxing jurisdictions within the City of Marshalltown. The accounting used for fiduciary funds is much like that used for governmental funds. The basic fiduciary fund financial statements can be found on pages 45-46 of this report.

**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. The notes to the financial statements can be found on pages 47-72 of this report.

**Other information.** The *combining statements* referred to earlier in connection with non-major governmental and proprietary funds is presented immediately following the required supplementary information (RSI). Combining and individual fund statements and schedules can be found on pages 78-88 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Marshalltown, assets exceeded liabilities by \$71,034,355 at the close of the most recent fiscal year.

By far, the largest portion of the City of Marshalltown's net assets \$52,505,549 reflect its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less depreciation and any related debt. The City of Marshalltown uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Marshalltown's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF MARSHALLTOWN NET ASSETS**

**June 30, 2009**

**Governmental Activities**

	<u>FY 2008-09</u>	<u>FY 2007-08</u>	<u>Increase (decrease)</u>
Current and other assets	\$ 24,916,909	\$ 27,500,765	\$ (2,583,856)
Capital assets	42,486,593	38,591,982	3,894,611
	<hr/>	<hr/>	<hr/>
Total Assets	67,403,502	66,092,747	1,310,755
Current and other liabilities	11,794,453	12,126,888	(332,435)
Non-current liabilities	20,722,032	22,735,617	(2,013,585)
	<hr/>	<hr/>	<hr/>
Total Liabilities	32,516,485	34,862,505	(2,346,020)
Net assets:			
Invested in capital assets, net of related debt	23,043,549	19,020,002	4,023,547
Restricted	4,092,324	3,466,011	626,313
Unrestricted	7,751,144	8,744,229	(993,085)
	<hr/>	<hr/>	<hr/>
Total Net assets \$	<u>\$ 34,887,017</u>	<u>\$ 31,230,242</u>	<u>\$ 3,656,775</u>

**Business-type Activities**

	<u>FY 2008-09</u>	<u>FY 2007-08</u>	<u>Increase (decrease)</u>
Current and other assets	\$ 7,148,141	\$ 7,065,740	\$ (49,271)
Capital assets	34,482,000	33,652,883	829,117
	<hr/>	<hr/>	<hr/>
Total Assets	41,630,141	40,718,623	779,846
Current and other liabilities	276,804	396,054	(100,883)
Non-current liabilities	5,205,999	5,751,127	(545,128)
	<hr/>	<hr/>	<hr/>
Total Liabilities	5,482,803	6,147,181	(646,011)
Net assets:			
Invested in capital assets, net of related debt	29,462,000	28,057,883	1,404,117
Restricted	948,423	949,146	(723)
Unrestricted	5,736,915	5,564,413	172,502
	<hr/>	<hr/>	<hr/>
Total Net assets \$	<u>\$ 36,147,338</u>	<u>\$ 34,571,442</u>	<u>\$ 1,575,896</u>

<b>Total Net Assets</b>			
	<u>FY 2008-09</u>	<u>FY 2007-08</u>	<u>Increase (decrease)</u>
Current and other assets	\$ 32,065,050	\$ 34,566,505	\$ (2,501,455)
Capital assets	76,968,593	72,244,864	4,723,729
Total Assets	<u>109,033,643</u>	<u>106,811,369</u>	<u>2,222,274</u>
Current and other liabilities	12,071,624	12,522,941	(451,684)
Non-current liabilities	25,928,031	28,486,744	(2,558,713)
Total Liabilities	<u>37,999,288</u>	<u>41,009,685</u>	<u>(3,010,397)</u>
Net assets:			
Invested in capital assets, net of related debt	52,505,549	47,077,885	5,427,664
Restricted	5,040,747	4,415,157	625,590
Unrestricted	13,488,059	14,308,642	(820,583)
Total Net assets \$	<u><u>71,034,355</u></u>	<u><u>65,801,684</u></u>	<u><u>5,232,671</u></u>

A portion of the City of Marshalltown's net assets (\$5,040,747) represents resources that are subject to external restrictions. Prior year comparison shows \$4,415,157, an increase of \$625,590. The remaining balance of unrestricted net assets (\$13,488,059) may be used to meet the government's ongoing obligations to citizens and creditors. This is a decrease in available net assets over 2007-2008 by \$820,583. At the end of the current fiscal year, the City of Marshalltown is able to report positive balances in all three categories of net assets, governmental, business-type activities, and total.

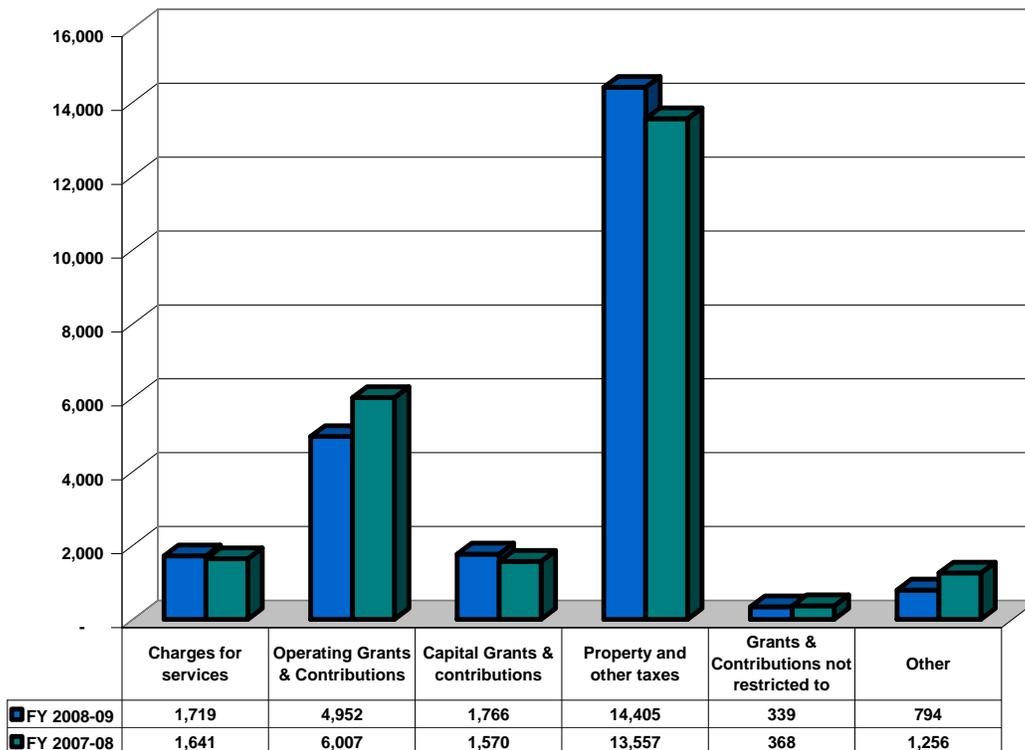
The following is a more detailed review of the years' operation.

### City of Marshalltown Changes in Net Assets

<b>Governmental Activities</b>			
	<u>FY 2008-09</u>	<u>FY 2007-08</u>	<u>Increase (decrease)</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 1,718,689	\$ 1,641,170	\$ 77,519
Operating Grants and Contributions	4,952,094	6,006,627	(1,054,533)
Capital Grants and contributions	1,766,302	1,570,148	196,154
General Revenues			
Property and other taxes	14,404,789	13,557,035	847,754
Grants & Contributions not restricted to specific programs	339,243	368,341	(29,098)
Other	793,952	1,255,780	(461,828)
Total Revenues	<u>23,975,069</u>	<u>24,399,101</u>	<u>(424,032)</u>

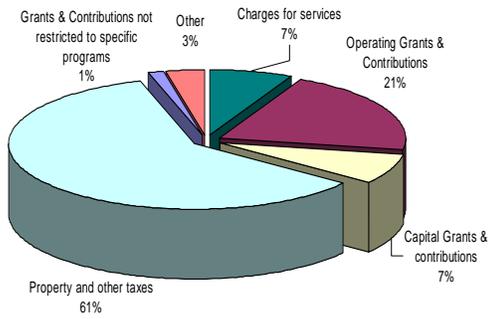
	<u>FY 2008-09</u>	<u>FY 2007-08</u>	<u>Increase (decrease)</u>
Expenses:			
Public safety	7,633,307	7,542,266	91,041
Public works	4,783,710	5,083,392	(299,682)
Health and social services	710,361	1,273,679	(563,318)
Culture and recreation	2,744,793	2,900,972	(156,179)
Community and economic development	2,369,887	1,795,613	574,274
General government	1,073,832	1,120,708	(46,876)
Interest on long term debt	846,296	841,587	4,709
Total expenses	<u>20,162,186</u>	<u>20,558,217</u>	<u>(396,031)</u>
Increase (decrease) in net assets before transfers	3,812,883	3,840,884	(28,001)
Transfers	<u>(156,108)</u>	<u>(151,256)</u>	<u>(4,852)</u>
Increase (decrease) in net assets	<u>3,656,775</u>	<u>3,689,628</u>	<u>(32,853)</u>
Net Assets - beginning of year	<u>31,230,242</u>	<u>27,540,614</u>	<u>3,689,628</u>
Net assets - end of year	<u>\$ 34,887,017</u>	<u>\$ 31,230,242</u>	<u>\$ 3,656,775</u>

**City of Marshalltown's Changes in Net Assets  
Governmental Activities-Revenues-Two Year Comparison  
(per \$1,000s)**

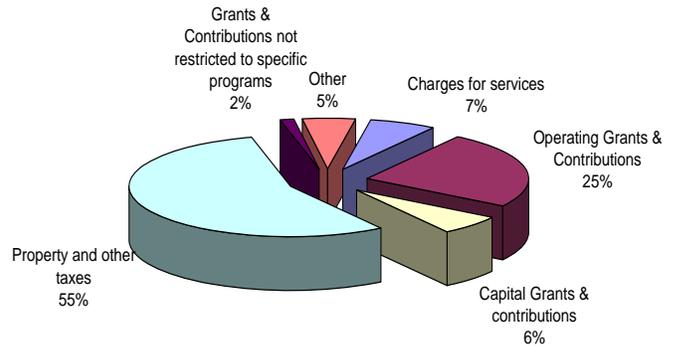


## Revenues as a Percent-Two Year Comparison

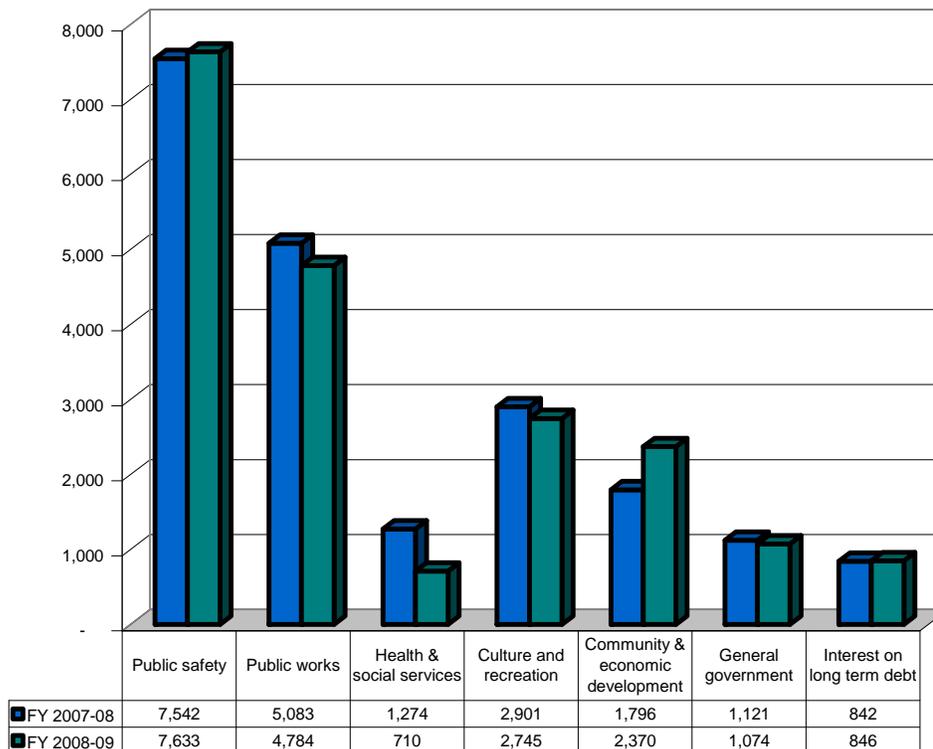
**2008-2009**



**2007-2008**



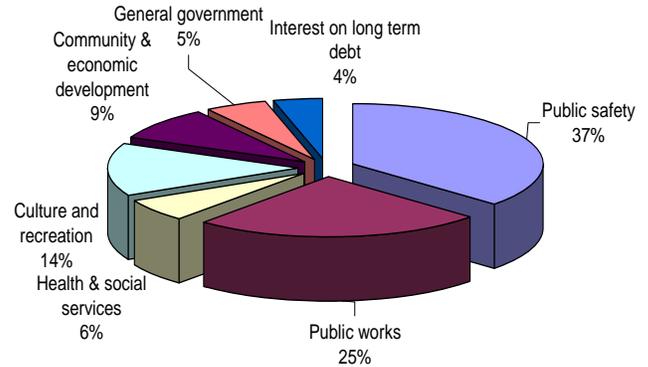
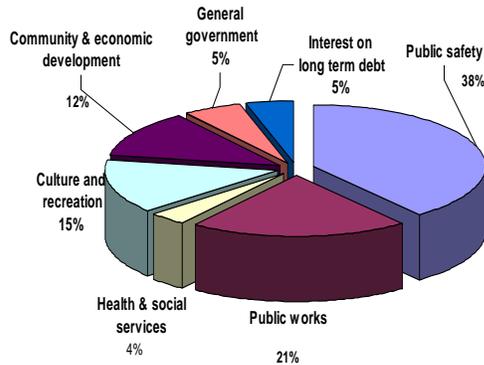
## City of Marshalltown's Changes in Net Assets Governmental Activities-Expenses-Two Year Comparison (per 1,000's)



## Expenses as a Percent-Two Year Comparison

**2008-2009**

**2007-2008**

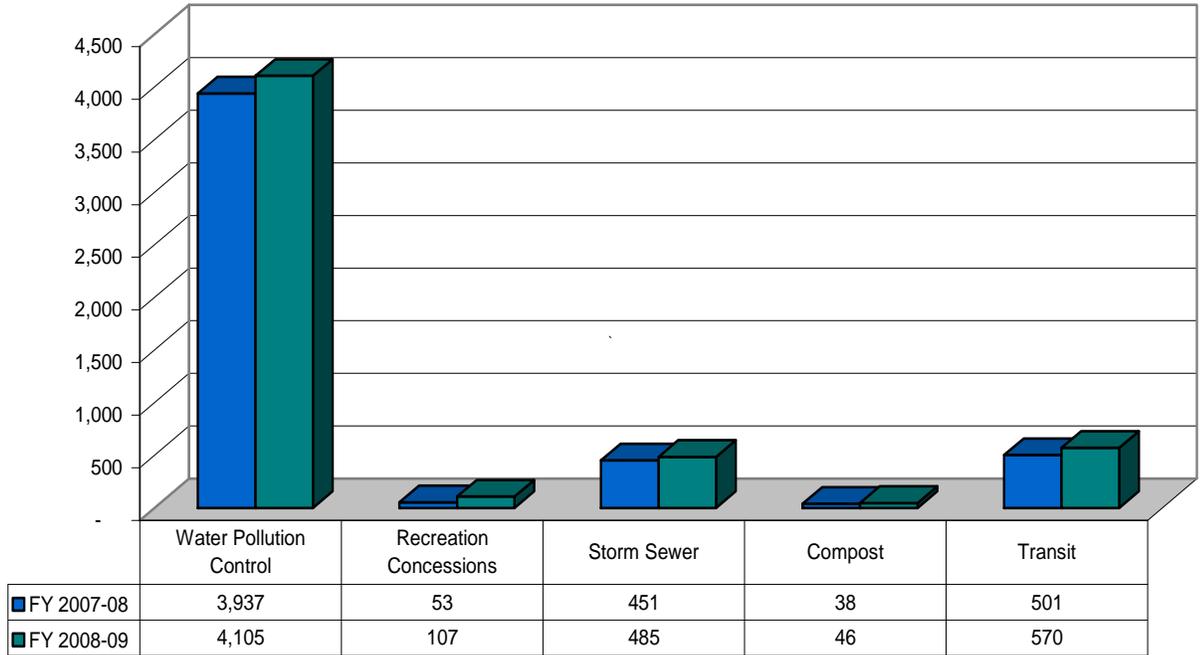


### Business-type Activities

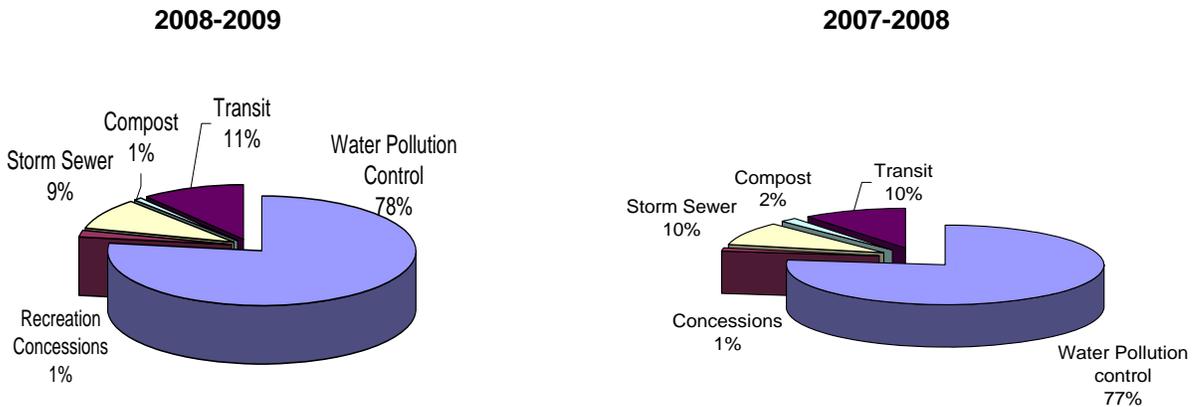
	<u>FY 2008-09</u>	<u>FY 2007-08</u>	<u>Increase (decrease)</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 5,409,129	\$ 5,437,389	\$ (28,260)
Operating Grants and Contributions	572,393	290,701	281,692
Capital Grants and contributions	611,649	165,849	445,800
General Revenues			
Other	<u>139,224</u>	<u>247,713</u>	<u>(108,490)</u>
Total Revenues	6,732,395	6,141,652	590,743
Expenses:			
Business type	<u>5,312,607</u>	<u>5,355,155</u>	<u>(42,548)</u>
Total expenses	5,312,607	5,355,155	(42,548)
Increase (decrease) in net assets before transfers	1,419,788	786,497	633,291
Transfers	<u>156,108</u>	<u>151,256</u>	<u>4,852</u>
Increase (decrease) in net assets	<u>1,575,896</u>	<u>937,753</u>	<u>638,143</u>
Net Assets - beginning of year	<u>34,571,442</u>	<u>33,633,689</u>	<u>937,753</u>
Net assets - end of year	<u>\$ 36,147,338</u>	<u>\$ 34,571,442</u>	<u>\$ 1,575,896</u>



**City of Marshalltown's Changes in Net Assets  
Business-type –Expenses – Two Year Comparison  
(per \$1,000's)**



**Business-type Expenses as a Percent – Two Year Comparison**



### Total Governmental & Business-type Activities

	<u>FY 2008-09</u>	<u>FY 2007-08</u>	<u>Increase (decrease)</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 7,127,818	\$ 7,078,559	\$ 49,259
Operating Grants and Contributions	5,524,487	6,297,328	(772,841)
Capital Grants and contributions	2,377,951	1,735,997	641,954
General Revenues			
Property and other taxes	14,404,789	13,557,035	847,754
Grants & Contributions not restricted to specific programs	339,243	368,341	(29,098)
Other	<u>933,175</u>	<u>1,503,493</u>	<u>(570,318)</u>
Total Revenues	30,707,464	30,540,753	166,711
Expenses:			
Public safety	7,633,307	7,542,266	91,041
Public works	4,783,710	5,083,392	(299,682)
Health and social services	710,361	1,273,679	(563,318)
Culture and recreation	2,744,793	2,900,972	(156,179)
Community and economic development	2,369,887	1,795,613	574,274
General government	1,073,832	1,120,708	(46,876)
Interest on long term debt	846,296	841,587	4,709
Business type	<u>5,312,607</u>	<u>5,355,153</u>	<u>(42,547)</u>
Total expenses	25,474,793	25,913,372	(438,578)
Increase (decrease) in net assets before transfers	5,232,671	4,627,381	605,290
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	5,232,671	4,627,381	605,290
Net Assets - beginning of year	<u>65,801,684</u>	<u>61,174,303</u>	<u>4,627,381</u>
Net assets - end of year	<u>\$ 71,034,355</u>	<u>\$ 65,801,684</u>	<u>\$ 5,232,671</u>

#### Financial Analysis of the Government's Funds

As noted earlier, the City of Marshalltown uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At the end of the current fiscal year, the City of Marshalltown's governmental funds reported a combined ending fund balance of \$11,146,716, a decrease of \$2,276,291 in comparison with the prior year. Of this total amount \$2,442,898 is unreserved fund balance, which is available to meet the future financial needs of the City. \$2,143,203, an increase of \$96,467, is designated for future equipment and capital maintenance, future cash flow and landfill fees. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$306,250) 2) to fund various debt service payments (\$675,999), 3) for capital projects (\$3,973,696) and 4) a variety of other restricted purposes (\$590,616).

The General fund is the chief operating fund of the City of Marshalltown. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,044,773. \$108,850 has been designated by management for subsequent year's expenditures. The general fund's total beginning fund balance was \$3,974,650, an increase of \$512,384 primarily as a result of the timing of expenditures. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 30 percent of total general fund expenditures (\$12,608,309), while total fund balance represents 32 percent of the same amount. This is approximately a 2% improvement over 2007-2008.

The Road Use Tax fund is apportioned to the City from the state gasoline taxes based upon population. This fund is used for street related purposes only. Major street resurfacing and reconstruction are scheduled each year in the spring after the impact of winter weather can be determined. At the end of the current fiscal year, the ending fund balance of \$845,330 is a decrease of \$714,264 compared to the prior year. Snow and ice removal are the greatest variable for this fund. This year's economic downturn and market demand for gasoline have proved to be detrimental to the City's share of the road use tax. Aging streets requiring major patching are being prioritized.

The third Lead Abatement program was sustained with another three-year grant due to the Stimulus grant funds going to HUD. The program was extended into multiple counties due to the high incidents of lead poisoning in young children. The City administers the grant in collaboration with many health and welfare agencies and the local hospital. Ramping up the activity in this area was quick due to prior grant experience.

The renewal of the Local Option Sales Tax referendum insures property tax relief (75%), storm sewer and other capital improvements (20%), and any project designated by the Council (5%) for the next nine years. Property tax relief dollars are transferred to other funds; therefore, the entire fund balance is reserved for capital projects. The increase in the balance this year (\$2,812,698) was due to revenues in excess of projections. Staffing resources have also been diverted to completion of project brought on by the May/June 2008 flooding.

The Tax Increment Financing (TIF) fund does not qualify, statistically, as a major fund this year, but has been included in order to give the reader consistency for this very important revenue source. Numerous projects are focusing on City private partnerships for the removal of blighted housing and economic growth. A CDBG grant awarded during last fiscal year will be matched with private and TIF funds to purchase and demolish various dilapidated buildings to be replaced with housing units, providing multifamily housing and put value added property back onto the tax base, improving the surrounding neighborhood. Additional TIF funding was pledged during this year for a Downtown street and lighting program on Center Street.

A slight increase (\$29,446) in the Debt Service fund reflects the City's participation in the refunding of various bond issues during the year. Any fund balances will continue to be used to defray debt related fees in the future.

Changes in the Public Works Capital Project and Other project funds were a decrease of \$465,507 over last year. Major projects in this area include various capital street construction or reconstruction projects as well as the Library construction. The city has continued its policy to fund capital street projects with a special assessment formula increasing the participation of property owners that benefit directly by the improvements. Recreation and Cultural Capital projects funds are very active with the completion of the construction of the new public library. See the Letter of Transmittal for additional information on this project.

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

The ending net assets for the proprietary funds were \$36,147,338, a net asset increase of \$1,575,896.

## **Budgetary Highlights**

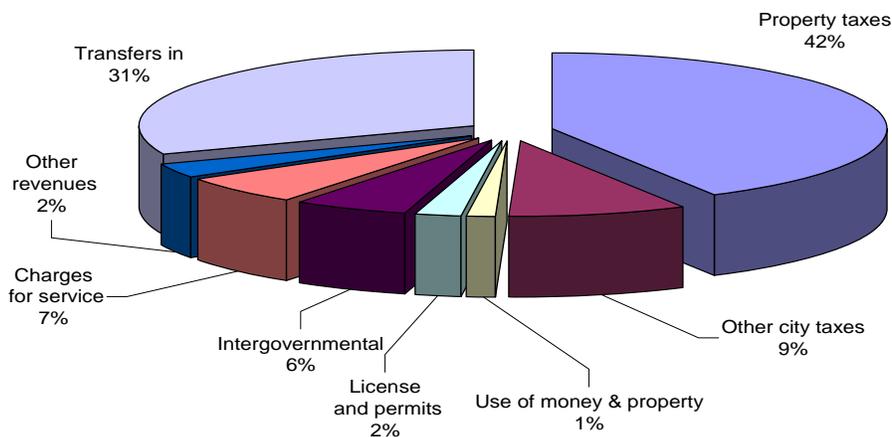
### **General Fund**

Revenues and transfers in for the general fund operations, on the GAAP basis, exceed revenues estimates by \$445,144 and departmental expenditures and transfers out on the GAAP basis were less than revenues by \$70,123.

The following schedule presents a summary of General Fund revenues and transfers in on the GAAP basis for the fiscal year ended June 30, 2009 and the amount and percentage of increases and decreases

Revenues	FY 2008-09	Percentage of Total	FY 2007-08	Percentage of Total	Change	Percentage of Change
Property taxes	\$ 5,413,626	41.8%	\$ 5,206,474	39.2%	\$ 207,152	(63.0%)
Other city taxes	1,139,506	8.8%	1,104,766	8.3%	34,740	(10.6%)
Use of money & property	161,252	1.2%	276,391	2.1%	(115,139)	35.0%
License and permits	294,196	2.3%	365,034	2.8%	(70,838)	21.5%
Intergovernmental	739,979	5.7%	737,394	5.6%	2,585	(.7%)
Charge for service	777,808	6.0%	812,807	6.1%	(34,999)	10.6%
Other revenues	400,846	3.1%	335,290	2.5%	65,556	(19.9%)
Transfers in	4,022,243	31.1%	4,440,529	33.4%	(418,286)	127.1%
Total	12,949,456	100.0%	13,278,685	100.0%	(329,229)	100.0%

### 2009 General Fund Revenues and Transfers



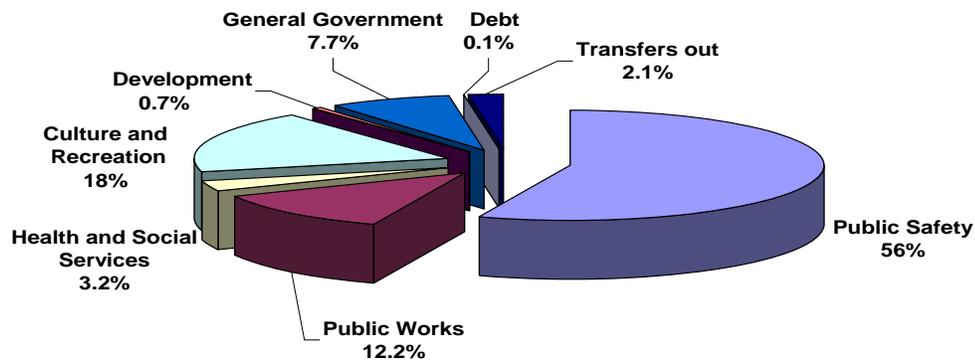
Current and prior year's property taxes continue to represent the largest revenue source, with \$5.4 million or 42% of all general fund revenues. The increase in property tax revenues from 2008 of \$207,152 is due to a modest increase in the taxable value of real estate, even with the .005/\$1,000 cent reduction in tax rate for this fiscal year within the general fund. The next largest revenue is Transfers In. All general fund employee benefits are reflected in the operating fund even though a transfer is required from the special revenue fund, which collects the tax. The decrease in transfers reflects the change in benefits such as retirement and group health insurance.

In the General Fund, the largest decreases were also experienced in interest earnings, building and associated permits, totaling a decrease of \$185,977 or 1.4% of the general fund. Until financial markets change, the City expects these trends to continue.

The following schedule represents a two year comparison summary of General Fund expenditures and transfers out on the GAAP basis of accounting and the percentage of increases and decreases in relation to prior year amounts:

Expenditures	FY 2008-09	Percentage of Total	FY 2007-08	Percentage of Total	Change	Percentage of Change
Public Safety	\$ 7,185,462	55.8%	\$ 7,139,993	55.8%	\$ 45,469	49.1%
Public Works	1,573,807	12.2%	1,519,394	11.9%	54,413	58.8%
Health and Social Services	409,595	3.2%	389,309	3.0%	20,286	21.9%
Culture and Recreation	2,348,735	18.2%	2,348,308	18.4%	427	.5%
Community and Economic Development	83,518	0.6%	85,452	0.7%	(1,934)	(2.1%)
General Government	993,352	7.7%	1,082,602	8.5%	(89,250)	(96.4%)
Debt Service	13,840	.1%	13,840	.1%	-	-%
Transfers out	271,021	2.1%	207,868	1.6%	63,153	68.2%
<b>Total</b>	<b>12,879,330</b>	<b>100.0%</b>	<b>12,786,766</b>	<b>100.0%</b>	<b>92,564</b>	<b>100.0%</b>

### 2009 General Fund Expenditures and Transfers Out



Negotiated wages increased an average of approximately 2.75%, part of multiyear union contracts. The large increase in Public Works and Community Safety reflects upgrading various equipment. Benefit and utility expenses are also responsible for some expenditure increases across all functions even though supplies, other than gasoline, were kept to a minimum. Current cash flow projections and management's stability of the City's general fund balance provide continued assurance that the City will not need to enter the short-term debt market to pay for current expenditures now or in the foreseeable future.

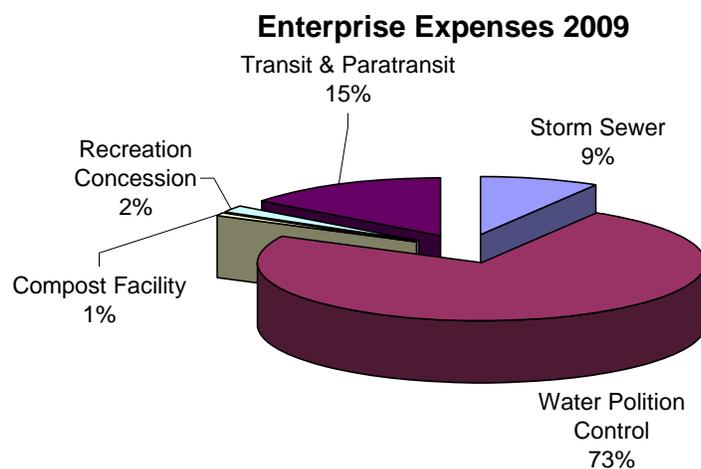
#### Enterprise Operations

The City's enterprise operations consist of five separately accounted for operations, which are administered by three different departments. Transit and the Compost facility are operated by the Public Works Department, Concessions is administered by Parks & Recreation and the WPC department administers Storm Water and Water Pollution Control.

Operating revenues for the City's combined enterprise operations increased by \$595,595. This increase is primarily due to sanitary sewer fees. Total operating expenses for the combined enterprise operations decreased by \$42,548. The increase in retained earnings was due to the reduction of debt related interest expense.

Revenues	FY 2008-09	Percentage of Total	FY 2007-08	Percentage of Total	Change	Percentage of Total
<b>Operating Revenues</b>						
Charges for services \$	5,409,129	78.5%	5,437,389	86.4%	\$ (28,260)	-4.7%
Operating Grants and Contributions	572,393	8.3%	290,701	4.6%	281,692	47.3%
Capital Grants and contributions	611,649	8.9%	165,849	2.6%	445,800	74.9%
<b>General Revenues</b>						
Other	139,224	2.0%	247,713	4.0%	(108,490)	-18.2%
Transfers	156,108	2.3%	151,256	2.4%	4,853	.8%
<b>Total Revenues and Transfers</b>	<b>\$ 6,888,503</b>	<b>100.0%</b>	<b>\$ 6,292,908</b>	<b>100.0%</b>	<b>\$ 595,595</b>	<b>100.0%</b>

<b>Business type Expenses</b>						
Storm Sewer	484,772	9.1%	516,213	9.6%	(31,441)	73.9%
Water Pollution Control	4,104,671	77.2%	4,127,563	77.1%	(22,892)	53.8%
Compost	45,822	1.0%	89,164	1.7%	(43,342)	101.9%
Recreation Concession	107,677	2.0%	59,936	1.1%	47,741	-112.2%
Transit	569,665	10.7%	562,279	10.1%	7,386	-17.4%
<b>Total Expenditures and Transfers</b>	<b>\$ 5,312,607</b>	<b>100.0%</b>	<b>\$ 5,355,155</b>	<b>100.0%</b>	<b>(42,548)</b>	<b>100.0%</b>



## Capital Asset and Debt Administration

**Capital assets.** The City of Marshalltown's investment in capital assets for its governmental and business type activities as of June 30, 2009 amount to \$122,708,358. This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, roads, highways and sewers. The total increase in the City of Marshalltown's investment in capital assets for the current fiscal year was \$7,660,194.

### City of Marshalltown's 2009 Capital Assets

#### Governmental Activities

	<u>FY 2008-09</u>	<u>FY 2007-08</u>	<u>Increase(decrease)</u>
Land and Improvements	5,004,423	4,754,577	249,846
Buildings and Structures	16,325,003	7,882,370	8,442,633
Equipment and vehicles	13,200,921	12,044,725	1,156,196
Infrastructure	29,881,030	29,382,182	498,848
Construction in Progress	1,574,090	6,489,424	(4,915,334)
Total	65,985,467	60,553,278	5,432,189

#### Business Type Activities

	<u>FY 2008-09</u>	<u>FY 2007-08</u>	<u>Increase(decrease)</u>
Land and Improvements	2,869,873	2,454,919	414,954
Buildings and Structures	11,180,948	11,180,948	-
Machinery and Equipment	13,890,444	13,380,886	509,558
Infrastructure, sewers & lift stations	27,877,348	26,777,473	1,099,875
Construction in Progress	904,278	700,660	203,618
Total	56,722,891	54,494,886	2,228,005

#### Total Governmental and Business Type Activities

	<u>FY 2008-09</u>	<u>FY 2007-08</u>	<u>Increase(decrease)</u>
Land and Improvements	7,874,296	7,209,196	664,800
Buildings and Structures	27,505,951	19,063,318	8,442,633
Machinery and Equipment	27,091,365	25,425,611	1,665,754
Infrastructure, sewers & lift stations	57,758,378	56,159,655	1,598,723
Construction in Progress	2,478,368	7,190,084	(4,711,716)
Total	122,708,358	115,048,164	7,660,194

Major capital asset events during the current fiscal year include the following:

- The City completed multiple street repair projects
- Completion of the new library building

Additional information on the City of Marshalltown's capital assets can be found on pages 58-60 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Marshalltown had total bonded debt outstanding of \$24,463,044. Of this amount, \$19,443,043 comprises debt backed by the full faith and credit of the City. The remainder of the City of Marshalltown's debt represents bonds secured solely by revenues generated from the sanitary sewer rental fees.

General Obligation and Revenue Bonds  
(Stated in \$1,000)

Governmental Activities			
	FY 2008-09	FY 2007-08	Increase (decrease)
General obligation bonds and notes payable	19,443	21,942	(2,499)
Total	19,443	21,942	(2,499)

Business Type Activities			
	FY 2008-09	FY 2007-08	Increase (decrease)
Revenue bonds and notes payable	5,020	5,595	(575)
Total	5,020	5,595	(575)

Total Governmental and Business Type Activities			
	FY 2008-09	FY 2007-08	Increase (decrease)
General obligation bonds and notes payable	19,443	21,942	(2,499)
Revenue bonds and notes payable	5,020	5,595	(575)
Total	24,463	27,537	(3,074)

The City of Marshalltown's total bonded debt decreased by \$3,074,000 during the current fiscal year due to:

- The normal retirement of existing debt
- New bond issues to refund two existing

The City of Marshalltown's bond rating of A1 was upgraded by Moody's for its general obligation and revenue bonds in March of 2009.

State statutes limit the amount of general obligation debt a governmental entity may issue up to 5 percent of its total assessed valuation. The current debt limitation for the City of Marshalltown is \$62,753,035, significantly in excess of the City of Marshalltown's outstanding general obligation debt.

Additional information on the City of Marshalltown's long-term debt can be found in note 6 on pages 60-64 and in the long-term debt section of this report.

**Economic Factors and Next Year's Budgets and Rates**

Marshalltown continues to sustain value as a viable economic center for Iowa. The local economy of the City remains strong and is creating more private public agreements to maintain that strength. The Main Street business district is working on various reconstruction projects and multi-family developments even though the City is experiencing a slow-down in housing starts. The greatest influence on the current stability of the City is with the expansion and rehabilitation of key businesses, such as Fisher/Emerson. See the Transmittal letter for more information on the economic factors, initiatives and general activity of the fiscal year.

The budget for the ensuing fiscal year 2010 considers many factors and estimates about the finances of the upcoming year. Sales taxes collected by the state are stable but the forecast is to maintain a conservative projection for these revenue sources. The statewide police and fire retirement system is increasing the city's contribution to nineteen percent reflecting the recovery from reduced interest earnings and contributions from the State. The list of pending street and sanitary sewer project indicates a busy year for the construction industry in our community. A primary objective of the Council was to continue to provide basic city services to the citizens while attempting to keep the property tax rate substantially the same. The Council reaffirmed their goals towards a stronger emphasis on customer service and community cleanup. Street maintenance has continued new focus due to aging of the infrastructure and the shortage of funding due to the economic slow down.

The following items are also forefront in revenue and expenditure projections:

- The City has issued general obligation debt for the reuse of the old library during July 2009
- The City's contribution rate for Police and Fire retirement system is projected to increase dramatically in the next five years due to changes in the stock market
- All City employees covered by the IPERS retirement system will experience a half of a percent increase in contribution (both employer and employee)
- Compliance with sanitary and storm water regulations will be assessed over the next year before the City can adopt a plan for implementation. Applications for grant and Stimulus funding is being pursued to defer the burden on the citizens
- The cost of health care continues to rise. Cost containment and changes in the City's plan have curbed the drain on the plan and single digit increases are anticipated to continue
- Developments in commercial and industrial ventures will positively impact the property tax base and sales tax revenues within the next two to five years. Please refer to the Transmittal letter for more details on these developments.
- 

#### **Requests for Information**

This financial report is designed to provide a general overview of the City of Marshalltown's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Office of the Finance Director, 24 N. Center Street, Marshalltown, IA 50158-4911.

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Marshalltown Water Works	Marshalltown Convention and Visitors Bureau
Assets					
Cash and cash equivalents	\$ 12,710,389	\$ 4,309,066	\$ 17,019,455	\$ 2,506,523	\$ 172,123
Receivables					
Property taxes					
Delinquent	173,714	-	173,714	-	-
Succeeding year	10,171,934	-	10,171,934	-	-
Accounts and unbilled usage	505,183	1,328,083	1,833,266	268,763	-
Interest	23,822	11,262	35,084	3,098	-
Internal balances	15,757	(15,757)	-	-	-
Due from component unit	12,862	250,930	263,792	-	-
Due from other governments	923,596	182,704	1,106,300	-	-
Inventories	-	44,365	44,365	-	-
Prepaid items	326,596	56,098	382,694	78,968	414
Deferred charges					
Bond issuance costs	50,634	25,281	75,915	-	-
Deferred amount on refunding	-	7,686	7,686	-	-
Bond discount	2,422	-	2,422	-	-
Restricted assets					
Cash and cash equivalents	-	948,423	948,423	109,400	-
Capital assets					
Land	3,490,071	658,888	4,148,959	1,113,721	-
Land improvements	1,514,352	2,210,985	3,725,337	-	-
Buildings and structures	16,325,003	11,180,948	27,505,951	9,684,914	-
Equipment and vehicles	13,200,921	13,890,444	27,091,365	2,431,001	82,721
Sanitary sewers and lift stations	-	16,614,791	16,614,791	-	-
Infrastructure	29,881,030	11,262,557	41,143,587	9,399,694	-
Construction in progress	1,574,090	904,278	2,478,368	-	-
Accumulated depreciation	(23,498,874)	(22,240,891)	(45,739,765)	(11,134,801)	(34,675)
<b>Total assets</b>	<b>67,403,502</b>	<b>41,630,141</b>	<b>109,033,643</b>	<b>14,461,281</b>	<b>220,583</b>

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF NET ASSETS (continued)**  
**JUNE 30, 2009**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Marshalltown Water Works	Marshalltown Convention and Visitors Bureau
<b>Liabilities</b>					
Accounts payable	\$ 1,003,559	\$ 192,266	\$ 1,195,825	\$ 61,585	\$ 15,883
Accrued payroll and payroll benefits	281,040	52,629	333,669	28,273	718
Retainage payable	56,407	-	56,407	-	-
Unearned revenue					
Succeeding year property tax	10,171,934	-	10,171,934	-	-
Other	142,063	-	142,063	-	-
Premium on bonds sold	8,503	3,813	12,316	-	-
Due to other governments	71,194	14,823	86,017	-	-
Accrued interest payable	59,753	13,273	73,026	-	-
Due to primary government	-	-	-	263,793	-
Liabilities payable from restricted assets					
Customer deposits	-	-	-	109,400	-
<b>Noncurrent liabilities</b>					
Due within one year					
Bonds and notes payable	2,443,841	585,000	3,028,841	180,000	-
Compensated absences payable	267,767	33,288	301,055	91,620	-
Due in more than one year					
Bonds and notes payable	16,999,203	4,435,000	21,434,203	845,000	-
Compensated absences payable	326,468	71,644	398,112	-	-
Net OPEB liability	684,753	81,067	765,820	-	-
Total liabilities	<u>32,516,485</u>	<u>5,482,803</u>	<u>37,999,288</u>	<u>1,579,671</u>	<u>16,601</u>
<b>Net assets</b>					
Invested in capital assets, net of related debt	23,043,549	29,462,000	52,505,549	10,469,529	48,046
Restricted for					
Capital projects	2,812,698	-	2,812,698	-	-
Improvements	-	250,000	250,000	-	-
Community and economic development	600,888	-	600,888	-	-
Debt service	675,999	698,423	1,374,422	198,108	-
Parks, nonexpendable	2,739	-	2,739	-	-
Unrestricted	<u>7,751,144</u>	<u>5,736,915</u>	<u>13,488,059</u>	<u>2,213,973</u>	<u>155,936</u>
<b>Total net assets</b>	<u>\$ 34,887,017</u>	<u>\$ 36,147,338</u>	<u>\$ 71,034,355</u>	<u>\$ 12,881,610</u>	<u>\$ 203,982</u>

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental activities				
Public safety	\$ 7,633,307	\$ 79,976	\$ 608,852	\$ 165,200
Public works	4,783,710	720,300	2,245,885	294,657
Health and social services	710,361	41,585	279,893	-
Culture and recreation	2,744,793	436,038	268,099	1,306,445
Community and economic development	2,369,887	287,548	1,549,365	-
General government	1,073,832	153,242	-	-
Interest on long-term debt	846,296	-	-	-
Total governmental activities	<u>20,162,186</u>	<u>1,718,689</u>	<u>4,952,094</u>	<u>1,766,302</u>
Business-type activities				
Water pollution control	4,104,671	4,921,428	292,060	213,380
Storm sewer	484,772	279,142	38,796	147,476
Compost	45,822	33,404	-	-
Transit	569,665	115,486	241,537	250,793
Concessions	107,677	59,669	-	-
Total business-type activities	<u>5,312,607</u>	<u>5,409,129</u>	<u>572,393</u>	<u>611,649</u>
Total primary government	<u>\$ 25,474,793</u>	<u>\$ 7,127,818</u>	<u>\$ 5,524,487</u>	<u>\$ 2,377,951</u>
<b>Component units</b>				
Water works	\$ 3,150,071	\$ 3,091,848	\$ -	\$ -
Convention and tourism	241,876	246,474	-	-
Total component units	<u>\$ 3,391,947</u>	<u>\$ 3,338,322</u>	<u>\$ -</u>	<u>\$ -</u>
<b>General Revenues</b>				
Taxes				
Property				
Tax increment financing				
Local option sales				
Utility excise				
Hotel/motel				
Mobile homes				
Unrestricted				
State generated revenues				
Investment earnings				
Miscellaneous revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See notes to financial statements.

Net (Expense) Revenue and  
Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Marshalltown Water Works	Marshalltown Convention and Visitors Bureau
\$ (6,779,279)	\$ -	\$ (6,779,279)	\$ -	\$ -
(1,522,868)	-	(1,522,868)	-	-
(388,883)	-	(388,883)	-	-
(734,211)	-	(734,211)	-	-
(532,974)	-	(532,974)	-	-
(920,590)	-	(920,590)	-	-
(846,296)	-	(846,296)	-	-
<u>(11,725,101)</u>	<u>-</u>	<u>(11,725,101)</u>	<u>-</u>	<u>-</u>
-	1,322,197	1,322,197	-	-
-	(19,358)	(19,358)	-	-
-	(12,418)	(12,418)	-	-
-	38,151	38,151	-	-
-	(48,008)	(48,008)	-	-
-	1,280,564	1,280,564	-	-
<u>\$ (11,725,101)</u>	<u>\$ 1,280,564</u>	<u>\$ (10,444,537)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (58,223)	\$ -
-	-	-	-	4,598
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (58,223)</u>	<u>\$ 4,598</u>
\$ 8,617,322	\$ -	\$ 8,617,322	\$ -	\$ -
1,801,960	-	1,801,960	-	-
2,738,030	-	2,738,030	-	-
891,862	-	891,862	-	-
342,183	-	342,183	-	-
13,432	-	13,432	-	-
339,243	-	339,243	-	-
325,699	139,224	464,923	52,725	1,880
468,253	-	468,253	-	157
(156,108)	156,108	-	-	-
<u>15,381,876</u>	<u>295,332</u>	<u>15,677,208</u>	<u>52,725</u>	<u>2,037</u>
3,656,775	1,575,896	5,232,671	(5,498)	6,635
<u>31,230,242</u>	<u>34,571,442</u>	<u>65,801,684</u>	<u>12,887,108</u>	<u>197,347</u>
<u>\$ 34,887,017</u>	<u>\$ 36,147,338</u>	<u>\$ 71,034,355</u>	<u>\$ 12,881,610</u>	<u>\$ 203,982</u>

**CITY OF MARSHALLTOWN, IOWA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

	Special Revenue Funds			
	General	Road Use Tax	HUD Programs	Local Option Sales Tax
<b>Assets</b>				
Cash and cash equivalents	\$ 3,240,022	\$ 708,526	\$ 561,290	\$ 2,904,681
Receivables				
Property taxes				
Delinquent	93,242	-	-	-
Succeeding year	6,367,282	-	-	-
Accounts and unbilled usage	260,048	-	43,678	-
Interest	4,619	-	-	7,324
Due from other funds	712,919	-	-	-
Due from component unit	12,862	-	-	-
Due from other governments	151,465	176,071	56,717	410,570
Prepaid items	266,493	2,769	13,011	-
	<u>11,108,952</u>	<u>887,366</u>	<u>674,696</u>	<u>3,322,575</u>
<b>Total assets</b>	<b>\$ 11,108,952</b>	<b>\$ 887,366</b>	<b>\$ 674,696</b>	<b>\$ 3,322,575</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 108,850	\$ 37,411	\$ 25,441	\$ 24,521
Accrued payroll and payroll benefits	268,399	-	9,183	-
Retainage payable	-	4,625	-	-
Deferred revenue				
Succeeding year property tax	6,367,282	-	-	-
Other	215,524	-	34,396	-
Due to other governments	71,194	-	-	-
Due to other funds	32,930	-	4,788	485,356
	<u>7,064,179</u>	<u>42,036</u>	<u>73,808</u>	<u>509,877</u>
<b>Total liabilities</b>	<b>7,064,179</b>	<b>42,036</b>	<b>73,808</b>	<b>509,877</b>
<b>Fund balances</b>				
Reserved for				
Prepaid items	266,493	2,769	13,011	-
Debt service	-	-	-	-
Endowments	-	-	-	-
Community and economic development	-	-	587,877	-
Capital projects	-	-	-	2,812,698
Unreserved, designated for				
Future equipment and capital maintenance	160,000	-	-	-
Future cash flow	1,774,350	-	-	-
Future landfill fees	208,853	-	-	-
Unreserved, undesignated	1,635,077	842,561	-	-
Unreserved, reported in nonmajor				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
	<u>4,044,773</u>	<u>845,330</u>	<u>600,888</u>	<u>2,812,698</u>
<b>Total fund balances</b>	<b>4,044,773</b>	<b>845,330</b>	<b>600,888</b>	<b>2,812,698</b>
	<u>11,108,952</u>	<u>887,366</u>	<u>674,696</u>	<u>3,322,575</u>
<b>Total liabilities and fund balances</b>	<b>\$ 11,108,952</b>	<b>\$ 887,366</b>	<b>\$ 674,696</b>	<b>\$ 3,322,575</b>

See notes to financial statements.

Tax Increment Financing	Property Tax	Debt Service	Capital Projects Funds			Other Governmental Funds	Total
			Public Works and Other Projects	Culture and Recreation Projects			
\$ 670,021	\$ 168,683	\$ 220,960	\$ 1,273,509	\$ 36,482	\$ 854,072	\$ 10,638,246	
24,900	10,275	37,247	8,050	-	-	173,714	
-	639,264	2,673,512	491,876	-	-	10,171,934	
-	-	-	103,824	40,909	-	448,459	
2,978	-	-	1,360	34	2,390	18,705	
-	485,356	-	-	126,177	30,320	1,354,772	
-	-	-	-	-	-	12,862	
1,946	1,244	4,399	-	-	121,184	923,596	
-	-	-	149	-	23,828	306,250	
<u>\$ 699,845</u>	<u>\$ 1,304,822</u>	<u>\$ 2,936,118</u>	<u>\$ 1,878,768</u>	<u>\$ 203,602</u>	<u>\$ 1,031,794</u>	<u>\$ 24,048,538</u>	
\$ 147,998	\$ -	\$ -	\$ 105,169	\$ 97,193	\$ 45,435	\$ 592,018	
-	-	-	-	-	3,458	281,040	
29,963	-	-	13,971	7,848	-	56,407	
-	639,264	2,673,512	491,876	-	-	10,171,934	
240	129	441	98,643	-	40,841	390,214	
-	-	-	-	-	-	71,194	
107,810	700,169	-	7,962	-	-	1,339,015	
<u>286,011</u>	<u>1,339,562</u>	<u>2,673,953</u>	<u>717,621</u>	<u>105,041</u>	<u>89,734</u>	<u>12,901,822</u>	
-	-	-	149	-	23,828	306,250	
413,834	-	262,165	-	-	-	675,999	
-	-	-	-	-	2,739	2,739	
-	-	-	-	-	-	587,877	
-	-	-	1,160,998	-	-	3,973,696	
-	-	-	-	-	-	160,000	
-	-	-	-	-	-	1,774,350	
-	-	-	-	-	-	208,853	
-	(34,740)	-	-	98,561	-	2,541,459	
-	-	-	-	-	885,001	885,001	
-	-	-	-	-	30,492	30,492	
<u>413,834</u>	<u>(34,740)</u>	<u>262,165</u>	<u>1,161,147</u>	<u>98,561</u>	<u>942,060</u>	<u>11,146,716</u>	
<u>\$ 699,845</u>	<u>\$ 1,304,822</u>	<u>\$ 2,936,118</u>	<u>\$ 1,878,768</u>	<u>\$ 203,602</u>	<u>\$ 1,031,794</u>	<u>\$ 24,048,538</u>	

**CITY OF MARSHALLTOWN, IOWA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

---

Total governmental fund balances \$ 11,146,716

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	\$ 65,985,467	
Accumulated depreciation is	<u>(23,498,874)</u>	
		42,486,593

Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. Those revenues consist of:

Property tax revenue	1,829	
Mobile home taxes	206	
Intergovernmental revenue	187,790	
Charges for service	<u>200,389</u>	
		390,214

Internal service funds are used by the City's management to charge the costs of self-insurance programs to the individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

1,600,726

Some liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Those liabilities consist of:

Long-term debt, net of deferrals	(19,398,491)	
Accrued interest on the bonds	(59,753)	
Compensated absences	(594,235)	
Net OPEB liability	<u>(684,753)</u>	
		<u>(20,737,232)</u>

Net assets of governmental activities \$ 34,887,017

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2009**

	Special Revenue Funds			
	General	Road Use Tax	HUD Programs	Local Option Sales Tax
<b>Revenues</b>				
Property taxes	\$ 5,413,626	\$ -	\$ -	\$ -
TIF revenues	-	-	-	-
Other city taxes	1,139,506	-	-	2,738,030
Use of money and property	161,252	-	7,144	66,438
Licenses and permits	294,196	-	-	-
Intergovernmental	739,976	2,155,630	1,880,503	12,856
Charges for service	777,808	-	-	-
Special assessments	-	-	-	-
Miscellaneous	386,831	-	87,691	-
Total revenues	<u>8,913,195</u>	<u>2,155,630</u>	<u>1,975,338</u>	<u>2,817,324</u>
<b>Expenditures</b>				
Current				
Public safety	7,185,462	-	-	1,330
Public works	1,573,807	2,187,851	-	486,648
Health and social services	409,595	-	241,373	-
Culture and recreation	2,348,735	-	-	-
Community and economic development	83,518	-	1,735,671	-
General government	993,352	-	-	-
Debt service				
Principal	13,840	-	-	-
Interest and other fiscal charges	-	-	-	-
Total expenditures	<u>12,608,309</u>	<u>2,187,851</u>	<u>1,977,044</u>	<u>487,978</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,695,114)</u>	<u>(32,221)</u>	<u>(1,706)</u>	<u>2,329,346</u>
<b>Other financing sources (uses)</b>				
Sale of governmental assets	14,015	-	-	-
General obligation refunding bonds issued	-	-	-	-
Payment of refunded bonds	-	-	-	-
Transfers in	4,022,242	-	19,611	-
Transfers out	(271,020)	(682,043)	-	(1,725,679)
Total other financing sources (uses)	<u>3,765,237</u>	<u>(682,043)</u>	<u>19,611</u>	<u>(1,725,679)</u>
Net change in fund balances	70,123	(714,264)	17,905	603,667
Fund balances - beginning	<u>3,974,650</u>	<u>1,559,594</u>	<u>582,983</u>	<u>2,209,031</u>
Fund balances - ending	<u>\$ 4,044,773</u>	<u>\$ 845,330</u>	<u>\$ 600,888</u>	<u>\$ 2,812,698</u>

See notes to financial statements.

Tax Increment Financing	Property Tax	Debt Service	Capital Projects Funds			Other Governmental Funds	Total
			Public Works and Other Projects	Culture and Recreation Projects			
\$ -	\$ 596,544	\$ 2,189,350	\$ 416,300	\$ -	\$ -	\$ 8,615,820	
1,801,960	-	-	-	-	-	1,801,960	
-	64,113	217,279	44,666	-	234,078	4,437,672	
14,041	5,765	15,288	38,887	21,845	13,320	343,980	
-	-	-	-	-	-	294,196	
18,879	23,260	80,662	159,869	481,803	477,835	6,031,273	
-	-	-	1,108	-	41,864	820,780	
-	-	-	83,043	-	-	83,043	
-	-	-	96,090	807,271	147,431	1,525,314	
<u>1,834,880</u>	<u>689,682</u>	<u>2,502,579</u>	<u>839,963</u>	<u>1,310,919</u>	<u>914,528</u>	<u>23,954,038</u>	
-	8,470	-	-	-	470,787	7,666,049	
300,703	-	-	556,962	-	41,796	5,147,767	
-	-	-	-	3,263,944	67,558	3,982,470	
-	-	-	-	2,906	121,783	2,473,424	
258,747	-	-	-	-	-	2,077,936	
-	-	-	64,894	-	3,000	1,061,246	
-	-	-	-	-	-	-	
335,000	-	2,205,000	-	-	-	2,553,840	
373,039	-	807,465	-	-	-	1,180,504	
<u>1,267,489</u>	<u>8,470</u>	<u>3,012,465</u>	<u>621,856</u>	<u>3,266,850</u>	<u>704,924</u>	<u>26,143,236</u>	
<u>567,391</u>	<u>681,212</u>	<u>(509,886)</u>	<u>218,107</u>	<u>(1,955,931)</u>	<u>209,604</u>	<u>(2,189,198)</u>	
-	-	-	-	-	-	14,015	
-	-	3,500,000	-	-	-	3,500,000	
-	-	(3,445,000)	-	-	-	(3,445,000)	
-	1,733,155	484,332	20,000	109,360	107,436	6,496,136	
<u>(592,142)</u>	<u>(2,677,746)</u>	<u>-</u>	<u>(703,614)</u>	<u>-</u>	<u>-</u>	<u>(6,652,244)</u>	
<u>(592,142)</u>	<u>(944,591)</u>	<u>539,332</u>	<u>(683,614)</u>	<u>109,360</u>	<u>107,436</u>	<u>(87,093)</u>	
(24,751)	(263,379)	29,446	(465,507)	(1,846,571)	317,040	(2,276,291)	
<u>438,585</u>	<u>228,639</u>	<u>232,719</u>	<u>1,626,654</u>	<u>1,945,132</u>	<u>625,020</u>	<u>13,423,007</u>	
<u>\$ 413,834</u>	<u>\$ (34,740)</u>	<u>\$ 262,165</u>	<u>\$ 1,161,147</u>	<u>\$ 98,561</u>	<u>\$ 942,060</u>	<u>\$ 11,146,716</u>	

**CITY OF MARSHALLTOWN, IOWA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF**  
**ACTIVITIES**  
**YEAR ENDED JUNE 30, 2009**

---

Net change in fund balances – total governmental funds \$ (2,276,291)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 5,767,146	
Book value of disposals	(67,285)	
Capital contributions	332,145	
Depreciation expense	<u>(2,137,394)</u>	
Net change in capital assets		3,894,612

Because some revenues will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased (decreased) by these amounts this year:

Property taxes	1,502	
Mobile home taxes	(497)	
Intergovernmental	(251,635)	
Charges for services	<u>(54,990)</u>	
Net effect		(305,620)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. In the current period, these amounts are:

Debt repayments	5,998,840	
Debt proceeds	<u>(3,500,000)</u>	
Net effect		2,498,840

Some items 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. These activities consist of:

Increase in accrued interest and bond issuance costs amortized	35,820	
Increase in compensated absences	199,498	
Increase in net OPEB liability	<u>(684,753)</u>	
Total additional expenses		(449,435)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of the internal service funds is reported with governmental activities.

		<u>294,669</u>
Change in net assets of governmental activities		<u>\$ 3,656,775</u>
See notes to financial statements.		39

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2009**

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewer	Enterprise - Nonmajor	Total	Activities - Internal Service Funds
Assets					
Current assets					
Cash and cash equivalents	\$ 3,643,336	\$ 254,079	\$ 411,651	\$ 4,309,066	\$ 2,072,143
Receivables					
Accounts and unbilled usage	1,292,646	33,143	2,294	1,328,083	56,724
Interest	9,408	913	941	11,262	5,117
Due from other funds	-	38,796	2,610	41,406	4,772
Due from component unit	224,610	26,320	-	250,930	-
Due from other governments	177,665	-	5,039	182,704	-
Inventories	40,147	-	4,218	44,365	-
Prepaid items	36,470	6,863	12,765	56,098	20,346
Deferred charges					
Bond issuance costs	25,281	-	-	25,281	-
Deferred amount on refunding	7,686	-	-	7,686	-
Total current assets	<u>5,457,249</u>	<u>360,114</u>	<u>439,518</u>	<u>6,256,881</u>	<u>2,159,102</u>
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	948,423	-	-	948,423	-
Capital assets					
Land	364,920	283,531	10,437	658,888	-
Land improvements	1,937,889	30,000	243,096	2,210,985	-
Buildings and structures	10,470,900	6,000	704,048	11,180,948	-
Equipment and vehicles	12,657,252	139,187	1,094,005	13,890,444	-
Sanitary sewers and lift stations	16,557,979	56,812	-	16,614,791	-
Infrastructure	-	11,262,557	-	11,262,557	-
Construction in progress	801,075	103,203	-	904,278	-
Accumulated depreciation	<u>(18,426,170)</u>	<u>(2,999,120)</u>	<u>(815,601)</u>	<u>(22,240,891)</u>	<u>-</u>
Total noncurrent assets	<u>25,312,268</u>	<u>8,882,170</u>	<u>1,235,985</u>	<u>35,430,423</u>	<u>-</u>
Total assets	<u>30,769,517</u>	<u>9,242,284</u>	<u>1,675,503</u>	<u>41,687,304</u>	<u>2,159,102</u>

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF NET ASSETS (continued)**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2009**

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewer	Enterprise - Nonmajor	Total	Activities - Internal Service Funds
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable	\$ 159,844	\$ 25,900	\$ 6,522	\$ 192,266	\$ 411,541
Accrued payroll and payroll benefits	32,648	7,954	12,027	52,629	-
Unearned revenue	-	-	-	-	142,063
Retainage payable	-	-	-	-	-
Premium on bonds sold	3,813	-	-	3,813	-
Due to other governments	14,823	-	-	14,823	-
Due to other funds	57,163	-	-	57,163	4,772
Accrued interest payable	13,273	-	-	13,273	-
Compensated absences	26,515	4,813	1,960	33,288	-
Sewer revenue capital loan note	325,000	-	-	325,000	-
Revenue bonds	260,000	-	-	260,000	-
<b>Total current liabilities</b>	<b>893,079</b>	<b>38,667</b>	<b>20,509</b>	<b>952,255</b>	<b>558,376</b>
<b>Noncurrent liabilities</b>					
Compensated absences	49,300	7,303	15,041	71,644	-
Sewer revenue capital loan note	3,400,000	-	-	3,400,000	-
Revenue bonds	1,035,000	-	-	1,035,000	-
Net OPEB liability	53,055	22,328	5,684	81,067	-
<b>Total noncurrent liabilities</b>	<b>4,537,355</b>	<b>29,631</b>	<b>20,725</b>	<b>4,587,711</b>	<b>-</b>
<b>Total liabilities</b>	<b>5,430,434</b>	<b>68,298</b>	<b>41,234</b>	<b>5,539,966</b>	<b>558,376</b>
<b>Net assets</b>					
Invested in capital assets, net of related debt	19,343,845	8,882,170	1,235,985	29,462,000	-
Restricted net assets for					
Bond and interest payments	698,423	-	-	698,423	-
Improvements	250,000	-	-	250,000	-
Unrestricted	5,046,815	291,816	398,284	5,736,915	1,600,726
<b>Total net assets</b>	<b>\$ 25,339,083</b>	<b>\$ 9,173,986</b>	<b>\$ 1,634,269</b>	<b>\$ 36,147,338</b>	<b>\$ 1,600,726</b>

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2009**

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewer	Enterprise - Nonmajor	Total	Activities - Internal Service Funds
Operating revenues					
Charges for service	\$ 4,868,033	\$ 279,142	\$ 208,559	\$ 5,355,734	\$ 2,057,547
Miscellaneous	37,512	-	-	37,512	370,831
Total operating revenues	<u>4,905,545</u>	<u>279,142</u>	<u>208,559</u>	<u>5,393,246</u>	<u>2,428,378</u>
Operating expenses					
Salaries and benefits	1,197,707	245,536	382,745	1,825,988	-
Services and supplies	1,631,166	1,991	258,419	1,891,576	10,366
Claims paid	-	-	-	-	1,847,003
Health insurance premiums	-	-	-	-	215,119
Depreciation	1,079,643	237,245	82,000	1,398,888	-
Miscellaneous	-	-	-	-	110,178
Total operating expenses	<u>3,908,516</u>	<u>484,772</u>	<u>723,164</u>	<u>5,116,452</u>	<u>2,182,666</u>
Operating income (loss)	<u>997,029</u>	<u>(205,630)</u>	<u>(514,605)</u>	<u>276,794</u>	<u>245,712</u>
Nonoperating revenues (expenses)					
Federal and state grants	292,060	38,796	492,330	823,186	-
Interest income	116,922	15,240	7,062	139,224	48,957
Miscellaneous income	15,883	-	-	15,883	-
Interest and other debt expense	(196,155)	-	-	(196,155)	-
Net nonoperating revenues (expenses)	<u>228,710</u>	<u>54,036</u>	<u>499,392</u>	<u>782,138</u>	<u>48,957</u>
Income (loss) before capital contributions and transfers	1,225,739	(151,594)	(15,213)	1,058,932	294,669
Capital contributions	213,380	147,476	-	360,856	-
Transfers in	-	-	156,108	156,108	-
Change in net assets	1,439,119	(4,118)	140,895	1,575,896	294,669
Total net assets - beginning	<u>23,899,964</u>	<u>9,178,104</u>	<u>1,493,374</u>	<u>34,571,442</u>	<u>1,306,057</u>
Total net assets - ending	<u>\$ 25,339,083</u>	<u>\$ 9,173,986</u>	<u>\$ 1,634,269</u>	<u>\$ 36,147,338</u>	<u>\$ 1,600,726</u>

See notes to financial statements.

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2009**

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewer	Enterprise - Nonmajor	Total	Activities - Internal Service Funds
Cash flows from operating activities					
Cash received from customers	\$ 4,505,144	\$ 276,296	\$ 210,502	\$ 4,991,942	\$ 2,003,746
Cash payments to suppliers for goods and services	(1,943,180)	19,853	(238,877)	(2,162,204)	(2,125,378)
Cash payments to employees for services	(1,181,967)	(230,615)	(373,262)	(1,785,844)	-
Other operating revenue	<u>37,512</u>	<u>-</u>	<u>-</u>	<u>37,512</u>	<u>370,831</u>
Net cash provided (used) by operating activities	<u>1,417,509</u>	<u>65,534</u>	<u>(401,637)</u>	<u>1,081,406</u>	<u>249,199</u>
Cash flows from noncapital financing activities					
Transfers from other funds	-	-	156,108	156,108	-
Grants received	292,060	38,796	492,330	823,186	-
Other noncapital financing received	15,883	-	-	15,883	-
Increase in due from other funds	-	(38,796)	(394)	(39,190)	(1,405)
Increase in due to other funds	<u>57,163</u>	<u>-</u>	<u>-</u>	<u>57,163</u>	<u>1,405</u>
Net cash provided by noncapital financing activities	<u>365,106</u>	<u>-</u>	<u>648,044</u>	<u>1,013,150</u>	<u>-</u>
Cash flows from capital and related financing activities					
Acquisition and construction of property and equipment	(1,414,991)	(154,812)	(297,346)	(1,867,149)	-
Payment of debt	(575,000)	-	-	(575,000)	-
Interest paid	<u>(191,783)</u>	<u>-</u>	<u>-</u>	<u>(191,783)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(2,181,774)</u>	<u>(154,812)</u>	<u>(297,346)</u>	<u>(2,633,932)</u>	<u>-</u>
Cash flows from investing activities					
Interest received on investment securities	<u>133,238</u>	<u>15,396</u>	<u>8,225</u>	<u>156,859</u>	<u>48,965</u>
Net increase (decrease) in cash and cash equivalents	(265,921)	(73,882)	(42,714)	(382,517)	298,164
Cash and cash equivalents, beginning	<u>4,857,680</u>	<u>327,961</u>	<u>454,365</u>	<u>5,640,006</u>	<u>1,773,979</u>
Cash and cash equivalents, ending	<u>\$ 4,591,759</u>	<u>\$ 254,079</u>	<u>\$ 411,651</u>	<u>\$ 5,257,489</u>	<u>\$ 2,072,143</u>

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF CASH FLOWS (continued)**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2009**

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewers	Enterprise - Nonmajor	Total	Activities - Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	<u>\$ 997,029</u>	<u>\$ (205,630)</u>	<u>\$ (514,605)</u>	<u>\$ 276,794</u>	<u>\$ 245,712</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	1,079,643	237,245	82,000	1,398,888	-
Changes in assets and liabilities					
Decrease (increase) in receivables	(540,554)	(2,846)	34,263	(509,137)	(56,724)
Decrease (increase) in inventories and prepaid items	2,136	2,472	(2,701)	1,907	(166)
Increase (decrease) in accounts payable	(151,308)	19,372	(10,077)	(142,013)	56,864
Increase (decrease) in accrued liabilities	(37,315)	(7,407)	3,799	(40,923)	-
Increase in due to other governments	14,823	-	-	14,823	590
Increase in unearned revenue	-	-	-	-	2,923
Increase in net OPEB liability	<u>53,055</u>	<u>22,328</u>	<u>5,684</u>	<u>81,067</u>	<u>-</u>
Total	<u>420,480</u>	<u>271,164</u>	<u>112,968</u>	<u>804,612</u>	<u>3,487</u>
Net cash provided (used) by operating activities	<u>\$ 1,417,509</u>	<u>\$ 65,534</u>	<u>\$ (401,637)</u>	<u>\$ 1,081,406</u>	<u>\$ 249,199</u>
Noncash capital activities					
Contributions of capital assets from other funds and outside sources	<u>\$ 213,380</u>	<u>\$ 147,476</u>	<u>\$ -</u>	<u>\$ 360,856</u>	<u>\$ -</u>

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2009**

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	Police Pension Trust	Agency Funds
Assets		
Cash and cash equivalents	\$ 1,489	\$ 273,095
Accounts and unbilled usage	-	\$ 18,000
Accrued interest	-	34
	<u>1,489</u>	<u>291,129</u>
Total assets		
Liabilities		
Accrued payroll and payroll benefits	-	222,847
Due to City	-	6,083
Due to Friends of the Library	-	34,984
Due to Sleuth User Group	-	14,140
Due to developer	-	11,951
Due to other governments	-	1,124
	<u>-</u>	<u>291,129</u>
Total liabilities		
Net assets		
Held in trust for pension benefits	<u>\$ 1,489</u>	

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2009**

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	<u>Police Pension Trust</u>
Additions	
Contributions, employer	\$ 8,470
Deductions	
Benefits	<u>7,614</u>
Change in net assets	856
Net assets - beginning	<u>633</u>
Net assets - ending	<u>\$ 1,489</u>

**NOTES TO FINANCIAL STATEMENTS**

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Marshalltown, Iowa (City) was incorporated in 1863 under the laws of the state of Iowa, later amended in July 1975, under the City Home Rule Act. The City operates by ordinance under the Mayor-Council form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the City and its inhabitants.

The accounting and reporting policies of the City relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following represents the more significant accounting and reporting policies and practices used in the preparation of these financial statements:

**Reporting Entity**

For financial reporting purposes, the City of Marshalltown, Iowa, 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.

These financial statements present the City of Marshalltown, Iowa (the primary government) and its component units. The following component units are entities which are legally separate from the City, but are financially accountable to the City or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the City.

Discretely Presented Component Units: The Marshalltown Water Works (Water Works) was established to operate the City's water works facilities. The Water Works is governed by a three-member board of trustees appointed by the Mayor. A financial benefit/burden relationship exists between the City and the Water Works in that the City is authorized by statute to issue general obligation debt for a City utility and may certify taxes for the payment of the debt. The Water Works is presented as a proprietary fund type and has a June 30 year-end.

The Marshalltown Convention and Visitors Bureau (Bureau) was established to promote and develop the visitor and convention business and for economic development within the community. The Bureau is governed by a nine-member board of directors comprised of two members appointed solely by the City Council, two members appointed solely by the Executive Board of the Chamber of Commerce and five members appointed jointly by the City Council and Executive Board of the Chamber of Commerce, from the general public (one member) and the hospitality industry (four members). The Bureau may not borrow money or issue bonds without written permission of the City. The Bureau is presented as a proprietary fund type and has a May 31 year-end.

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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Complete financial statements for each of the individual component units may be obtained at the respective entity's administrative office as follows:

Marshalltown Water Works  
205 East State Street  
Marshalltown, Iowa 50158

Marshalltown Convention and Visitors Bureau  
709 South Center Street  
Marshalltown, Iowa 50158

Jointly Governed Organizations: The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. The City Council is a member of or appoints representatives to the following boards and commissions: Mid Iowa Drug Task Force, Marshall County Emergency Management Commission, Marshall County Communication Commission, Marshall County Assessor's Conference Board and the Marshall County Solid Waste Management Commission. Financial transactions relating to these organizations are included in the City's financial statements only to the extent of the City's contributions, if any, to these organizations.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., 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 units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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 attributable 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 not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, including special assessments. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and pension trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded 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.

Agency fund financial statements are reported using the accrual basis of accounting but have no measurement focus.

Property taxes are recognized as revenue in the year for which they have been levied, provided they are collected within 60 days after year-end. Sales taxes are considered measurable and available at the time the underlying transaction occurs provided they are collected within 60 days after year-end. Other taxes are considered measurable and available when they have been collected by the state or other levying authority. Special assessments receivable are recognized at the time of their levy. The related revenue is recognized at the time the assessment is due or collected. Licenses and permits, fines and forfeitures, and miscellaneous revenues are generally recognized as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recognized as earned.

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Road Use Tax Fund* is used to account for the operations of street related expenses. Financing is provided by the City's share of state gasoline taxes, which are received on a per capita basis. State law requires these revenues to be received and disbursed in a special fund.

The *HUD Programs Fund* is used to account for the operations of a Federal Section 8 rental voucher assistance program, a grant from HUD to assist with security deposits and first month's rent program, and lead abatement program.

The *Local Option Sales Tax Fund* is used to account for the sale and service taxes collected to be applied to general property tax relief, and for storm sewer maintenance and improvements and related street repairs.

The *Tax Increment Financing Fund* is used to account for revenue taxes levied for specific uses within the designated district. Specific uses may include the construction of infrastructure and payments associated with debt and other development agreements.

The *Property Tax Fund* is used to account for property tax collections for the emergency fund levy and employee benefits, which are then transferred to the general fund.

The *Debt Service Fund* is used to account for the servicing of general obligation debt.

The *Public Works and Other Projects Fund* is used to account for resources used in the acquisition and construction of capital facilities and other fixed assets with the exception of those that are financed through the Culture and Recreation Projects Fund, Airport Projects Fund, or through proprietary funds.

The *Culture and Recreation Projects Fund* is used to account for resources used in the acquisition and construction of capital facilities and other capital assets associated with the City's culture and recreation function.

The City reports the following major proprietary funds:

The *Water Pollution Control Fund* is used to account for the operation and maintenance of the City's wastewater treatment facility and sanitary sewer. Services are supported primarily by user charges.

The *Storm Sewer Fund* is used to account for the operation of the City's storm sewers. Services are supported primarily by user charges.

Additionally, the City reports the following fund types:

Internal service funds account for group insurance benefits, occupational insurance benefits, flexible benefits, and workmen's compensation benefits provided to other departments on a cost reimbursement basis.

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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The Police Pension Trust Fund is used to account for pensions of disabled and retired policemen as provided by Chapter 410 of the Code of Iowa.

Agency funds function primarily as a clearing mechanism for cash resources which are collected by the City, held as such for a brief period and then disbursed to the authorized recipient. The agency funds of the City are used for payroll clearing activities, and to hold investments for the Friends of the Library.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water pollution control function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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 nonoperating revenues and expenses.

*Cash, Cash Equivalents, and Investments.* The City maintains a cash and investment pool. These pooled deposits are invested in interest-bearing cash accounts or certificates of deposit. Interest on the pooled cash and investments is recognized as revenue when earned and allocated to the funds on a systematic basis. However, interest of the Road Use Tax Fund is credited directly to the General Fund. Cash and investments are separately held by the discretely presented component units for which interest is also recognized as revenue when earned.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The City invests in the Iowa Public Agency Investment Trust which is a 2a7-like pool. The Iowa Public Agency Investment Trust is a common law trust established under Iowa law and is administrated by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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*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 on the levy or lien date, which is the date that the tax asking is certified by the City to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents 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 receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

The County Treasurer bills and collects taxes for the City. Taxes for the year ended June 30, 2009, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2008 and March 31, 2009. Any County collections on the 2008-2009 tax levy remitted to the City within sixty days subsequent to June 30, 2009, are recorded as property tax revenues. Taxes not collected and remitted to the City within sixty days subsequent to June 30, 2009, are delinquent and have been recorded as receivables. This amount is recorded as deferred revenue in the governmental funds but is recognized as revenue in the government-wide financial statements.

*Accounts Receivable and Unbilled Usage.* Accounts receivable are recorded 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.* Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

*Due From Other Governments.* Due from other governments represents various shared revenues, grants, and reimbursements from other governments. Shared revenues are recognized during the period when received by the collecting authority, the State of Iowa. Federal grant revenue is recognized when expenditures for the purpose of the grant have been incurred in the government-wide financial statements and as long as it meets the measurable and available criteria in the governmental fund statements.

*Inventories and Prepaid Items.* Inventories of materials and supplies in the proprietary fund types are stated at cost (first-in, first-out).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Reported prepaid items in governmental funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation.

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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*Restricted Assets.* Funds set aside for the payment of City enterprise and component unit revenue bonds are classified as restricted assets since their use is restricted by applicable bond indentures. Other restricted assets include funds for customer deposits restricted for application to unpaid customer accounts or for refund to customers.

*Deferred Revenue in Governmental Funds.* Although certain revenues are measurable, they may not be 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 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 property tax receivable, special assessments receivable, succeeding year property tax receivable, and other receivables not collected within sixty days after year-end.

Unearned revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

*Compensated Absences.* City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, death, or retirement. Accumulated sick leave is generally paid at 25%, not to exceed 1,440 hours for municipal fire employees and 1,040 hours for all others, upon retirement if the employee has at least 15 years of service. All vacation and sick leave is accrued when incurred in the government-wide and proprietary financial statements. Governmental funds record the earned vacation and vested sick leave hours as an expenditure of the current year to the extent it is paid during the year. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2009.

Water Works employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. The liability is recorded on the statement of net assets based on rates of pay in effect as of June 30, 2009.

*Long-Term Obligations.* In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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*Fund Equity.* In the governmental fund financial statements, reservations of fund balance represent amounts that are not appropriable or are legally restricted for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements and the proprietary fund financial statements, restrictions of net assets are limited to outside third-party restrictions.

*Capital Assets.* Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (\$50,000 for infrastructure) and an estimated useful life in excess of two years. All land is recorded regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. All infrastructure of the City has been recorded to date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	10-30
Buildings and structures	30-50
Equipment and vehicles	5-30
Sanitary sewers and lift stations	30-50
Infrastructure	20-50

Property, plant and equipment of the Water Works is depreciated using the straight line method over the following estimated useful lives.

	<u>Years</u>
Plants, wells, and storage	10-40
Distribution property	50-99
Meters	10-20
Vehicles	5
Equipment	7-10

*Statement of Cash Flows – Cash Equivalents.* For purposes of the statement of cash flows for the proprietary funds and the component units, 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 they have a maturity date no longer than three months.

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements did not exceed the amount budgeted.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

*Deposits.* On June 30, 2009, the carrying amount of the City’s deposits was \$17,946,242 and the bank balances were \$16,450,797. 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.

As of June 30, 2009, the City’s carrying amount of deposits, related bank balances, and other cash, including fiduciary funds, were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand deposits	\$ 4,443,617	\$ 2,950,797
Certificates of deposits	13,500,000	13,500,000
Petty cash	2,625	-
Total	<u>\$ 17,946,242</u>	<u>\$ 16,450,797</u>

The City invests in the Diversified portfolio of the Iowa Public Agency Investment Trust (IPAIT). IPAIT was created pursuant to Iowa Code Chapter 28E in 1987 to enable eligible Iowa public agencies to safely and effectively invest their available operating and reserve funds. The Diversified portfolio has followed established money market mutual fund investment parameters designed to maintain a \$1 per unit net asset value since inception and was registered with the Securities and Exchange Commission (SEC) in accordance with 17 C.F.R. Section 270,2a-7 in May 1993. The Diversified Fund was among the first local government investment pools in the country to do so and has been formally regulated by the SEC since that time. The fair value of the City's position in the IPAIT pool is the same as the value of the pool. The City's investment in the Diversified portfolio at June 30, 2009 was \$296,220.

The Marshalltown Water Works’ carrying amount of deposits was \$2,615,923 all of which was covered by federal depository insurance or insured by the state through pooled collateral, State Sinking Funds and by the state’s ability to assess for lost funds.

The Convention and Visitors Bureau’s deposits carrying amount and bank balance amount was \$172,123 all of which was covered by federal depository insurance.

The City and the Water Works are 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 or Board of Trustees and the Treasurer of the State of Iowa; 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.

**CITY OF MARSHALLTOWN, IOWA**  
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*Interest Rate Risk.* The City's investment policy limits the investments of operating funds (funds expected to be expended in the current budget year or within fifteen months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in instruments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City. The City did not hold any instruments with a maturity greater than 397 days during the year.

*Credit Risk.* The City's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The City did not invest in any commercial paper or other corporate debt during the year. The City's investment in IPAIT is unrated.

*Concentration of Credit Risk.* The City's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The City held no such investments during the year.

*Custodial Credit Risk – Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's deposits are 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.

*Custodial Credit Risk – Investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City had no custodially-held investments during the year.

**NOTE 4 – INTERFUND BALANCES AND TRANSFERS**

Interfund balances as of June 30, 2009, consisted of the following:

Due to general fund from	
HUD programs	\$ 4,788
Property tax	700,169
Public works and other projects	<u>7,962</u>
Total due to general fund	<u>\$ 712,919</u>
Due to recreation projects from	
Tax increment financing	\$ 107,810
Water Pollution Control	<u>18,367</u>
Total due to recreation projects fund	<u>\$ 126,177</u>
Due to property tax fund from	
Local option sales tax	<u>\$ 485,356</u>
Due to nonmajor governmental funds from	
General fund	<u>\$ 30,320</u>
Due to storm sewer fund from	
Water pollution control	<u>\$ 38,796</u>

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
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Due to nonmajor enterprise funds from  
    General fund \$ 2,610

Due to internal service fund from  
    Internal service fund \$ 4,772

The interfund balances result from time lag between the time expenditures were incurred and when the actual transfer is made.

Due to/from primary government and component unit:

Receivable Entity	Payable Entity	Amount
Primary Government:	Component Unit:	
Governmental Fund, General Fund	Water Works	\$ 12,862
Enterprise Fund, Water Pollution Control	Water Works	224,610
Enterprise Fund, Storm Sewer	Water Works	26,320

Interfund transfers for the year ended June 30, 2009, consisted of the following:

Transfers to general fund from

Road use tax	\$ 662,042
Property tax	2,658,136
Public works and other projects	<u>702,064</u>
Total transfers to general fund	<u>\$ 4,022,243</u>

Transfers to HUD programs fund from

Property tax	\$ <u>19,611</u>
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Transfers to property tax fund from

Tax increment financing	\$ 7,476
Local option sales tax	<u>1,725,679</u>
Total transfers to property tax fund	<u>\$ 1,733,155</u>

Transfers to debt service fund from

Tax increment financing	\$ <u>484,332</u>
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Transfers to public works and other projects fund from

Road use tax	\$ <u>20,000</u>
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Transfers to nonmajor governmental funds from

General fund	\$ 105,886
Public works and other projects	<u>1,550</u>
Total transfers to nonmajor governmental funds	<u>\$ 107,436</u>

Transfers to nonmajor enterprise funds from

General	\$ <u>156,108</u>
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**CITY OF MARSHALLTOWN, IOWA**  
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Transfers to culture and recreation projects from	
General fund	\$ 9,026
Tax increment financing	<u>100,334</u>
Total transfers to culture and recreation projects fund	<u>\$ 109,360</u>

Transfers are used to (1) move property tax revenues from the fund that state statute requires to collect them to the fund that expends the associated expenditure, (2) offset public works salaries within the general fund with road use tax dollars collected, and (3) move a portion of local option sales tax to the fund that is receiving the property tax relief.

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Primary Government				
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 3,366,503	\$ 123,568	\$ -	\$ 3,490,071
Construction in progress	<u>6,489,424</u>	<u>4,091,626</u>	<u>(9,006,960)</u>	<u>1,574,090</u>
Total capital assets, not being depreciated	<u>9,855,927</u>	<u>4,215,194</u>	<u>(9,006,960)</u>	<u>5,064,161</u>
Capital assets, being depreciated				
Buildings and structures	7,882,370	8,442,633	-	16,325,003
Land improvements	1,388,074	126,278	-	1,514,352
Equipment and vehicles	12,044,725	1,823,298	(667,102)	13,200,921
Infrastructure	<u>29,382,182</u>	<u>498,848</u>	<u>-</u>	<u>29,881,030</u>
Total capital assets, being depreciated	<u>50,697,351</u>	<u>10,891,057</u>	<u>(667,102)</u>	<u>60,921,306</u>
Less accumulated depreciation for				
Buildings and structures	(3,211,503)	(344,857)	-	(3,556,360)
Land improvements	(374,967)	(82,771)	-	(457,738)
Equipment and vehicles	(5,951,063)	(697,654)	599,817	(6,048,900)
Infrastructure	<u>(12,423,764)</u>	<u>(1,012,112)</u>	<u>-</u>	<u>(13,435,876)</u>
Total accumulated depreciation	<u>(21,961,297)</u>	<u>(2,137,394)</u>	<u>599,817</u>	<u>(23,498,874)</u>
Total capital assets, being depreciated, net	<u>28,736,054</u>	<u>8,753,663</u>	<u>(67,285)</u>	<u>37,422,432</u>
Governmental activities capital assets, net	<u>\$ 38,591,981</u>	<u>\$ 12,968,857</u>	<u>\$ (9,074,245)</u>	<u>\$ 42,486,593</u>

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Land	\$ 575,024	\$ 83,864	\$ -	\$ 658,888
Construction in progress	700,660	1,359,991	(1,156,373)	904,278
Total capital assets, not being depreciated	<u>1,275,684</u>	<u>1,443,855</u>	<u>(1,156,373)</u>	<u>1,563,166</u>
Capital assets, being depreciated				
Buildings and structures	11,180,948	-	-	11,180,948
Land improvements	1,879,895	331,090	-	2,210,985
Equipment and vehicles	13,380,886	509,558	-	13,890,444
Sanitary sewers and lift stations	15,578,528	1,036,263	-	16,614,791
Infrastructure	11,198,945	63,612	-	11,262,557
Total capital assets, being depreciated	<u>53,219,202</u>	<u>1,940,523</u>	<u>-</u>	<u>55,159,725</u>
Less accumulated depreciation for				
Buildings and structures	(4,201,681)	(330,634)	-	(4,532,315)
Land improvements	(1,252,242)	(51,221)	-	(1,303,463)
Equipment and vehicles	(8,609,605)	(445,948)	-	(9,055,553)
Sanitary sewers and lift stations	(4,102,444)	(345,489)	-	(4,447,933)
Infrastructure	(2,676,031)	(225,596)	-	(2,901,627)
Total accumulated depreciation	<u>(20,842,003)</u>	<u>(1,398,888)</u>	<u>-</u>	<u>(22,240,891)</u>
Total capital assets, being depreciated, net	<u>32,377,199</u>	<u>541,635</u>	<u>-</u>	<u>32,918,834</u>
Business-type activities capital assets, net	<u>\$ 33,652,883</u>	<u>\$ 1,985,490</u>	<u>\$ (1,156,373)</u>	<u>\$ 34,482,000</u>

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**CITY OF MARSHALLTOWN, IOWA**  
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
Public safety	\$ 256,089
Public works	1,298,961
Health and social services	1,461
Culture and recreation	554,071
Community and economic development	11,640
General government	<u>15,172</u>
Total depreciation expense – governmental activities	<u>\$ 2,137,394</u>
Business-type activities	
Water pollution control	\$ 1,079,643
Storm sewer	237,245
Compost facility	12,740
Bus transit	<u>69,260</u>
Total depreciation expense – business-type activities	<u>\$ 1,398,888</u>

**NOTE 6 – LONG-TERM DEBT**

The following is a summary of changes in the City’s long-term debt for the year ended June 30, 2009:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year
Governmental activities					
Compensated absences payable	\$ 793,733	\$ -	\$ 199,498	\$ 594,235	\$ 267,767
General obligation bonds and notes payable	<u>21,941,884</u>	<u>3,500,000</u>	<u>5,998,840</u>	<u>19,443,044</u>	<u>2,443,841</u>
	<u>22,735,617</u>	<u>3,500,000</u>	<u>6,198,338</u>	<u>20,037,279</u>	<u>2,711,608</u>

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
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	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year
Business-type activities					
Compensated absences payable	\$ 156,127	\$ -	\$ 51,195	\$ 104,932	\$ 33,288
Enterprise funds, revenue bonds payable	1,555,000	-	260,000	1,295,000	260,000
Sewer revenue capital loan note payable	4,040,000	-	315,000	3,725,000	325,000
	<u>5,751,127</u>	<u>-</u>	<u>626,195</u>	<u>5,124,932</u>	<u>618,288</u>
<b>Total</b>	<b><u>\$28,486,744</u></b>	<b><u>\$ 3,500,000</u></b>	<b><u>\$ 6,824,533</u></b>	<b><u>\$25,162,211</u></b>	<b><u>\$ 3,329,896</u></b>

For the governmental activities compensated absences are generally liquidated by the general fund.

*Bonded Debt.* Details of the City's bonds and notes payable as of June 30, 2009, are as follows:

	Interest Rates	Govern- mental Activities	Business- type Activities	Total
General obligation bonds and notes				
Equipment loan note, issued February 1, 2005	-	83,044	-	83,044
2005B Essential corporate purpose refunding bonds, issued April 1, 2005	3.35-3.65	600,000	-	600,000
2006A Capital loan notes, issued June 1, 2006	4.25-4.38	\$ 1,065,000	\$ -	\$ 1,065,000
2008A Essential corporate purpose refunding bonds, issued April 1, 2008	3.50	8,990,000	-	8,990,000
2008B Essential corporate purpose, issued April 1, 2008	3.50-4.00	4,665,000	-	4,665,000

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
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	<u>Interest Rates</u>	<u>Govern- mental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
2008C Essential corporate purpose refunding bonds, issued April 1, 2008	3.50	540,000	-	540,000
2009A Essential corporate purpose refunding bonds, issued May, 2009	1.25-3.00	<u>3,500,000</u>	<u>-</u>	<u>3,500,000</u>
Total general obligation bonds and notes		<u>19,443,044</u>	<u>-</u>	<u>19,443,044</u>
Revenue bonds and notes				
Water Pollution Control capital loan notes, Series 2003, issued May 15, 2003	3.00	-	3,725,000	3,725,000
Water Pollution Control refunding bonds, Series 2005A, issued April 1, 2005	3.55-3.85	<u>-</u>	<u>1,295,000</u>	<u>1,295,000</u>
Total revenue bonds and notes		<u>-</u>	<u>5,020,000</u>	<u>5,020,000</u>
Total long-term debt		<u>\$ 19,443,044</u>	<u>\$ 5,020,000</u>	<u>\$ 24,463,044</u>

The resolutions providing for the issuance of the City's revenue bonds include the following provisions:

- (1) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- (2) Sufficient monthly transfers shall be made to a separate sewer revenue bond and interest sinking fund for the purpose of making the bond principal and interest payments when due.
- (3) Additional monthly transfers shall be made to a separate sewer revenue debt service reserve fund until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying bond principal and interest payments due when insufficient money is available in the sinking fund.
- (4) Additional monthly transfers to a sewer improvement fund shall be made until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying for any additional improvements, extensions or repairs to the system. This account may be used to pay principal or interest on the bonds when there shall be insufficient money in the sinking fund and the reserve fund and the cost of extraordinary maintenance expenses or repairs, renewals, and replacements not included in the annual budget for capital improvements.

**CITY OF MARSHALLTOWN, IOWA**  
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The urban renewal tax increment revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out urban renewal projects of the City. The bonds are not a general obligation of the City. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund, which has been established as a special revenue fund of the City, and the taxes are to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area.

*Future Requirements to Maturity.* Principal and interest requirements to maturity for the City's bonds and notes outstanding as of June 30, 2009, are as follows:

Years Ending June 30	General Obligation Bonds and Notes		Water Pollution Control Revenue Bonds	
	Principal	Interest	Principal	Interest
2010	\$ 2,443,841	\$ 650,665	\$ 260,000	\$ 47,523
2011	2,383,841	571,099	260,000	38,293
2012	2,398,840	495,600	260,000	29,063
2013	2,253,841	417,429	255,000	19,573
2014	2,053,840	345,981	260,000	10,010
2015-2019	6,593,841	792,298	-	-
2020-2023	1,315,000	130,000	-	-
Total	<u>\$ 19,443,044</u>	<u>\$ 3,403,072</u>	<u>\$ 1,295,000</u>	<u>\$ 144,462</u>

Years Ending June 30	Water Pollution Control Capital Loan Note		Total Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 325,000	\$ 111,750	585,000	159,273
2011	335,000	102,000	595,000	140,293
2012	345,000	91,950	605,000	121,013
2013	355,000	81,600	610,000	101,173
2014	366,000	70,950	626,000	80,960
2015-2019	1,999,000	183,420	1,999,000	183,420
Total	<u>\$ 3,725,000</u>	<u>\$ 641,670</u>	<u>\$ 5,020,000</u>	<u>\$ 786,132</u>

*Current Refundings.* The City issued \$3,500,000 of general obligation refunding bonds to provide the resources to refinance two essential corporate purpose general obligation bonds, 2002B and 2003A issues, and the 2004 GO Capital Project (Westwood) bonds. This current refunding was undertaken to reduce total debt service payments. The result of refunding these three issues reduced debt service payments by \$227,399 over the lives of the issues. The net present value benefit to the City is \$200,000. These savings can be attributed to the restructuring of the repayment schedule and reduction in the interest rates.

**CITY OF MARSHALLTOWN, IOWA**  
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*Legal Debt Margin.* The City's legal debt margin as of June 30, 2009, is as follows:

Regular realty valuations	\$ 1,105,253,588
Utility valuations	99,127,772
Incremental valuations	<u>50,679,345</u>
Total actual valuations applicable to debt	<u>\$ 1,255,060,705</u>
Debt limit - 5% of total actual valuations applicable to debt	<u>\$ 62,753,035</u>
Amount of debt applicable to limitation	
General obligation bonds and notes	\$ 19,443,044
Less funds available from	
Debt service fund	262,165
Tax increment financing	<u>413,834</u>
Total debt applicable to debt margin	<u>18,767,045</u>
Legal debt margin	<u>\$ 43,985,990</u>

**NOTE 7 – PENSION AND RETIREMENT SYSTEMS**

The City has three pension and retirement systems that cover substantially all of its employees. These systems are the Municipal Fire and Police Retirement System of Iowa, Chapter 410 Police Pension System, and the Iowa Public Employees Retirement System. The Water Works, a component unit, maintains the Marshalltown Water Works Supplemental Retirement Pension System.

*Municipal Fire and Police Retirement System of Iowa.* The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability, and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, West Des Moines, Iowa 50263.

Plan members are required to contribute 9.35% of earnable compensation and the City was required to contribute 18.75% for the year ended June 30, 2009, 25.48% for 2008, and 27.75% for 2007, of earnable compensation. Contribution requirements are established by state statute. The City's contributions to the Plan for the years ended June 30, 2009, 2008, and 2007, were \$680,344, \$882,493, and \$928,981, respectively, which met the required minimum contribution for each year.

*Chapter 410 Police Pension System.* Chapter 410 of the Code of Iowa creates a retirement system for police officers of any City qualified to participate under this Chapter. Any duly appointed member of the police department whose appointment occurred before March 2, 1934, or police who had been making payments of membership fees and assessments prior to July 1, 1971, may be a member of the system. The pension plan is accounted for by the City in the Pension Trust Fund.

**CITY OF MARSHALLTOWN, IOWA**  
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The plan, a single-employer defined benefit pension plan, is administered by the Police Pension Board of Trustees and provides retirement, disability, and death benefits. The benefits are established under state statute and provide for full retirement benefits at age 50 with 22 years or more of service. Full benefits are equal to fifty percent of the monthly salary at retirement or disability and twenty-five percent of the monthly salary at death.

There is one active beneficiary in the plan. The plan is normally funded through a property tax levy, and currently the City expects to continue to levy the tax as long as the benefit is required to be paid equal to the required contributions for the year. This year there were sufficient funds on hand negating the need for an additional levy. The City's contributions to the retirement system for the years ended June 30, 2009, 2008, and 2007, were \$7,614, \$7,562, and \$7,360, respectively.

*Iowa Public Employees Retirement System (IPERS).* 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 issues 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.

Plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007, were \$305,532, \$278,688, and \$256,434, respectively, equal to the required contributions for each year.

*Marshalltown Water Works Supplemental Retirement Pension System.* The Marshalltown Water Works Supplemental Retirement Pension System (Plan) is a single-employer defined benefit pension plan that covers all full-time Water Works employees. The plan provides retirement, death, and disability benefits to plan members. The plan is administered by American Trust and Savings Bank. The Supplemental Retirement Pension System does not have an audited report available for review.

The plan was established by the Marshalltown Water Works Board of Trustees on September 30, 1953. The plan was restated and amended on January 1, 1986. The contribution requirements of plan members and the Water Works are established by the Board of Trustees and may be amended by the Board of Trustees at any time. Contribution percentages are actuarially determined rates. Plan members are required to contribute 3.25% of their annual covered salary. The Water Works is required to contribute 6.75% of annual covered payroll.

The Water Works annual pension cost and net pension obligation to the plan for the current year were as follows:

Annual required contribution	\$	91,232
Annual pension cost		91,232
Contributions made		91,232
Increase in net pension obligation		-
Net pension obligations, beginning of year		-
Net pension obligations, end of year		-

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The annual required contribution for the current year was estimated based on the April 1, 2004, actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return and (b) projected salary increases of 5%. Both (a) and (b) include an inflation component and postretirement benefit increases of 0%. The unfunded actuarial accrued liability is being amortized as an open period, level dollar. The information disclosing the remaining years to amortize is not available to the City.

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$ 91,232	100.0%	\$ -
June 30, 2008	34,708	100.0%	-
June 30, 2007	31,193	100.0%	-

For employees who choose not to participate in the Marshalltown Water Works Supplemental Retirement Pension System (Plan), the Water Works 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 issues 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.

Plan members are required to contribute 4.10% of their annual covered salary and the Water Works is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The Water Works' contributions to IPERS for the years ended June 30, 2009, 2008, and 2007, were \$25,865, \$23,482 and \$22,694, respectively, equal to the required contributions for each year.

**NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS**

The City implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions prospectively during the year ended June 30, 2009.

Plan Description - The City operates a single-employer retiree benefit plan which provides postemployment medical and dental benefits for retirees and their spouses. The Plan does not issue a stand-alone financial report.

Retirees or eligible spouses are required to contribute for their coverage the following percentages of the total premium:

- 50% if disabled while on duty (police or fire) except disability related expenses are 100% paid by the city,
- 50% if retiring employee satisfies the rule 88 or police/fire employee is 55 with 22 years of service,
- 50% for grandfathered police/fire,
- 100% for all other including surviving spouses.

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

To be eligible for the medical and dental insurance coverage, retirees must be at least 55 year old, or is disabled and is receiving or eligible to receive a pension under the Iowa Public Employees' Retirement System (IPERS) or the Municipal Fire and Police Retirement System of Iowa (MFPRSI). There are 153 active and 65 retired members in the plan.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Normal Cost	\$ 298,500
Amortization of UAAL	<u>467,320</u>
Annual required contribution	765,820
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	765,820
Contributions made	<u>-</u>
Increase in net OPEB obligation	765,820
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>\$ 765,820</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contribution</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 765,820	0%	\$ 765,820

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$9,295,011, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,295,011. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,779,100 and the ratio of the UAAL to covered payroll was 105.9%. As of June 30, 2009, there were no trust fund assets.

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3% discount rate based on the City's funding policy. The projected annual medical trend rate is 12%. The ultimate medical and dental trend rates are 5% and 4%, respectively.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Police and fire are assumed to retire at age 55 with 22 years of service. Other City employees are assumed to retire after age 55, when age plus service equals 88.

Projected claim costs of the medical plan are \$9,780 per year for retirees at age 62. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**NOTE 9 – RISK MANAGEMENT**

The City is a member in the Iowa Communities Assurance Pool (the Pool), as allowed by Chapter 670.7 of the Code of Iowa. The Pool is a local government risk-sharing pool whose over 563 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim for a total of \$3,000,000 in coverage per year. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. The City of Marshalltown has elected \$6,000,000 in coverage. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's Iowa Risk Management Agreement (IRMA) with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhaust total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, at June 30, 2009, no liability has been recorded in the City's financial statements. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given sixty days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

Members who elect property coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions. The City opted to purchase property and casualty coverage from Chub and not participate in the risk pool. With this carrier the City of Marshalltown has a \$46,621,557 blanket limit for premises, \$1,058,159 for Inland Marine Contractor's equipment, and \$1,500,000 for Inland Marine Builders risk limit. As a commercial carrier, no additional liability is recorded in the financial statements of the City.

The City has established a Group Insurance Benefits Fund for insuring health benefits provided to City employees and covered dependents which is included as an internal service fund. Health benefits were self-insured up to a specific stop loss amount of \$80,000 and an aggregate stop loss of approximately \$2,227,710 for 2009. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop loss amount. All claims handling procedures are performed by a third-party claims administrator. Reported claims as of June 30, 2009, as well as incurred but not reported claims, have been accrued as a liability based upon the claims administrator's estimate and are included in accounts payable. The liability does not include any allocated or unallocated claim adjustment expenses.

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

All operating funds of the City participate in the program and make payments to the Group Insurance Benefits Fund based on actuarial estimates of the amounts needed to pay prior and current year claims.

The City has established an Occupational Insurance Benefits Fund to self insure for workers' compensation benefits for all currently employed police officers and firefighters and police officers and firefighters who have retired due to an accidental disability prior to December 1992, in accordance with Chapter 411.15 of the Code of Iowa. The General Fund is charged for benefits paid to police officers and firefighters by the Occupational Insurance Benefits Fund, which is also accounted for as an internal service fund. Reported claims as of June 30, 2009, as well as incurred but not reported claims, have been accrued as a liability based upon the City's best estimate and are included in accounts payable. The liability does not include any allocated or unallocated claim adjustment expenses. There is no stop loss insurance for this coverage.

The claims liabilities of \$402,985 in the Group Insurance Benefits Fund and \$8,556 in the Occupational Insurance Benefits Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The entire amounts will be paid within one year of yearend.

Changes in reported liabilities for the fiscal years ended June 30, 2009 and 2008, are summarized as follows:

	Group Insurance Benefits Fund	Occupational Insurance Benefits Fund
Liabilities as of June 30, 2007	\$ 337,323	\$ 392
Claims and changes in estimates during fiscal year 2008	1,340,464	64,721
Claim payments	<u>(1,323,844)</u>	<u>(64,452)</u>
Liabilities as of June 30, 2008	353,943	661
Claims and changes in estimates during fiscal year 2009	1,611,478	161,892
Claim payments	<u>(1,562,436)</u>	<u>(153,997)</u>
	<u>\$ 402,985</u>	<u>\$ 8,556</u>

**NOTE 10 – INDUSTRIAL DEVELOPMENT REVENUE BONDS**

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the City, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2009, there was one issue of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$650,000.

**NOTE 11 – DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all regular City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees, until termination, retirement, death, or unforeseeable emergency. The plan complies with IRC Section 457(g), which allows for the plan to hold its assets in trust. Under these requirements, the City does not own the amount deferred by employees and, therefore, the liability and corresponding investment are not reflected in the financial statements. Under privately negotiated contracts, the City contributes to the deferred compensation plans (457) for two employees. During this fiscal year, the City contributed a total of \$4,140 to their plans.

During this fiscal year, the City also made payroll IRAs available to its employees in accordance with Internal Revenue Code Section 401. This plan is also available to all regular City employees. Participation is optional and withdrawals are governed by current IRS regulations.

**NOTE 12 – COMMITMENTS**

The City has recognized as a liability only that portion of construction contracts representing construction completed through June 30, 2009. The City has additional commitments for signed construction contracts of approximately \$4,927,102 as of June 30, 2009.

**NOTE 13 – MAJOR CUSTOMER**

The financial statements of the Water Pollution Control Enterprise Fund include sales and receivables from Swift and Company, a major customer, of \$1,782,187 and \$174,500, respectively.

**NOTE 14 – LITIGATION**

The City is a defendant in several claims and lawsuits. In the opinion of the City Attorney and management, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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**NOTE 15 – DEFICIT BALANCES**

At June 30, 2009, funds with deficit balances were as follows:

Special Revenue Funds – Property Tax fund	\$	34,740
Internal Service Funds – Flexible Benefits		4,772

These deficit balances are the result of funds due from other governments which were deferred because they were received after the accrual period was over.

**NOTE 16 – MARSHALLTOWN FRIENDS OF THE LIBRARY**

The Friends of the Library have campaigned to raise funds for the construction of the new library as can be seen in the financial report as an agency fund. At the end of the fiscal year, the group had contributed over \$637,298 to the project. The construction is reflected in the Culture and Recreation Capital Project fund.

**NOTE 17 – SUBSEQUENT EVENT**

In August 2009, the City issued \$700,000 of general obligation bonds to finance improvements to the City's Carnegie Library building. The bonds are payable from unlimited ad valorem taxes levied against all taxable property of the City.

**NOTE 18 – NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS**

The Governmental Accounting Standards Board (GASB) has issued three statements not yet implemented by the City of Marshalltown. The statements which might impact the City of Marshalltown are as follows:

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued June 2007, will be effective for the fiscal year ending June 30, 2010. This statement requires that all intangible assets not specifically excluded by its scope be classified as capital assets.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the fiscal year ending June 30, 2010. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* issued March 2009, will be effective for the fiscal year ending June 30, 2011. This statement establishes new standards for fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE BENEFIT PLAN**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Schedule of Funding Progress						
Actuarial Valuation Date *	Fair Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	AAL/UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2008	\$ -	\$ 9,295,011	9,295,011	0.00%	\$ 8,779,084	105.9%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

**CITY OF MARSHALLTOWN, IOWA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**MARSHALLTOWN WATER WORKS SUPPLEMENTAL RETIREMENT PENSION SYSTEM**

Schedule of Funding Progress						
Actuarial Valuation Date *	Fair Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	AAL/UAAL as a Percentage of Covered Payroll [(b-a)/c]
April 1, 2009	\$ 1,010,404	\$ 2,371,007	1,360,603	42.61%	\$ 453,534	300.0%
April 1, 2008	1,279,541	2,011,092	731,551	63.62%	491,042	149.0%
April 1, 2007	1,353,974	1,950,980	597,006	69.40%	442,044	135.1%

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the dates indicated. Additional information follows:

1. The cost method used to determine the ARC is the frozen entry age method.
2. The assets are shown at fair value.
3. Economic assumptions are as follows: investment return rate of 8%, salary increase of 5%, inflation rate of 0%.
4. The amortization method is open period, assumed level dollar.

\* Actuarial valuations were performed on April 1, 2009 and April 1, 2007. Estimated values have been calculated as of April 1, 2008.

**CITY OF MARSHALLTOWN, IOWA**  
**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN BALANCES – BUDGET AND ACTUAL (CASH BASIS)**  
**GOVERNMENTAL FUNDS AND ENTERPRISE FUNDS**  
**YEAR ENDED JUNE 30, 2009**

	Actual			Budgeted Amounts		Final to Actual Variance
	Governmental Funds	Enterprise Funds	Total	Original Budget	Final Budget	
<b>Receipts</b>						
Property taxes	\$ 8,565,352	\$ -	\$ 8,565,352	\$ 8,945,150	\$ 8,946,402	\$ (381,050)
TIF revenues	1,793,026	-	1,793,026	1,821,327	1,821,327	(28,301)
Other city taxes	4,473,970	-	4,473,970	4,109,562	4,398,393	75,577
Use of money and property	295,575	7,779	303,354	297,675	298,275	5,079
Licenses and permits	395,389	172,740	568,129	668,275	582,125	(13,996)
Intergovernmental	6,505,632	679,294	7,184,926	6,404,019	8,335,682	(1,150,756)
Charges for service	876,642	4,976,293	5,852,935	5,445,434	5,583,490	269,445
Special assessments	79,432	-	79,432	77,133	480,808	(401,376)
Miscellaneous	1,490,971	286,866	1,777,837	2,304,895	2,245,357	(467,520)
Other financing sources	3,519,178	1,490	3,520,668	975,000	3,494,663	26,005
Total receipts	<u>27,995,167</u>	<u>6,124,462</u>	<u>34,119,629</u>	<u>31,048,470</u>	<u>36,186,522</u>	<u>(2,066,893)</u>
<b>Disbursements</b>						
Public safety	7,711,470	-	7,711,470	8,208,220	8,391,801	680,331
Public works	4,249,240	-	4,249,240	3,411,998	5,237,177	987,937
Health and social services	762,691	-	762,691	719,360	856,911	94,220
Culture and recreation	2,486,001	-	2,486,001	2,688,216	2,968,749	482,748
Community and economic development	2,317,996	-	2,317,996	2,261,315	3,093,553	775,557
General government	997,153	-	997,153	1,161,197	1,130,358	133,205
Debt service	6,915,054	-	6,915,054	2,824,413	7,069,231	154,177
Capital projects	4,731,066	-	4,731,066	6,198,445	6,496,328	1,765,262
Business-type activities	-	6,662,082	6,662,082	6,005,768	8,124,177	1,462,095
Total disbursements	<u>30,170,671</u>	<u>6,662,082</u>	<u>36,832,753</u>	<u>33,478,932</u>	<u>43,368,285</u>	<u>6,535,532</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(2,175,504)</u>	<u>(537,620)</u>	<u>(2,713,124)</u>	<u>(2,430,462)</u>	<u>(7,181,763)</u>	<u>4,468,639</u>
<b>Transfers</b>						
Transfers in	6,363,076	155,715	6,518,791	8,257,246	9,506,316	2,987,525
Transfers out	<u>(6,518,791)</u>	<u>-</u>	<u>(6,518,791)</u>	<u>(8,257,246)</u>	<u>(9,506,316)</u>	<u>(2,987,525)</u>
Total transfers	<u>(155,715)</u>	<u>155,715</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(2,331,219)	(381,905)	(2,713,124)	(2,430,462)	(7,181,763)	4,468,639
Fund balances, beginning	<u>12,975,780</u>	<u>5,639,656</u>	<u>18,615,436</u>	<u>13,892,709</u>	<u>18,615,436</u>	<u>-</u>
Fund balances, ending	<u>\$ 10,644,561</u>	<u>\$ 5,257,751</u>	<u>\$ 15,902,312</u>	<u>\$ 11,462,247</u>	<u>\$ 11,433,673</u>	<u>\$ 4,468,639</u>

**CITY OF MARSHALLTOWN, IOWA**  
**BUDGETARY COMPARISON SCHEDULE – BUDGET TO GAAP RECONCILIATION**  
**YEAR ENDED JUNE 30, 2009**

	Governmental Funds			Proprietary Funds Enterprise		
	Cash Basis	Accrual	Modified	Cash Basis	Accrual	Accrual Basis
		Adjustments	Accrual Basis		Adjustments	
Revenues	\$ 27,995,167	\$ (527,114)	\$ 27,468,053	\$ 6,124,462	\$ 607,933	\$ 6,732,395
Expenditures/expenses	<u>30,170,671</u>	<u>(582,435)</u>	<u>29,588,236</u>	<u>6,662,082</u>	<u>(1,349,475)</u>	<u>5,312,607</u>
Net	(2,175,504)	55,321	(2,120,183)	(537,620)	1,957,408	1,419,788
Transfers	(155,715)	(393)	(156,108)	155,715	393	156,108
Beginning fund balances/net assets	<u>12,975,780</u>	<u>447,227</u>	<u>13,423,007</u>	<u>5,639,656</u>	<u>28,931,786</u>	<u>34,571,442</u>
Ending fund balances/net assets	<u>\$ 10,644,561</u>	<u>\$ 502,155</u>	<u>\$ 11,146,716</u>	<u>\$ 5,257,751</u>	<u>\$ 30,889,587</u>	<u>\$ 36,147,338</u>

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –**  
**BUDGETARY REPORTING**  
**YEAR ENDED JUNE 30, 2009**

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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 on the cash basis 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 nine (9) major classes of disbursements known as functions, not by fund or fund type. These nine 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 Funds and Enterprise Funds. Although the budget document presents function disbursements by fund type, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment was prepared with the required public hearing. The amendment increased budgeted disbursements by \$9,889,353.

During the year ended June 30, 2009, no function disbursements exceeded the amount budgeted.

## **OTHER SUPPLEMENTARY INFORMATION**

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# NONMAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

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**E-911 Surcharge** – To account for activity associated with the 911 Communication Commission.

**Grant Fund** – To account for various state and federal grant activities.

**Special Contributions** – To reflect activities associated with donations and special contributions to various City departments.

**Other** – To account for other various revenues, seized assets, City tort liability, special assessments and economic development gift funding.

## CAPITAL PROJECTS FUNDS

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**Airport Projects** – To account for ongoing projects at the municipal airport.

## PERMANENT FUND

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**Campground Foundation** – A permanent fund for the improvement of Riverview Park Campground.

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

	<u>Special</u>	
	<u>E-911</u>	
	<u>Surcharge</u>	<u>Grant Fund</u>
Assets		
Cash and cash equivalents	\$ 384,282	\$ 107,477
Receivables		
Accounts and unbilled usage	-	-
Interest	1,203	913
Due from other funds	-	30,320
Due from other governments	59,128	57,678
Prepaid items	<u>22,643</u>	<u>1,108</u>
Total assets	<u>\$ 467,256</u>	<u>\$ 197,496</u>
Liabilities and fund balances		
Liabilities		
Accounts payable	\$ 1,281	\$ 33,962
Accrued payroll and payroll benefits	-	3,346
Retainage payable	-	-
Deferred revenue		
Other	-	36,463
Due to other funds	<u>-</u>	<u>-</u>
Total liabilities	<u>1,281</u>	<u>73,771</u>
Fund balances		
Reserved for		
Prepaid items	22,643	1,108
Endowments	-	-
Capital Projects	-	-
Unreserved	<u>443,332</u>	<u>122,617</u>
Total fund balances	<u>465,975</u>	<u>123,725</u>
Total liabilities and fund balances	<u>\$ 467,256</u>	<u>\$ 197,496</u>

<u>Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Special Contributions</u>	<u>Other</u>	<u>Airport Projects</u>	<u>Campground Foundation</u>	
\$ 139,515	\$ 185,189	\$ 34,870	\$ 2,739	\$ 854,072
-	-	-	-	-
-	274	-	-	2,390
-	-	-	-	30,320
-	-	4,378	-	121,184
<u>77</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,828</u>
<u>\$ 139,592</u>	<u>\$ 185,463</u>	<u>\$ 39,248</u>	<u>\$ 2,739</u>	<u>\$ 1,031,794</u>
\$ 5,814	\$ -	\$ 4,378	\$ -	\$ 45,435
112	-	-	-	3,458
-	-	-	-	-
-	-	4,378	-	40,841
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>5,926</u>	<u>-</u>	<u>8,756</u>	<u>-</u>	<u>89,734</u>
77	-	-	-	23,828
-	-	-	2,739	2,739
-	-	-	-	-
<u>133,589</u>	<u>185,463</u>	<u>30,492</u>	<u>-</u>	<u>915,493</u>
<u>133,666</u>	<u>185,463</u>	<u>30,492</u>	<u>2,739</u>	<u>942,060</u>
<u>\$ 139,592</u>	<u>\$ 185,463</u>	<u>\$ 39,248</u>	<u>\$ 2,739</u>	<u>\$ 1,031,794</u>

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2009**

	<u>Special</u>	
	E-911	
	<u>Surcharge</u>	<u>Grant Fund</u>
Revenues		
Other city taxes	\$ 234,078	\$ -
Use of money and property	7,784	985
Intergovernmental	22,909	396,651
Charges for service	-	-
Miscellaneous	-	30
	<u>264,771</u>	<u>397,666</u>
Total revenues		
Expenditures		
Current		
Public safety	223,107	170,752
Public works	-	-
Health and social services	-	67,558
Culture and recreation	-	13,971
General government	-	-
	<u>223,107</u>	<u>252,281</u>
Total expenditures		
Excess (deficiency) of revenues over (under) expenditures	<u>41,664</u>	<u>145,385</u>
Other financing sources (uses)		
Transfers in	-	47,436
	<u>-</u>	<u>47,436</u>
Total other financing sources (uses)		
Net change in fund balances	41,664	192,821
Fund balances (deficit) - beginning	<u>424,311</u>	<u>(69,096)</u>
Fund balances (deficit) - ending	<u>\$ 465,975</u>	<u>\$ 123,725</u>

<u>Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Special Contributions</u>	<u>Other</u>	<u>Airport Projects</u>	<u>Campground Foundation</u>	
\$ -	\$ -	\$ -	\$ -	\$ 234,078
961	3,544	-	46	13,320
-	-	58,275	-	477,835
41,864	-	-	-	41,864
<u>80,631</u>	<u>66,770</u>	<u>-</u>	<u>-</u>	<u>147,431</u>
<u>123,456</u>	<u>70,314</u>	<u>58,275</u>	<u>46</u>	<u>914,528</u>
22,364	54,564	-	-	470,787
-	6,500	35,296	-	41,796
-	-	-	-	67,558
102,400	5,412	-	-	121,783
<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
<u>124,764</u>	<u>69,476</u>	<u>35,296</u>	<u>-</u>	<u>704,924</u>
<u>(1,308)</u>	<u>838</u>	<u>22,979</u>	<u>46</u>	<u>209,604</u>
<u>60,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,436</u>
<u>60,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,436</u>
58,692	838	22,979	46	317,040
<u>74,974</u>	<u>184,625</u>	<u>7,513</u>	<u>2,693</u>	<u>625,020</u>
<u>\$ 133,666</u>	<u>\$ 185,463</u>	<u>\$ 30,492</u>	<u>\$ 2,739</u>	<u>\$ 942,060</u>

# NONMAJOR ENTERPRISE FUNDS

**Compost Facility** – To account for the operation and maintenance of the City’s facility for yard wastes. Services are supported primarily by user charges.

**Bus Transit** – To account for the City’s mass transit operations. Services are supported primarily from transit property taxes accounted for and transferred from the General Fund, intergovernmental revenues, and user charges.

**Recreation Concessions** – To account for the concessions activity of the municipal swimming pool and coliseum. Services are supported by user fees.

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**JUNE 30, 2009**

	Compost Facility	Bus Transit	Recreation Concessions	Total Nonmajor Enterprise Funds
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 5,350	\$ 366,112	\$ 40,189	\$ 411,651
Receivables				
Accounts and unbilled usage	303	1,991	-	2,294
Interest	-	941	-	941
Due from other funds	-	2,610	-	2,610
Due from other governments	-	5,039	-	5,039
Inventories	4,218	-	-	4,218
Prepaid items	183	12,368	214	12,765
Total current assets	<u>10,054</u>	<u>389,061</u>	<u>40,403</u>	<u>439,518</u>
Noncurrent assets				
Capital assets				
Land	10,437	-	-	10,437
Land improvements	235,361	7,735	-	243,096
Buildings and structures	26,919	677,129	-	704,048
Equipment and vehicles	99,931	994,074	-	1,094,005
Accumulated depreciation	(226,912)	(588,689)	-	(815,601)
Total noncurrent assets	<u>145,736</u>	<u>1,090,249</u>	<u>-</u>	<u>1,235,985</u>
Total assets	<u>155,790</u>	<u>1,479,310</u>	<u>40,403</u>	<u>1,675,503</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	61	2,964	3,497	6,522
Accrued payroll and payroll benefits	496	9,395	2,136	12,027
Compensated absences	-	1,960	-	1,960
Total current liabilities	<u>557</u>	<u>14,319</u>	<u>5,633</u>	<u>20,509</u>
Noncurrent liabilities				
Compensated absences	-	15,041	-	15,041
Net OPEB liability	-	5,684	-	5,684
Total noncurrent liabilities	<u>-</u>	<u>20,725</u>	<u>-</u>	<u>20,725</u>
Total liabilities	<u>557</u>	<u>35,044</u>	<u>5,633</u>	<u>41,234</u>
<b>Net assets</b>				
Invested in capital assets	145,736	1,090,249	-	1,235,985
Unrestricted	9,497	354,017	34,770	398,284
Total net assets	<u>\$ 155,233</u>	<u>\$ 1,444,266</u>	<u>\$ 34,770</u>	<u>\$ 1,634,269</u>

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET**  
**ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**YEAR ENDED JUNE 30, 2009**

	<u>Compost Facility</u>	<u>Bus Transit</u>	<u>Recreation Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues				
Charges for service	\$ 33,404	\$ 115,486	\$ 59,669	\$ 208,559
Operating expenses				
Salaries and benefits	14,650	348,185	19,910	382,745
Services and supplies	18,432	152,220	87,767	258,419
Depreciation	12,740	69,260	-	82,000
Total operating expenses	45,822	569,665	107,677	723,164
Operating income (loss)	(12,418)	(454,179)	(48,008)	(514,605)
Nonoperating revenues (expenses)				
Federal and state grants	-	492,330	-	492,330
Interest income	7	5,691	1,364	7,062
Net nonoperating revenues	7	498,021	1,364	499,392
Income (loss) before capital contributions and transfers	(12,411)	43,842	(46,644)	(15,213)
Transfers in	-	156,108	-	156,108
Change in net assets	(12,411)	199,950	(46,644)	140,895
Total net assets - beginning	167,644	1,244,316	81,414	1,493,374
Total net assets - ending	\$ 155,233	\$ 1,444,266	\$ 34,770	\$ 1,634,269

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**YEAR ENDED JUNE 30, 2009**

	<u>Compost Facility</u>	<u>Bus Transit</u>	<u>Recreation Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
Cash flows from operating activities				
Cash received from customers	\$ 34,997	\$ 115,836	\$ 59,669	\$ 210,502
Cash payments to suppliers for goods and services	(22,168)	(126,166)	(90,543)	(238,877)
Cash payments to employees for services	<u>(14,903)</u>	<u>(338,488)</u>	<u>(19,871)</u>	<u>(373,262)</u>
Net cash used by operating activities	<u>(2,074)</u>	<u>(348,818)</u>	<u>(50,745)</u>	<u>(401,637)</u>
Cash flows from noncapital financing activities				
Transfers from other funds	-	156,108	-	156,108
Grants received	-	492,330	-	492,330
Increase in due from other funds	<u>-</u>	<u>(394)</u>	<u>-</u>	<u>(394)</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>648,044</u>	<u>-</u>	<u>648,044</u>
Cash flows from capital and related financing activities				
Acquisition and construction of property and equipment	<u>-</u>	<u>(297,346)</u>	<u>-</u>	<u>(297,346)</u>
Cash flows from investing activities				
Interest received on investment securities	<u>7</u>	<u>6,662</u>	<u>1,556</u>	<u>8,225</u>
Net increase (decrease) in cash and cash equivalents	(2,067)	8,542	(49,189)	(42,714)
Cash and cash equivalents, beginning	<u>7,417</u>	<u>357,570</u>	<u>89,378</u>	<u>454,365</u>
Cash and cash equivalents, ending	<u>\$ 5,350</u>	<u>\$ 366,112</u>	<u>\$ 40,189</u>	<u>\$ 411,651</u>

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS (continued)**  
**NONMAJOR ENTERPRISE FUNDS**  
**YEAR ENDED JUNE 30, 2009**

	<u>Compost Facility</u>	<u>Bus Transit</u>	<u>Recreation Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
Reconciliation of operating loss to net cash used by operating activities				
Operating loss	\$ (12,418)	\$ (454,179)	\$ (48,008)	\$ (514,605)
Adjustments to reconcile operating loss to net cash used by operating activities				
Depreciation	12,740	69,260	-	82,000
Changes in assets and liabilities				
Decrease in receivables	1,593	32,670	-	34,263
Increase in inventories and prepaid items	(175)	(2,468)	(58)	(2,701)
Decrease in accounts payable	(3,561)	(3,798)	(2,718)	(10,077)
Increase (decrease) in accrued liabilities	(253)	4,013	39	3,799
Increase in net OPEB liability	-	5,684	-	5,684
Total adjustments	<u>10,344</u>	<u>105,361</u>	<u>(2,737)</u>	<u>112,968</u>
Net cash used by operating activities	<u>\$ (2,074)</u>	<u>\$ (348,818)</u>	<u>\$ (50,745)</u>	<u>\$ (401,637)</u>

# INTERNAL SERVICE FUNDS

**Group Insurance Benefits** – To account for employee health insurance premiums and claim payments.

**Occupational Insurance Benefits** – To account for medical claims associated with work related injuries and disabled policemen and firemen.

**Flexible Benefits** – To account for the employee flexible benefit plan resources and claims.

**Workmen's Compensation Deductible** – To account for workmen's compensation deductible insurance claims.

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2009**

	Group Insurance Benefits	Occupational Insurance Benefits	Flexible Benefits	Workmen's Compensation Deductible	Total
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 1,480,747	\$ 551,181	\$ -	\$ 40,215	\$ 2,072,143
Receivables					
Accounts	56,724	-	-	-	56,724
Interest	2,153	2,599	-	365	5,117
Due from other funds	4,772	-	-	-	4,772
Due from other governments	-	-	-	-	-
Prepaid items	20,051	295	-	-	20,346
	<u>1,564,447</u>	<u>554,075</u>	<u>-</u>	<u>40,580</u>	<u>2,159,102</u>
Total current assets					
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable	402,985	8,556	-	-	411,541
Unearned revenue	142,063	-	-	-	142,063
Due to other funds	-	-	4,772	-	4,772
	<u>545,048</u>	<u>8,556</u>	<u>4,772</u>	<u>-</u>	<u>558,376</u>
Total current liabilities					
Total net assets (deficit) - unrestricted	<u>\$ 1,019,399</u>	<u>\$ 545,519</u>	<u>\$ (4,772)</u>	<u>\$ 40,580</u>	<u>\$ 1,600,726</u>

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2009**

	Group Insurance Benefits	Occupational Insurance Benefits	Flexible Benefits	Workmen's Compensation Deductible	Total
Operating revenues					
Charges for service	\$ 1,920,623	\$ 66,780	\$ 70,144	\$ -	\$ 2,057,547
Miscellaneous	<u>370,729</u>	<u>102</u>	<u>-</u>	<u>-</u>	<u>370,831</u>
Total operating revenues	<u>2,291,352</u>	<u>66,882</u>	<u>70,144</u>	<u>-</u>	<u>2,428,378</u>
Operating expenses					
Services and supplies	10,366	-	-	-	10,366
Claims paid	1,611,478	161,892	71,549	2,084	1,847,003
Health insurance premiums	214,462	657	-	-	215,119
Miscellaneous	<u>107,942</u>	<u>2,236</u>	<u>-</u>	<u>-</u>	<u>110,178</u>
Total operating expenses	<u>1,944,248</u>	<u>164,785</u>	<u>71,549</u>	<u>2,084</u>	<u>2,182,666</u>
Operating income (loss)	347,104	(97,903)	(1,405)	(2,084)	245,712
Nonoperating revenues					
Interest income	<u>31,682</u>	<u>14,687</u>	<u>-</u>	<u>2,588</u>	<u>48,957</u>
Change in net assets	378,786	(83,216)	(1,405)	504	294,669
Total net assets (deficit) - beginning	<u>640,613</u>	<u>628,735</u>	<u>(3,367)</u>	<u>40,076</u>	<u>1,306,057</u>
Total net assets (deficit) - ending	<u>\$ 1,019,399</u>	<u>\$ 545,519</u>	<u>\$ (4,772)</u>	<u>\$ 40,580</u>	<u>\$ 1,600,726</u>

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2009**

	Group Insurance Benefits	Occupational Insurance Benefits	Flexible Benefits	Workmen's Compensation Deductible	Total
Cash flows from operating activities					
Cash received from customers	\$ 1,866,822	\$ 66,780	\$ 70,144	\$ -	\$ 2,003,746
Cash payments to suppliers for goods and services	(1,894,501)	(157,171)	(71,549)	(2,157)	(2,125,378)
Other operating revenue	370,729	102	-	-	370,831
Net cash provided (used) by operating activities	<u>343,050</u>	<u>(90,289)</u>	<u>(1,405)</u>	<u>(2,157)</u>	<u>249,199</u>
Cash flows from noncapital financing activities					
Increase in due from other funds	(1,405)	-	-	-	(1,405)
Increase in due to other funds	-	-	1,405	-	1,405
Net cash provided (used) by noncapital financing activities	<u>(1,405)</u>	<u>-</u>	<u>1,405</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities					
Interest received on investment securities	<u>33,255</u>	<u>13,487</u>	<u>-</u>	<u>2,223</u>	<u>48,965</u>
Net increase (decrease) in cash and cash equivalents	374,900	(76,802)	-	66	298,164
Cash and cash equivalents, beginning	<u>1,105,847</u>	<u>627,983</u>	<u>-</u>	<u>40,149</u>	<u>1,773,979</u>
Cash and cash equivalents, ending	<u>\$ 1,480,747</u>	<u>\$ 551,181</u>	<u>\$ -</u>	<u>\$ 40,215</u>	<u>\$ 2,072,143</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 347,104	\$ (97,903)	\$ (1,405)	\$ (2,084)	\$ 245,712
Changes in assets and liabilities					
(Increase) in receivables	(56,724)	-	-	-	(56,724)
Decrease (increase) in prepaid items	115	(281)	-	-	(166)
Increase (decrease) in accounts payable	49,042	7,895	-	(73)	56,864
Increase in unearned revenue	2,923	-	-	-	2,923
Increase in due to other governments	590	-	-	-	590
Total	<u>(4,054)</u>	<u>7,614</u>	<u>-</u>	<u>(73)</u>	<u>3,487</u>
Net cash provided (used) by operating activities	<u>\$ 343,050</u>	<u>\$ (90,289)</u>	<u>\$ (1,405)</u>	<u>\$ (2,157)</u>	<u>\$ 249,199</u>

# FIDUCIARY FUNDS

Agency funds are used to account for funds where the City acts as custodian. Agency funds are:

**Payroll Fund** – For the internal accounting of payroll and associated liability payments.

**Friends of the Library** – To account for investments for the Friends of the Library.

**Sleuth User Group** – To account for membership fees and operations for public safety user group.

**Surety Bonds/Deposits** – To account for developer's deposits for construction inspections required by the City.

**Other** – To account for other miscellaneous activities associated with City agencies.

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2009**

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
<b>PAYROLL FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 230,065	\$ 31,103,341	\$ 31,110,559	\$ 222,847
<b>LIABILITIES</b>				
Accrued payroll and payroll benefits	\$ 230,065	\$ 31,103,341	\$ 31,110,559	\$ 222,847
<b>FRIENDS OF THE LIBRARY</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 140,537	\$ 972,911	\$ 1,078,464	\$ 34,984
Accrued interest	18,938	-	18,938	-
Total assets	\$ 159,475	\$ 972,911	\$ 1,097,402	\$ 34,984
<b>LIABILITIES</b>				
Due to Friends of the Library	\$ 159,475	\$ 972,911	\$ 1,097,402	\$ 34,984
<b>SLEUTH USER GROUP</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 15,987	\$ 137	\$ 1,984	\$ 14,140
<b>LIABILITIES</b>				
Due to Sleuth User Group	\$ 15,987	\$ 137	\$ 1,984	\$ 14,140
<b>SURETY BONDS/DEPOSITS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	-	86,483	86,483	\$ -
Accounts and unbilled usage	-	18,000	-	18,000
Accrued interest	-	34	-	34
Total assets	\$ -	\$ 104,517	\$ 86,483	\$ 18,034
<b>LIABILITIES</b>				
Due to City	-	6,083	-	\$ 6,083
Due to developer	-	98,434	86,483	11,951
Total liabilities	\$ -	\$ 104,517	\$ 86,483	\$ 18,034

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2009**

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
<b>OTHER</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,634	\$ 11,410	\$ 13,920	\$ 1,124
<b>LIABILITIES</b>				
Due to other governments	\$ 3,634	\$ 11,410	\$ 13,920	\$ 1,124
	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
<b>ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 390,223	\$ 32,174,282	\$ 32,291,410	\$ 273,095
Accounts and unbilled usage	-	18,000	-	18,000
Accrued interest	18,938	34	18,938	34
Total assets	<u>\$ 409,161</u>	<u>\$ 32,192,316</u>	<u>\$ 32,310,348</u>	<u>\$ 291,129</u>
<b>LIABILITIES</b>				
Accrued payroll and payroll benefits	\$ 230,065	\$ 31,103,341	\$ 31,110,559	\$ 222,847
Due to Friends of the Library	159,475	972,911	1,097,402	34,984
Due to Sleuth User Group	15,987	137	1,984	14,140
Due to City	-	6,083	-	6,083
Due to developer	-	98,434	86,483	11,951
Due to other governments	3,634	11,410	13,920	1,124
Total liabilities	<u>\$ 409,161</u>	<u>\$ 32,192,316</u>	<u>\$ 32,310,348</u>	<u>\$ 291,129</u>

## **LONG-TERM DEBT**

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**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF BOND MATURITIES**  
**JUNE 30, 2009**

Issue	Year Ending June 30	Interest Rates	Interest	Principal
<b>Governmental Activities</b>				
<b>General Obligation</b>				
Equipment loan note, issued February 1, 2005	2010	0.00%	-	13,840
	2011	0.00%	-	13,841
	2012	0.00%	-	13,840
	2013	0.00%	-	13,841
	2014	0.00%	-	13,840
	2015	0.00%	-	13,841
			<u>-</u>	<u>83,043</u>
2005B Essential corporate purpose refunding bonds, issued April 1, 2005	2010	3.35%	21,300	100,000
	2011	3.50%	17,950	200,000
	2012	3.65%	10,950	300,000
			<u>50,200</u>	<u>600,000</u>
2006A Capital loan notes, issued June 1, 2006	2010	4.25%	44,484	160,000
	2011	4.30%	37,684	165,000
	2012	4.35%	30,460	175,000
	2013	4.38%	22,739	180,000
	2014	4.38%	14,766	190,000
	2015	4.38%	6,454	195,000
			<u>156,587</u>	<u>1,065,000</u>
2008A Essential corporate purpose refunding bonds, issued April 1, 2008	2010	3.50%	314,650	1,085,000
	2011	3.50%	276,675	1,000,000
	2012	3.50%	241,675	1,155,000
	2013	3.50%	201,250	1,150,000
	2014	3.50%	161,000	1,200,000
	2015	3.50%	119,000	1,150,000
	2016	3.50%	78,750	1,150,000
	2017	3.50%	38,500	1,100,000
			<u>1,431,500</u>	<u>8,990,000</u>

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF BOND MATURITIES (continued)**  
**JUNE 30, 2009**

Issue	Year Ending June 30	Interest Rates	Interest	Principal
<b>Governmental Activities (continued)</b>				
<b>General Obligation (continued)</b>				
2008B Essential corporate purpose, issued April 1, 2008	2010	3.50%	\$ 174,875	\$ 335,000
	2011	3.50%	163,150	335,000
	2012	3.50%	151,425	335,000
	2013	3.50%	139,700	335,000
	2014	3.50%	127,975	335,000
	2015	3.50%	116,250	335,000
	2016	3.50%	104,525	335,000
	2017	4.00%	92,800	335,000
	2018	4.00%	79,400	335,000
	2019	4.00%	66,000	335,000
	2020	4.00%	52,600	335,000
	2021	4.00%	39,200	335,000
	2022	4.00%	25,800	335,000
	2023	4.00%	12,400	310,000
			1,346,100	4,665,000
2008C Essential corporate purpose refunding bonds, issued April 1, 2008	2010	3.50%	18,900	315,000
	2011	3.50%	7,875	225,000
			26,775	540,000
2009A Essential corporate purpose refunding bonds, issued May, 2009	2010	1.75%	76,456	435,000
	2011	1.90%	67,765	445,000
	2012	2.10%	61,090	420,000
	2013	2.60%	53,740	575,000
	2014	3.00%	42,240	315,000
	2015	3.15%	35,310	325,000
	2016	3.30%	27,510	335,000
	2017	3.65%	18,800	350,000
	2018	3.90%	9,000	300,000
			391,911	3,500,000
Total general obligation	2010		\$ 650,665	\$ 2,443,840
	2011		571,099	2,383,841
	2012		495,600	2,398,840
	2013		417,429	2,253,841
	2014		345,981	2,053,840
	2015		277,014	2,018,841
	2016		210,785	1,820,000
	2017		150,100	1,785,000
	2018		88,400	635,000
	2019		66,000	335,000
	2020		52,600	335,000
	2021		39,200	335,000
	2022		25,800	335,000
	2023		12,400	310,000
			\$ 3,403,073	\$ 19,443,043

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF BOND MATURITIES (continued)**  
**JUNE 30, 2009**

Issue	Year Ending June 30	Interest Rates	Interest	Principal
<b>Enterprise Funds</b>				
Water Pollution Control, capital loan notes, issued				
May 15, 2003	2010	3.00%	\$ 111,750	\$ 325,000
	2011	3.00%	102,000	335,000
	2012	3.00%	91,950	345,000
	2013	3.00%	81,600	355,000
	2014	3.00%	70,950	366,000
	2015	3.00%	59,970	377,000
	2016	3.00%	48,660	388,000
	2017	3.00%	37,020	399,000
	2018	3.00%	25,050	411,000
	2019	3.00%	12,720	424,000
			641,670	3,725,000
Water Pollution Control, refunding bonds, issued				
April 1, 2005	2010	3.55%	47,523	260,000
	2011	3.55%	38,293	260,000
	2012	3.65%	29,063	260,000
	2013	3.75%	19,573	255,000
	2014	3.85%	10,010	260,000
			144,462	1,295,000
Total enterprise funds				
	2010		\$ 159,273	\$ 585,000
	2011		140,293	595,000
	2012		121,013	605,000
	2013		101,173	610,000
	2014		80,960	626,000
	2015		59,970	377,000
	2016		48,660	388,000
	2017		37,020	399,000
	2018		25,050	411,000
	2019		12,720	424,000
			\$ 786,132	\$ 5,020,000

**STATISTICAL SECTION (UNAUDITED)**

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# CITY OF MARSHALLTOWN, IOWA

## STATISTICAL SECTION

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This part of the City's statistical comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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#### **Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

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#### **Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

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#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

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#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

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#### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

**CITY OF MARSHALLTOWN, IOWA**  
**NET ASSETS BY COMPONENT**  
**LAST SEVEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)**

	<b>Fiscal Year</b>				
	2009	2008	2007	2006	2005
Governmental activities					
Invested in capital assets, net of related debt	\$23,043,549	\$19,020,002	\$14,837,533	\$10,902,193	\$ 9,538,473
Restricted	4,092,324	3,466,011	3,093,281	2,465,406	1,401,272
Unrestricted	<u>7,751,144</u>	<u>8,744,229</u>	<u>9,609,800</u>	<u>8,572,318</u>	<u>8,412,821</u>
Total governmental activities net assets	<u>\$34,887,017</u>	<u>\$31,230,242</u>	<u>\$27,540,614</u>	<u>\$21,939,917</u>	<u>\$19,352,566</u>
Business-type activities					
Invested in capital assets, net of related debt	\$29,462,000	\$28,057,883	\$27,975,107	\$28,081,324	\$28,091,451
Restricted	948,423	949,146	949,930	1,382,713	1,285,042
Unrestricted	<u>5,736,915</u>	<u>5,564,413</u>	<u>4,708,652</u>	<u>3,531,327</u>	<u>3,462,591</u>
Total business-type activities net assets	<u>\$36,147,338</u>	<u>\$34,571,442</u>	<u>\$33,633,689</u>	<u>\$32,995,364</u>	<u>\$32,839,084</u>
Primary Government					
Invested in capital assets, net of related debt	\$52,505,549	\$47,077,885	\$42,812,640	\$38,983,517	\$37,629,924
Restricted	5,040,747	4,415,157	4,043,211	3,848,119	2,686,314
Unrestricted	<u>13,488,059</u>	<u>14,308,642</u>	<u>14,318,452</u>	<u>12,103,645</u>	<u>11,875,412</u>
Total primary government net assets	<u>\$71,034,355</u>	<u>\$65,801,684</u>	<u>\$61,174,303</u>	<u>\$54,935,281</u>	<u>\$52,191,650</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

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<u>2004</u>	<u>2003</u>
\$ 7,585,973	\$14,182,084
976,110	2,408,818
<u>8,036,183</u>	<u>7,318,392</u>
<u>\$16,598,266</u>	<u>\$23,909,294</u>

\$27,579,870	\$18,870,233
1,424,373	1,625,224
<u>2,862,230</u>	<u>2,811,086</u>
<u>\$31,866,473</u>	<u>\$23,306,543</u>

\$35,165,843	\$33,052,317
2,400,483	4,034,042
<u>10,898,413</u>	<u>10,129,478</u>
<u>\$48,464,739</u>	<u>\$47,215,837</u>

**CITY OF MARSHALLTOWN, IOWA**  
**CHANGES IN NET ASSETS**  
**LAST SEVEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)**

	<b>Fiscal Year</b>				
	2009	2008	2007	2006	2005
<b>Expenses</b>					
Governmental activities:					
Public safety	\$ 7,633,307	\$ 7,542,266	\$ 7,221,486	\$ 7,343,575	\$ 6,718,838
Public works	4,783,710	5,083,392	4,002,011	3,938,080	4,975,532
Health and social services	710,361	1,273,679	1,404,277	1,361,077	1,336,175
Culture and recreation	2,744,793	2,900,972	2,477,842	2,893,559	2,356,111
Community and economic development	2,369,887	1,795,613	1,992,572	1,694,889	1,743,784
General government	1,073,832	1,120,708	1,271,344	1,028,482	975,510
Interest on long term debt	846,296	841,587	910,061	921,460	1,037,688
Total governmental activities expenses	<u>20,162,186</u>	<u>20,558,217</u>	<u>19,279,593</u>	<u>19,181,122</u>	<u>19,143,638</u>
Business-type activities:					
Water pollution control	4,104,671	4,127,563	3,935,556	4,096,849	4,153,055
Storm sewer	484,772	516,213	451,013	423,426	472,913
Compost	45,822	89,164	37,472	44,066	47,634
Transit	569,665	562,279	501,321	438,430	419,640
Concessions	107,677	59,936	53,291	54,725	44,416
Total business-type activities expenses	<u>5,312,607</u>	<u>5,355,155</u>	<u>4,978,653</u>	<u>5,057,496</u>	<u>5,137,658</u>
Total primary government expenses	<u>\$ 25,474,793</u>	<u>\$ 25,913,372</u>	<u>\$ 24,258,246</u>	<u>\$ 24,238,618</u>	<u>\$ 24,281,296</u>
<b>Program Revenues</b>					
Governmental activities					
Charges for service:					
Public safety	\$ 79,976	\$ 186,932	\$ 550,576	\$ 104,082	\$ 257,712
Public works	720,300	446,564	663,753	636,645	401,644
Health and social services	41,585	66,515	68,541	-	-
Culture and recreation	436,038	469,169	488,282	687,079	632,892
Community and economic development	287,548	312,835	184,928	230,674	307,867
Other activities	153,242	159,155	83,055	171,517	122,900
Operating grants and contributions	4,952,094	6,006,627	5,739,079	5,440,505	5,265,563
Capital grants and contributions	1,766,302	1,570,148	2,898,828	1,461,418	971,519
Total governmental activities program revenues	<u>8,437,085</u>	<u>9,217,945</u>	<u>10,677,042</u>	<u>8,731,920</u>	<u>7,960,097</u>
Business-type activities					
Charges for service:					
Water pollution control	4,921,428	4,915,786	4,051,010	3,657,366	3,649,510
Storm sewer	279,142	303,621	334,058	327,807	306,892
Compost	33,404	26,155	22,405	26,627	35,620
Transit	115,486	129,841	85,433	118,473	123,760
Concessions	59,669	61,986	61,732	67,014	59,149
Operating grants and contributions	572,393	290,701	253,130	453,792	273,126
Capital grants and contributions	611,649	165,849	239,065	227,315	1,276,587
Total business-type activities program revenues	<u>6,593,171</u>	<u>5,893,939</u>	<u>5,046,833</u>	<u>4,878,394</u>	<u>5,724,644</u>
Total primary government program revenues	<u>\$ 15,030,256</u>	<u>\$ 15,111,884</u>	<u>\$ 15,723,875</u>	<u>\$ 13,610,314</u>	<u>\$ 13,684,741</u>

(continued)

2004	2003
\$ 7,334,477	\$ 6,704,841
4,132,829	4,067,481
783,075	455,506
2,669,207	2,462,897
2,495,685	1,744,724
1,038,353	1,083,663
984,214	1,137,323
<u>19,437,840</u>	<u>17,656,435</u>
3,677,871	3,563,400
408,532	-
35,357	40,971
492,115	531,734
58,824	14,900
<u>4,672,699</u>	<u>4,151,005</u>
<u>\$ 24,110,539</u>	<u>\$ 21,807,440</u>
\$ 172,460	\$ 104,795
643,004	483,067
-	-
651,286	350,488
272,422	301,441
112,633	163,010
5,510,052	4,887,463
517,296	697,162
<u>7,879,153</u>	<u>6,987,426</u>
3,593,272	3,613,023
274,397	-
41,526	43,914
136,637	102,802
71,121	25,764
198,530	185,399
472,261	473,479
<u>4,787,744</u>	<u>4,444,381</u>
<u>\$ 12,666,897</u>	<u>\$ 11,431,807</u>

**CITY OF MARSHALLTOWN, IOWA**  
**CHANGES IN NET ASSETS (continued)**  
**LAST SEVEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)**

	<b>Fiscal Year</b>				
	2009	2008	2007	2006	2005
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (11,725,101)	\$ (11,340,272)	\$ (8,602,551)	\$ (10,449,202)	\$ (11,183,541)
Business-type activities	<u>1,280,564</u>	<u>538,784</u>	<u>68,180</u>	<u>(179,102)</u>	<u>586,986</u>
Total primary government net expense	<u>\$ (10,444,537)</u>	<u>\$ (10,801,488)</u>	<u>\$ (8,534,371)</u>	<u>\$ (10,628,304)</u>	<u>\$ (10,596,555)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property	\$ 8,617,322	\$ 7,821,311	\$ 7,523,858	\$ 7,006,898	\$ 6,660,061
Other	5,787,467	5,735,724	5,697,114	4,928,051	5,891,242
Unrestricted					
State generated revenues	339,243	368,341	343,333	383,643	401,992
Investment earnings	325,699	602,711	655,348	477,315	288,581
Miscellaneous revenues	468,253	653,069	297,817	385,881	726,918
Transfers	<u>(156,108)</u>	<u>(151,256)</u>	<u>(314,222)</u>	<u>(145,235)</u>	<u>(120,380)</u>
Total governmental activities	<u>15,381,876</u>	<u>15,029,900</u>	<u>14,203,248</u>	<u>13,036,553</u>	<u>13,848,414</u>
Business-type activities:					
Investment earnings	139,224	245,262	255,923	190,147	113,190
Miscellaneous revenues	-	2,151	-	-	-
Transfers	<u>156,108</u>	<u>151,256</u>	<u>314,222</u>	<u>145,235</u>	<u>120,380</u>
Total business-type activities	<u>295,332</u>	<u>398,669</u>	<u>570,145</u>	<u>335,382</u>	<u>233,570</u>
Total primary government	<u>\$ 15,677,208</u>	<u>\$ 15,428,569</u>	<u>\$ 14,773,393</u>	<u>\$ 13,371,935</u>	<u>\$ 14,081,984</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ 3,656,775	\$ 3,689,628	\$ 5,600,697	\$ 2,587,351	\$ 2,664,873
Business-type activities	<u>1,575,896</u>	<u>937,453</u>	<u>638,325</u>	<u>156,280</u>	<u>820,556</u>
Total primary government	<u>\$ 5,232,671</u>	<u>\$ 4,627,081</u>	<u>\$ 6,239,022</u>	<u>\$ 2,743,631</u>	<u>\$ 3,485,429</u>

Note:

A storm sewer enterprise fund was established in fiscal year ended June 30, 2004. Prior to this time, expenditures were reflected in the governmental activities under public works. The capital assets of the storm sewer division were reflected as a transfer to the enterprise fund from the governmental activities.

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2004	2003
\$ (11,558,687)	\$ (10,669,009)
<u>115,045</u>	<u>293,376</u>
<u>\$ (11,443,642)</u>	<u>\$ (10,375,633)</u>

\$ 6,413,043	\$ 6,179,720
5,067,338	5,335,391
415,760	925,838
167,696	217,902
540,411	624,720
<u>(8,356,589)</u>	<u>(101,045)</u>
<u>4,247,659</u>	<u>13,182,526</u>
88,296	142,525
-	-
<u>8,356,589</u>	<u>101,045</u>
<u>8,444,885</u>	<u>243,570</u>
<u>\$ 12,692,544</u>	<u>\$ 13,426,096</u>

\$ (7,311,028)	\$ 2,513,517
<u>8,559,930</u>	<u>536,946</u>
<u>\$ 1,248,902</u>	<u>\$ 3,050,463</u>

**CITY OF MARSHALLTOWN, IOWA**  
**PROGRAM REVENUES BY FUNCTION/PROGRAM**  
**LAST SEVEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)**

<b>Function/Program</b>	<b>Program Revenues by Fiscal Year</b>				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Governmental activities</b>					
Public safety	\$ 854,028	\$ 969,752	\$ 1,198,228	\$ 764,806	\$ 846,528
Public works	3,260,842	3,342,003	4,322,473	4,009,030	2,868,644
Health and social services	321,478	975,487	1,021,964	1,088,238	841,310
Culture and recreation	2,010,582	1,862,073	2,068,851	949,630	1,433,444
Community and economic development	1,836,913	1,909,475	1,982,471	1,823,109	1,868,320
General government	<u>153,242</u>	<u>159,155</u>	<u>83,055</u>	<u>97,107</u>	<u>101,851</u>
Total governmental activities	<u>\$ 8,437,085</u>	<u>\$ 9,217,945</u>	<u>\$ 10,677,042</u>	<u>\$ 8,731,920</u>	<u>\$ 7,960,097</u>
<b>Business-type activities</b>					
Water pollution control	\$ 5,426,868	\$ 4,915,859	\$ 4,196,643	\$ 3,689,112	\$ 4,066,813
Storm sewer	465,414	427,640	417,245	523,472	1,225,894
Compost	33,404	59,235	22,405	26,627	35,620
Transit	607,816	429,219	348,808	572,169	337,168
Concessions	<u>59,669</u>	<u>61,986</u>	<u>61,732</u>	<u>67,014</u>	<u>59,149</u>
Total business-type activities	<u>\$ 6,593,171</u>	<u>\$ 5,893,939</u>	<u>\$ 5,046,833</u>	<u>\$ 4,878,394</u>	<u>\$ 5,724,644</u>

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<u>2004</u>	<u>2003</u>
\$ 795,550	\$ 615,517
3,374,676	3,249,541
513,723	152,900
1,180,190	943,008
1,914,974	1,866,125
<u>100,040</u>	<u>160,335</u>
<u>\$ 7,879,153</u>	<u>\$ 6,987,426</u>

\$ 3,640,858	\$ 3,734,990
378,956	-
41,526	43,914
655,283	639,713
<u>71,121</u>	<u>25,764</u>
<u>\$ 4,787,744</u>	<u>\$ 4,444,381</u>

**CITY OF MARSHALLTOWN, IOWA**  
**FUND BALANCES – GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General Fund										
Reserved	\$ 266,493	\$ 254,813	\$ 260,504	\$ 254,337	\$ 270,400	\$ 317,580	\$ 325,475	\$ 284,565	\$ 256,815	\$ 215,382
Unreserved	<u>3,778,280</u>	<u>3,719,837</u>	<u>3,201,762</u>	<u>2,781,078</u>	<u>2,577,724</u>	<u>2,307,482</u>	<u>2,230,910</u>	<u>2,115,730</u>	<u>1,829,731</u>	<u>2,651,797</u>
Total general fund	<u>4,044,773</u>	<u>3,974,650</u>	<u>3,462,266</u>	<u>3,035,415</u>	<u>2,848,124</u>	<u>2,625,062</u>	<u>2,556,385</u>	<u>2,400,295</u>	<u>2,086,546</u>	<u>2,867,179</u>
All Other Governmental Funds										
Reserved	5,280,068	7,071,466	3,117,481	2,517,279	1,477,447	1,055,046	2,492,954	679,169	711,030	743,169
Unreserved reported in:										
Special revenue funds	1,692,822	2,376,891	3,256,828	2,923,224	3,371,161	4,580,157	4,327,815	4,379,485	4,390,771	4,192,641
Capital projects funds	<u>129,053</u>	<u>-</u>	<u>1,935,500</u>	<u>1,838,524</u>	<u>1,961,127</u>	<u>1,255,549</u>	<u>1,287,332</u>	<u>6,733,517</u>	<u>1,659,095</u>	<u>2,469,731</u>
Total all other governmental funds	<u>7,101,943</u>	<u>9,448,357</u>	<u>8,309,809</u>	<u>7,279,027</u>	<u>6,809,735</u>	<u>6,890,752</u>	<u>8,108,101</u>	<u>11,792,171</u>	<u>6,760,896</u>	<u>7,405,541</u>
Total fund balances of governmental funds	<u>\$ 11,146,716</u>	<u>\$ 13,423,007</u>	<u>\$ 11,772,075</u>	<u>\$ 10,314,442</u>	<u>\$ 9,657,859</u>	<u>\$ 9,515,814</u>	<u>\$ 10,664,486</u>	<u>\$ 14,192,466</u>	<u>\$ 8,847,442</u>	<u>\$ 10,272,720</u>

**CITY OF MARSHALLTOWN, IOWA**  
**CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**LAST SEVEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	<b>Fiscal Year Ended June 30,</b>				
	2009	2008	2007	2006	2005
<b>Revenues</b>					
Taxes	\$ 14,855,452	\$ 14,053,501	\$ 13,698,670	\$ 12,373,299	\$ 12,974,773
Use of money and property	343,980	617,026	688,991	508,604	342,424
Licenses and permits	294,196	365,034	303,126	289,329	341,082
Intergovernmental	6,031,273	7,587,326	6,106,617	6,744,295	6,089,537
Charges for service	820,780	874,706	909,103	863,341	892,894
Special assessments	83,043	28,083	206,510	210,278	317
Miscellaneous	<u>1,525,314</u>	<u>1,157,194</u>	<u>1,760,370</u>	<u>519,519</u>	<u>656,367</u>
Total revenues	<u>23,954,038</u>	<u>24,682,870</u>	<u>23,673,387</u>	<u>21,508,665</u>	<u>21,297,394</u>
<b>Expenditures</b>					
Public safety	7,143,869	7,588,682	7,165,536	6,898,394	6,568,961
Public works	3,498,289	3,913,315	2,922,597	2,438,572	3,706,520
Health and social services	718,526	1,284,767	1,421,014	1,340,728	1,340,928
Culture and recreation	2,176,451	2,552,969	2,145,963	2,526,524	2,012,136
Community and economic development	1,975,245	1,462,263	1,987,416	1,682,136	1,727,405
General government	1,023,774	1,082,742	1,122,209	1,227,899	1,158,880
Capital outlay	5,767,146	5,923,147	2,351,022	3,436,407	1,581,034
Debt service					
Principal	2,553,840	2,152,278	2,041,190	1,795,178	2,101,062
Interest and other fiscal charges	<u>1,286,096</u>	<u>1,190,984</u>	<u>932,281</u>	<u>928,425</u>	<u>1,065,517</u>
Total expenditures	<u>26,143,236</u>	<u>27,151,147</u>	<u>22,089,228</u>	<u>22,274,263</u>	<u>21,262,443</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,189,198)</u>	<u>(2,468,277)</u>	<u>1,584,159</u>	<u>(765,598)</u>	<u>34,951</u>
<b>Other Financing Sources (Uses)</b>					
Sale of governmental assets	14,015	20,465	13,299	67,416	489,574
Debt issued	3,500,000	15,455,000	-	1,500,000	1,932,441
Payment of refunded bonds	(3,445,000)	(11,205,000)	-	-	(2,100,000)
Premium (discount) and accrued interest on debt issued	-	-	-	-	-
Transfers in	6,496,136	7,506,477	7,596,884	6,266,978	6,535,905
Transfers out	<u>(6,652,244)</u>	<u>(7,657,733)</u>	<u>(7,736,709)</u>	<u>(6,412,213)</u>	<u>(6,656,285)</u>
Total other financing sources (uses)	<u>(87,093)</u>	<u>4,119,209</u>	<u>(126,526)</u>	<u>1,422,181</u>	<u>201,635</u>
Net change in fund balances	<u>\$ (2,276,291)</u>	<u>\$ 1,650,932</u>	<u>\$ 1,457,633</u>	<u>\$ 656,583</u>	<u>\$ 236,586</u>
Debt service as a percentage of noncapital expenditures	18.8%	15.7%	15.1%	14.5%	16.1%

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<u>2004</u>	<u>2003</u>
\$ 11,876,045	\$ 11,943,200
228,610	271,522
321,265	352,363
6,076,477	6,108,639
1,050,035	768,745
317	34,074
<u>736,949</u>	<u>580,653</u>
<u>20,289,698</u>	<u>20,059,196</u>
7,121,973	6,341,434
1,732,511	1,174,940
784,624	449,028
2,293,991	2,196,006
2,487,721	1,664,266
2,429,108	2,639,542
4,928,180	7,053,729
1,983,850	1,515,000
<u>1,009,082</u>	<u>1,241,506</u>
<u>24,771,040</u>	<u>24,275,451</u>
<u>(4,481,342)</u>	<u>(4,216,255)</u>
105,050	-
3,300,000	3,957,038
-	(3,350,000)
19,073	2,139
6,579,422	5,551,670
<u>(6,670,875)</u>	<u>(5,652,715)</u>
<u>3,332,670</u>	<u>508,132</u>
<u>\$ (1,148,672)</u>	<u>\$ (3,708,123)</u>

15.1%

16.0%

# CITY OF MARSHALLTOWN, IOWA

## CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS, EXCLUDING CAPITAL PROJECTS FUNDS PRIOR THREE FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2002	2001	2000
<b>Revenues</b>			
Taxes	\$ 10,399,173	\$ 9,680,281	\$ 10,072,573
Use of money and property	318,771	561,913	496,762
Licenses and permits	368,173	273,959	272,179
Intergovernmental	5,279,495	4,911,482	4,829,315
Charges for service	621,387	535,874	509,159
Special assessments	23,007	4,939	124,423
Miscellaneous	321,675	427,891	319,039
Total revenues	<u>17,331,681</u>	<u>16,396,339</u>	<u>16,623,450</u>
<b>Expenditures</b>			
Community protection	6,669,862	6,233,200	5,845,373
Human development	236,778	1,734,570	1,755,480
Home and community environment	5,208,025	3,817,988	3,169,304
Policy and administration	1,024,559	993,940	920,702
Capital outlay	-	1,126,152	1,271,064
Debt service			
Principal	11,255,000	1,730,569	1,591,462
Interest and other fiscal charges	<u>1,011,517</u>	<u>979,624</u>	<u>1,053,454</u>
Total expenditures	<u>25,405,741</u>	<u>16,616,043</u>	<u>15,606,839</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,074,060)</u>	<u>(219,704)</u>	<u>1,016,611</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	15,607,198	13,498,269	13,241,877
Transfers out	<u>(5,170,867)</u>	<u>(4,952,762)</u>	<u>(4,027,023)</u>
Total other financing sources (uses)	<u>10,436,331</u>	<u>8,545,507</u>	<u>9,214,854</u>
Net change in fund balances	<u>\$ 2,362,271</u>	<u>\$ 8,325,803</u>	<u>\$ 10,231,465</u>
Debt service as a percentage of noncapital expenditures	48.3%	17.5%	18.4%

Note: Effective with fiscal 1998, the state-shared revenues passed through the County have been reclassified from property taxes to intergovernmental revenues. Therefore, the collections have decreased compared to prior years. Effective with fiscal 2001, utilities are paying an excise tax rather than property taxes. The excise tax is included with other City taxes.

**CITY OF MARSHALLTOWN, IOWA**  
**TAX REVENUES BY SOURCE – GOVERNMENTAL FUNDS**  
**LAST SEVEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

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<u>Fiscal year</u>	<u>Property Tax</u>	<u>Tax Increment Financing Tax</u>	<u>Utility Excise Tax</u>	<u>Utility Franchise Fee</u>	<u>Hotel/Motel Tax</u>	<u>Local Option Sales Tax</u>	<u>911 Surcharge</u>	<u>Mobile Home Tax</u>	<u>Total</u>
2002-03	\$ 6,194,625	\$ 1,510,366	\$ 1,090,939	\$ 190,260	\$ 189,548	\$ 2,525,515	\$ 223,384	\$ 18,563	\$ 11,943,200
2003-04	6,415,158	1,597,111	890,749	189,286	168,290	2,392,555	204,609	18,287	11,876,045
2004-05	6,659,496	2,312,752	862,169	189,343	171,263	2,528,335	234,253	17,162	12,974,773
2005-06	7,005,288	1,482,011	829,047	195,360	212,989	2,387,873	244,697	16,034	12,373,299
2006-07	7,526,150	1,795,068	868,036	198,668	199,910	2,818,990	277,194	14,654	13,698,670
2007-08	7,820,995	1,935,170	844,407	229,721	290,531	2,657,617	260,185	14,875	14,053,501
2008-09	8,615,820	1,801,960	891,859	217,600	342,176	2,738,030	234,078	13,929	14,855,452

**CITY OF MARSHALLTOWN, IOWA**  
**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE**  
**YEAR ENDED JUNE 30, 2009**  
**(MODIFIED ACCRUAL BASES OF ACCOUNTING)**

<u>Fund</u>	<u>Property Tax</u>	<u>Tax Increment Financing Tax</u>	<u>Utility Excise Tax</u>	<u>Utility Franchise Fee</u>	<u>Hotel/Motel Tax</u>	<u>Local Option Sales Tax</u>	<u>911 Surcharge</u>	<u>Mobile Home Tax</u>	<u>Total</u>
General	\$ 5,413,626	\$ -	\$ 570,879	\$ 217,600	\$ 342,176	\$ -	\$ -	\$ 8,851	\$ 6,553,132
Tax Increment									
Financing	-	1,801,960	-	-	-	-	-	-	1,801,960
E-911 Surcharge	-	-	-	-	-	-	234,078	-	234,078
Local Option									
Sales Tax	-	-	-	-	-	2,738,030	-	-	2,738,030
Property tax	596,544	-	63,042	-	-	-	-	1,071	660,657
Debt Service	2,189,350	-	213,953	-	-	-	-	3,326	2,406,629
Capital Projects	416,300	-	43,985	-	-	-	-	681	460,966
Total	<u>\$ 8,615,820</u>	<u>\$ 1,801,960</u>	<u>\$ 891,859</u>	<u>\$ 217,600</u>	<u>\$ 342,176</u>	<u>\$ 2,738,030</u>	<u>\$ 234,078</u>	<u>\$ 13,929</u>	<u>\$ 14,855,452</u>

**CITY OF MARSHALLTOWN, IOWA**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS (UNAUDITED)**

Levy Year	Fiscal Year	Residential Property	Commercial Property	Industrial Property	Total Regular Realty	TIF	Agland Realty	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Gross Value	Taxable Assessed Value as a Percentage of Actual Gross Value
1998	1999-00				557,295,805	35,447,957	2,999,894	595,743,656	15.11361	812,532,582	73.319%
1999	2000-01				475,219,315	46,453,635	3,207,378	524,880,328	12.60867	767,305,731	68.406%
2000	2001-02				482,730,476	44,573,485	3,310,601	530,614,562	12.96936	764,667,955	69.391%
2001	2002-03				494,310,987	61,244,207	3,230,403	558,785,597	12.96979	858,407,782	65.096%
2002	2003-04	\$302,312,215	\$ 157,828,361	\$41,051,206	501,191,782	55,196,316	3,218,650	559,606,748	13.08945	859,393,224	65.116%
2003	2004-05	310,460,051	160,487,151	36,753,595	507,700,797	71,047,100	2,502,624	581,250,521	13.37877	941,222,235	61.755%
2004	2005-06	318,918,021	172,425,422	46,225,042	537,568,485	44,482,642	2,464,569	584,515,696	13.37878	1,040,972,285	56.151%
2005	2006-07	333,119,910	210,662,117	50,595,114	594,377,141	51,716,709	2,469,617	648,563,467	12.94049	1,051,707,358	61.668%
2006	2007-08	341,564,905	270,177,904	57,589,054	669,331,863	54,807,718	2,534,103	726,673,684	12.93500	1,186,917,748	61.224%
2007	2008-09	354,114,382	234,223,608	49,224,985	637,562,975	50,679,345	3,533,390	691,775,710	13.68652	1,255,060,705	55.119%

**Rollback Factors by Class**

Fiscal Year	Tax Exempt		Residential	Agricultural	Commercial	Railroad
	Gas & Electric	Property				
1999-00		79,623,089	56.26510	100.00000	100.00000	
2000-01	\$ 82,272,233	79,424,978	51.66760	96.33800	98.77320	98.77320
2001-02	82,653,397	82,264,656	51.38740	100.00000	100.00000	
2002-03	84,141,000	88,347,820	48.45580	100.00000	97.77010	97.77010
2003-04	86,485,422	89,988,114	47.96420	100.00000	100.00000	
2004-05	90,789,115	92,101,046	45.99600	100.00000	99.25740	99.25700
2005-06	67,936,113	116,039,112	47.96420	100.00000	100.00000	
2006-07	67,247,692	116,058,327	45.99600	100.00000	99.15090	99.15090
2007-08	64,804,167	117,919,100	45.55960	100.00000	100.00000	100.00000
2008-09	99,127,772	109,139,073	44.08030	90.10230	99.73120	99.73120

Source: Marshall County Auditor's Office

**Notes:** Effective with the January 1, 1999 valuations, Alliant Energy, the local gas and electric provider, is assessed a utility excise tax instead of taxes based upon property valuations.

Each year the State of Iowa assigns a rollback factor to calculate the percent of assessed value which will be taxable.

This rate is assigned per property classification and can fluctuate each year. Industrial property is taxed at 100% of its gross assessed value.

**CITY OF MARSHALLTOWN, IOWA**  
**TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS**  
**LAST TEN FISCAL YEARS (UNAUDITED) (PER \$1,000 ASSESSED VALUATIONS)**

Levy year Jan		Marshall	Community			Community	County		
1,	Collection Year	County	Schools	Marshalltown	City Assessor	College	Extension	State of Iowa	Total
1998	1999-00	6.06076	15.16492	15.11361	0.36848	1.01627	0.08416	0.00500	37.81320
1999	2000-01	5.98332	16.42885	12.60867	0.37346	0.82674	0.08256	0.00500	36.30860
2000	2001-02	6.15739	16.25058	12.96936	0.36356	0.83104	0.08044	0.00500	36.65737
2001	2002-03	6.01644	16.21217	12.96979	0.35227	0.85117	0.07832	0.00400	36.48416
2002	2003-04	6.08852	16.19581	13.08945	0.34538	0.92000	0.07677	0.00400	36.71993
2003	2004-05	6.56545	17.30327	13.37877	0.35723	0.98700	0.08143	0.00400	38.67715
2004	2005-06	6.73583	18.28730	13.37878	0.34571	0.93175	0.07992	0.00400	39.76329
2005	2006-07	6.60870	18.13123	12.94049	0.32273	0.98001	0.07509	0.00400	39.06225
2006	2007-08	7.60000	18.07061	12.93500	0.31708	1.81770	0.10587	0.00350	40.84976
2007	2008-09	7.59349	18.01415	13.68652	0.32982	2.19223	0.11859	0.00350	41.93830

Source: Marshall County Auditor's Office

**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Marshalltown. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of each overlapping government.

**CITY OF MARSHALLTOWN, IOWA  
 PRINCIPAL PROPERTY TAXPAYERS  
 CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	Jan 1, 2007		Percentage of Total City Taxable Assessed Value	Jan 1, 1998		Percentage of Total City Taxable Assessed Value
	Taxable Assessed Value Payable 08- 09	Rank		Taxable Assessed Value Payable 99- 00	Rank	
IES Utilities	\$ 98,829,870	1	14.6%	\$ 87,668,852	1	10.8%
MMSC, Ventures Inc	19,140,886	2	2.8%			
Lennox Industries Inc	14,684,500	3	2.2%	21,503,357	3	2.7%
Marshall Town Center Partners	12,315,627	4	1.8%	7,943,800	5	1.0%
Walmart, Real Estate Business	11,041,130	5	1.6%	3,691,161	10	0.5%
Emerson Process Mgt/Fisher Controls	10,812,010	6	1.6%	23,638,169	2	2.9%
Swift & Company (SIPC0 in 96-97)	9,118,774	7	1.4%	13,644,909	4	1.7%
Trilogy/Embers of Marshalltown	6,128,054	8	0.9%			
Inns of Iowa Ltd	6,116,082	9	0.9%	4,283,712	8	0.5%
Southern Hills Cooperative	4,605,546	10	0.7%			
Packaging Corporation of America				5,076,585	6	0.7%
Embers of Marshalltown				4,425,000	7	0.5%
U.S. West Communications				3,976,352	9	0.5%
	<u>\$ 192,792,479</u>		<u>28.6%</u>	<u>\$ 175,851,897</u>		<u>21.8%</u>

Note: Alliant Energy (IES Utilities), the local gas and electric provider, is now assessed a utility excise tax instead of taxes based upon their property valuation. The gas and electric assessed property value for January 1, 2007 was \$64,804,167.

**CITY OF MARSHALLTOWN, IOWA**  
**SALES TAX**  
**LAST TEN YEARS**

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<u>Calendar Year</u>	<u>Taxable Retail Sales</u>	<u>No. of Businesses</u>
1999	323,776,666	3,363
2000	309,653,376	3,282
2001	333,741,450	3,189
2002	326,679,780	3,017
2003	315,705,482	2,923
2004	317,256,826	2,902
2005	320,099,470	2,896
2006	334,897,482	3,982
2007	349,978,209	3,937
2008	348,367,544	4,084

Source: Iowa Department of Revenue Sales and Use Tax Report based on fiscal year ending March 31 following succeeding the calendar year.

**CITY OF MARSHALLTOWN, IOWA**  
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL DEBT TO TOTAL**  
**GENERAL EXPENDITURES – GENERAL, SPECIAL REVENUE, AND DEBT SERVICE**  
**FUNDS**  
**LAST TEN FISCAL YEARS (UNAUDITED)**

Collection year	Levy year	Current levy	Collections & State		State Credits Shown in Intergovernmental
			Credits in the Current Year	Percent of levy collected*	
1999-00	1998	8,668,373	8,750,099	100.94%	691,703
2000-01	1999	6,151,536	6,309,799	102.57%	599,799
2001-02	2000	6,395,110	6,384,130	99.83%	428,580
2002-03	2001	6,588,225	6,596,381	100.12%	401,756
2003-04	2002	6,767,269	6,802,125	100.52%	386,967
2004-05	2003	7,013,159	7,059,320	100.66%	399,824
2005-06	2004	7,363,490	7,382,393	100.26%	377,105
2006-07	2005	7,690,645	7,894,457	102.65%	368,307
2007-08	2006	8,143,010	8,161,520	100.23%	340,525
2008-09	2007	8,945,150	8,956,565	100.13%	339,243

Note:

Effective with fiscal year 1998, the state-shared revenues passed through the County have been reclassified from property taxes to intergovernmental revenue. The current levy column is based upon both levy and state shared property tax credits. Collections in current year column include both property tax collections and state shared property tax credits classified as intergovernmental revenue.

Information is not available for prior year collections based upon each levy year. Therefore all collections are included in one column.

Effective with fiscal 2001, utilities are paying an excise tax rather than property taxes.

Source: General Purpose Financial Statements

\*Collections include delinquent taxes which result in collection rates greater than 100 percent.

State credits	Cash basis	Less prior year	Add current year	Adjusted balance
		accrual	accrual	
1999-00	672,718	(1,808)	20,793	691,703
2000-01	608,869	(20,793)	11,723	599,799
2001-02	427,299	(11,723)	13,004	428,580
2002-03	407,362	(13,004)	7,398	401,756
2003-04	386,672	(7,398)	7,693	386,967
2004-05	388,392	(7,693)	19,125	399,824
2005-06	375,228	(19,125)	21,002	377,105
2006-07	368,453	(19,125)	20,856	370,184
2007-08	341,202	(20,856)	20,179	340,525
2008-09	350,119	(20,179)	9,303	339,243

**CITY OF MARSHALLTOWN, IOWA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	Governmental Activities			Business-type Activities			Personal Income	Percentage of Personal Income	Population	Per Capita
	General Obligation Bonds	Notes Payable	Urban Renewal Tax Increment Revenue Bonds and Notes	Revenue Bonds	Sewer Revenue Capital Loan Note Payable	Total Primary Government				
2000	15,675,000	150,000	4,435,000	7,450,000	-	27,710,000	17,003	1,630	26,009	1,065
2001	14,185,000	50,000	4,330,000	6,790,000	-	25,355,000	17,823	1,423	26,019	974
2002	19,745,000	-	4,290,000	6,210,000	-	30,245,000	18,643	1,622	26,030	1,162
2003	18,435,000	-	4,692,038	5,435,000	621,705	29,183,743	19,463	1,499	26,040	1,121
2004	18,995,000	-	5,448,188	4,020,000	4,122,638	32,585,826	20,283	1,607	26,051	1,251
2005	17,405,000	138,404	4,637,129	3,330,000	4,348,000	29,858,533	21,103	1,415	26,060	1,146
2006	17,465,000	124,564	4,295,788	2,585,000	4,347,000	28,817,352	21,926	1,314	26,068	1,105
2007	15,810,000	110,724	3,923,438	1,815,000	4,346,000	26,005,162	22,855	1,138	26,073	997
2008	21,845,000	96,884	-	1,555,000	4,040,000	27,536,884	22,919	1,201	26,073	1,056
2009	19,360,000	83,044	-	1,295,000	3,725,000	24,463,044	22,894	1,069	26,073	938

Source: Demographic sNow

**CITY OF MARSHALLTOWN, IOWA**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Estimated Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Notes Payable	Total		
2000	15,675,000	150,000	15,825,000	1.95	930.72
2001	14,185,000	50,000	14,235,000	1.86	798.69
2002	19,745,000	-	19,745,000	2.58	1,059.11
2003	18,435,000	-	18,435,000	2.15	947.18
2004	18,995,000	-	18,995,000	2.21	936.50
2005	17,405,000	138,404	17,543,404	1.79	831.32
2006	17,465,000	124,564	17,589,564	1.87	802.22
2007	15,810,000	110,724	15,920,724	1.34	610.62
2008	21,845,000	96,884	21,941,884	1.85	841.56
2009	19,360,000	83,044	19,443,044	1.55	745.72

**CITY OF MARSHALLTOWN, IOWA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF JUNE 30, 2009**

Name of Governmental Unit	Debt Outstanding	Percentage Applicable to Marshalltown	City of Marshalltown Share of Debt
Iowa Valley Schools	\$ 41,435,000	20.99%	\$ 8,697,207
Marshalltown Community School District	25,185,000	81.60%	20,550,960
Marshall County	<u>2,500,000</u>	54.59%	<u>1,364,750</u>
	69,120,000		30,612,917
City of Marshalltown	<u>19,443,043</u>	100.00%	<u>19,443,043</u>
	<u>\$ 88,563,043</u>		<u>\$ 50,055,960</u>

Source:

State of Iowa Treasurer's Office

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Marshalltown. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping governments.

**CITY OF MARSHALLTOWN, IOWA**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**

	Fiscal Year Ending June 30,									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Gross assessed valuations:										
Regular realty	\$ 1,105,253,588	\$ 1,027,939,554	\$ 1,001,496,418	\$ 898,088,147	\$ 867,672,511	\$ 804,677,548	\$ 793,933,172	\$ 716,783,869	\$ 717,519,561	\$ 774,036,481
Utility	99,127,772	107,436,245	104,349,219	98,401,496	90,789,115	86,485,422	84,141,000	82,653,397	82,272,233	-
Incremental	50,679,345	54,807,718	51,716,709	44,485,642	71,047,100	55,196,316	61,244,207	44,573,485	46,453,635	35,447,957
Total actual valuations applicable to debt	<u>1,255,060,705</u>	<u>1,190,183,517</u>	<u>1,157,562,346</u>	<u>1,040,975,285</u>	<u>1,029,508,726</u>	<u>946,359,286</u>	<u>939,318,379</u>	<u>844,010,751</u>	<u>846,245,429</u>	<u>809,484,438</u>
Debt limit - 5% of total actual valuations applicable to debt	<u>62,753,035</u>	<u>59,509,176</u>	<u>57,878,117</u>	<u>52,048,764</u>	<u>51,475,436</u>	<u>47,317,964</u>	<u>46,965,919</u>	<u>42,200,538</u>	<u>42,312,271</u>	<u>40,474,222</u>
Amount of debt applicable to limitation:										
General obligation bonds and notes	19,443,044	21,941,884	15,920,724	17,589,564	17,543,404	18,995,000	18,435,000	19,745,000	14,235,000	15,825,000
Urban renewal tax increment revenue bonds	-	-	3,923,438	4,295,788	4,637,126	5,448,188	4,692,038	4,290,000	4,330,000	4,435,000
Total debt applicable to limitation	<u>19,443,044</u>	<u>21,941,884</u>	<u>19,844,162</u>	<u>21,885,352</u>	<u>22,180,530</u>	<u>24,443,188</u>	<u>23,127,038</u>	<u>24,035,000</u>	<u>18,565,000</u>	<u>20,260,000</u>
Less:										
Funds available from:										
Debt service	262,165	232,719	281,555	238,506	217,083	542,533	568,175	596,133	670,450	554,693
Special revenue	413,834	438,585	632,232	998,446	615,975	187,331	713,951	270,840	213,563	181,014
Total debt applicable to debt margin	<u>18,767,045</u>	<u>21,270,580</u>	<u>18,930,375</u>	<u>20,648,400</u>	<u>21,347,472</u>	<u>23,713,324</u>	<u>21,844,912</u>	<u>23,168,027</u>	<u>17,680,987</u>	<u>19,524,293</u>
Legal debt margin	<u>\$ 43,985,990</u>	<u>\$ 38,238,596</u>	<u>\$ 38,947,742</u>	<u>\$ 31,400,364</u>	<u>\$ 30,127,964</u>	<u>\$ 23,604,640</u>	<u>\$ 25,121,007</u>	<u>\$ 19,032,511</u>	<u>\$ 24,631,284</u>	<u>\$ 20,949,929</u>

**CITY OF MARSHALLTOWN, IOWA**  
**PLEDGED – REVENUE COVERAGE**  
**LAST TEN FISCAL YEARS (UNAUDITED)**

<b>Water Pollution Control</b>				<b>Debt Service Requirements</b>			
<u>Year</u>	<u>Gross Revenue</u>	<u>Expenses (1)</u>	<u>Available For Debt Service</u>	<u>Principal</u>	<u>Interest &amp; other debt expense</u>	<u>Total</u>	<u>Coverage</u>
1999-00	3,452,591	1,872,024	1,580,567	625,000	330,152	955,152	1.65
2000-01	3,693,270	1,994,830	1,698,440	660,000	376,281	1,036,281	1.64
2001-02	3,768,757	2,123,166	1,645,591	690,000	356,418	1,046,418	1.57
2002-03	3,755,193	2,279,904	1,475,289	775,000	314,179	1,089,179	1.35
2003-04	3,693,877	2,323,665	1,370,212	1,415,000	333,572	1,748,572	0.78
2004-05	3,802,434	2,581,717	1,220,717	2,823,483	331,773	3,155,256	0.39
2005-06	3,831,282	2,612,861	1,218,421	746,000	274,290	1,020,290	1.19
2006-07	4,279,994	2,484,430	1,795,564	771,000	246,351	1,017,351	1.76
2007-08	5,128,279	2,746,362	2,381,917	566,000	197,189	763,189	3.12
2008-09	5,330,410	2,828,873	2,501,537	575,000	196,155	771,155	3.24

(1) Total operating expenses, less depreciation.

Sources: City Financial Records and Water Works Financial Records

**CITY OF MARSHALLTOWN, IOWA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS (UNAUDITED)**

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Calendar Year	Median Age (Zip 50158)	School Enrollment		Unemployment Percent
		Public	Private	
	(1)	(2)	(3)	(4)
2000	39.7	4,916	248	2.70
2001	39.0	4,964	248	2.90
2002	39.0	4,939	235	3.80
2003	39.0	4,913	234	5.40
2004	39.2	4,895	194	5.80
2005	39.4	4,913	182	5.10
2006	39.5	5,030	187	3.80
2007	40.4	5,035	185	4.00
2008	40.2	5,065	235	4.80
2009	40.8	4,938	181	6.70

Note: Total personal income information for the City of Marshalltown is not available.

Sources:

- (1) The Community Sourcebook of ZIP codes
- (2) Marshalltown Community School District
- (3) Marshalltown Catholic School
- (4) Job Service of Iowa: <http://www.iowaworkforce.org>

NA: Information was not available at time of printing

**CITY OF MARSHALLTOWN, IOWA**  
**PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND NINE YEARS AGO (UNAUDITED)**

Employer	Industry	2009- Employees	2000- Employees
(JBS) Swift & Company	Pork processors	2,300	2,000
Lennox Industries, Inc	Furnace and air conditioning manufacturer	800	1,300
Emerson Process Mgt/Fisher Controls	Valves and regulators manufactuer	1,200	1,100
Iowa Veteran's Home	Hospital care facility	1,000	945
Marshalltown Community School District	Education	1,002	850
Marshalltown Medical and Surgical Center	Hospital	715	700
Wal-Mart*	Retail	325	
Marshalltown Community College	Education	245	
HyVee Food Stores *	Grocery store	340	350
McFarland Clinic PC	Medical clinic	223	
City of Marshalltown*	Municipal government	198	176
Marshall County	County government	166	285
Kiowa Corporation	Aluminum and zinc die casting		170

Note: Total employment information for the City of Marshalltown is not available. Consequently, each employer's percentage of total employment can not be calculated.

Source: Marshalltown Chamber of Commerce

\* Includes full time, part time and seasonal employees

**CITY OF MARSHALLTOWN, IOWA**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	Full-time-Equivalent Employees as of June 30									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Public Safety	98.91	101.94	100.13	98.13	103.63	96.46	100.42	100.90	101.66	101.47
Public Works	20.06	19.88	18.31	18.69	18.87	20.13	22.80	22.95	22.78	21.55
Health and Social Services	6.26	7.14	7.78	7.33	8.11	7.68	5.78	5.10	4.36	3.71
Culture and Recreation	25.95	26.17	25.28	25.08	28.85	34.13	36.55	33.87	25.09	25.46
Community and Economic Development	3.55	3.09	3.15	2.92	2.94	3.75	3.88	3.69	4.99	4.91
General Government	17.55	18.16	17.89	17.85	18.55	18.47	19.71	19.00	19.45	19.10
Business-Type	31.95	30.70	30.34	29.75	30.70	30.87	29.19	27.97	27.71	27.41
Capital Projects	0.13	0.02	0.45	0.19	0.15	0.65	0.08	-	-	-
<b>Total</b>	<b>204.36</b>	<b>207.10</b>	<b>203.33</b>	<b>199.94</b>	<b>211.80</b>	<b>212.14</b>	<b>218.41</b>	<b>213.48</b>	<b>206.04</b>	<b>203.61</b>

**CITY OF MARSHALLTOWN, IOWA**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year				
	2009	2008	2007	2006	2005
General Government					
Building Permits:					
New Construction:					
Number of permits	51	39	49	40	50
Value of permits	12,191,800	22,522,000	11,058,000	9,260,000	11,054,000
Remodeling, repairs and additions:					
Number of permits	103	149	131	131	126
Value of permits	14,757,000	25,418,400	17,893,700	11,758,000	20,799,600
Police					
Physical arrests	N/A	3,045	3,833	2,415	2,681
Violations:					
Parking	N/A	6,802	7,073	7,858	8,570
Traffic	N/A	4,793	6,005	6,585	6,245
Drunk driving	N/A	234	240	220	228
Narcotics	N/A	512	130	274	291
Fire					
Emergency responses	N/A	2,274	2,052	1,996	1,879
Fires extinguished	N/A	51	61	49	44
Inspections	N/A	380	412	461	555
Parks and recreation					
Adult team sports					
Leagues	10	4	4	16	15
Participation	5,373	2,201	2,312	2,711	2,434
Youth activities					
Programs	40	35	35	N/A	32
Participation	3,478	7,268	7,625	N/A	8189
Library					
Volumes in collection	93,755	91,914	90,561	88,362	82,269
Total volumes borrowed	262,755	253,855	231,420	215,953	200,652
Sewage system					
Per million					
Daily average treatment in gallons	6.82	7.38	5.89	4.92	4.57
Maximum daily capacity of treatment plant in thousands of gallons	17,440	17,440	17,440	13,040	13,040
Sewer customers served	9,397	9,435	9,448	9,426	9,723
* computer software was counting sewer credit meters					
Sewer rates in effect					
Base charge per month	\$9.51	\$9.51	\$9.51	\$9.51	\$9.51
Flow charge per 100 cubic feet	\$1.76	\$1.63	\$1.55	\$1.47	\$1.31
Transit					
Total route miles	105,282	105,435	102,109	96,458	113,037
# of passengers	113,934	111,849	88,431	112,885	115,158
General Elections - November of each year					
Registered voters	17,015	17,015	17,015	29,795	28,549
Number of votes cast	N/A	N/A	8,296	19,447	19,340
Percentage of registered voters voting	N/A	N/A	48.76%	65.27%	67.74%

Ending June 30,				
2004	2003	2002	2001	2000
55	87	59	51	48
13,441,000	19,684,000	28,425,000	11,574,000	5,804,800
120	139	191	179	206
7,489,900	15,805,900	13,421,600	7,467,600	16,727,900
2,705	2,466	3,011	2,710	2,582
8,433	11,901	8,680	10,401	9,718
6,660	4,486	4,647	7,486	9,177
148	151	148	158	111
290	260	253	239	162
1,862	1,887	1,966	2,072	1,952
59	75	62	56	68
386	226	324	269	345
14	14	13	13	13
2,854	2,854	2,607	2,591	2,589
25	25	21	23	25
5413	5344	3807	4514	6731
83,931	79,264	77,201	74,312	69,265
190,749	192,004	174,292	168,084	177,846
5.60	4.66	N/A	N/A	N/A
13,040	13,040	13,040	13,040	13,040
10,774	10,774	9,264	9,261	9,168
*	*			
\$9.51	\$9.51	\$9.51	\$8.36	\$8.36
\$1.31	\$1.31	\$1.31	\$1.12	\$1.12
122,256	141,955	134,446	131,743	126,065
127,139	131,807	134,784	136,920	114,595
27,333	N/A	26,078	N/A	25,427
19,233	2,493	14,186	3,254	17,760
70.37%	N/A	54.40%	N/A	69.85%

**CITY OF MARSHALLTOWN, IOWA**  
**CAPITAL ASSET AND EMPLOYMENT STATISTICS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year				
	2009	2008	2007	2006	2005
<b>Police</b>					
# of stations	1	1	1	1	1
# of employees	58	58	59	59	59
Non- dispatch	45	45	46	46	46
Dispatch	13	13	13	13	13
<b>Fire</b>					
# of stations	1	1	1	1	1
# of employees	29	29	30	30	29
<b>Parks and recreation</b>					
<b>Park areas</b>					
# parks	26	26	26	26	26
# acres	328	328	328	207	207
<b>Athletics</b>					
# Baseball/softball fields	6	6	6	5	5
# Soccer/football fields	6	6	6	6	6
# Tennis courts	12	4	4	6	6
<b>Other</b>					
# playgrounds	17	17	17	22	18
Miles of bike trails	8	8	8	8	8
# Swimming pools	1	1	1	1	1
<b>Public works</b>					
<b>Streets:</b>					
Paved	157.5	157.4	157.4	157.4	157.2
Unpaved	5.8	5.8	5.8	5.8	5.8
<b>Sewage system</b>					
Number of treatment plants	1	1	1	1	1
<b>Miles of sewers</b>					
Storm	57.1	57.1	56.4	56.1	54.6
Sanitary	145.7	145.7	145.3	144.6	144.4
<b>Transit</b>					
# of buses	9	10	10	10	10
<b>Education - Public and private</b>					
Number of elementary schools	7	7	7	7	7
Number of elementary school instructors	225	203	137	179	189
Number of secondary schools	2	2	3	3	3
Number of secondary school instructors	150	147	240	172	175
<b>Cemeteries</b>					
Number of facilities	2	2	2	2	2
<b>Number of acres</b>					
Developed	135	135	135	135	135
Undeveloped	80	80	80	80	80
<b>Hospitals</b>					
Number of hospitals	1	1	1	1	1
Number of beds	125	125	125	125	125

Ending June 30,				
2004	2003	2002	2001	2000
1	1	1	1	1
59	59	57	60	61
46	n/a	n/a	n/a	n/a
13	n/a	n/a	n/a	n/a
1	1	1	1	1
31	31	33	32	32
24	24	24	24	24
207	207	207	207	207
5	5	5	5	5
6	6	6	6	6
6	6	6	6	6
18	18	18	18	18
8	8	8	8	8
1	1	1	2	2
156.8	156.5	155.6	155	152.9
5.8	5.8	5.8	5.8	5.8
1	1	1	1	1
54.6	54.5	54	37	36.6
143.2	142.9	142.3	142	126.5
10	10	10	10	10
7	6	n/a	n/a	n/a
156	140	n/a	n/a	n/a
3	3	n/a	n/a	n/a
205	210	n/a	n/a	n/a
2	2	2	2	2
135	135	135	135	135
80	80	80	80	80
1	n/a	n/a	n/a	n/a
125	n/a	n/a	n/a	n/a

**CITY OF MARSHALLTOWN, IOWA**  
**WATER POLLUTION CONTROL**  
**HISTORIC EARNINGS**  
**LAST SEVEN FISCAL YEARS**

	2009	2008	2007	2006	2005
Revenues:					
Sewer Rental	\$ 4,868,033	\$ 4,584,414	\$ 3,923,869	\$ 3,535,609	\$ 3,488,658
Interest Income	116,922	212,420	228,888	173,820	108,425
Grants	292,060	73	96	96	44,499
Miscellaneous	53,395	331,372	127,141	121,757	160,852
Total revenues	<u>5,330,410</u>	<u>5,128,279</u>	<u>4,279,994</u>	<u>3,831,282</u>	<u>3,802,434</u>
Expenses:					
Costs of Service	2,828,873	2,746,362	2,484,430	2,612,861	2,673,383
Depreciation	1,079,643	1,184,012	1,188,396	1,198,715	1,147,899
Debt Service	771,155	763,189	1,021,961	1,031,273	1,042,773
Total expenses	<u>4,679,671</u>	<u>4,693,563</u>	<u>4,694,787</u>	<u>4,842,849</u>	<u>4,864,055</u>
Net Income (Loss)	<u>\$ 650,739</u>	<u>\$ 434,716</u>	<u>\$ (414,793)</u>	<u>\$ (1,011,567)</u>	<u>\$ (1,061,621)</u>

**WATER POLLUTION CONTROL HISTORIC COVERAGE**  
**LAST SIX FISCAL YEARS**

	2009	2008	2007	2006	2005
Net Income (Loss)	\$ 650,739	\$ 434,716	\$ (414,793)	\$ (1,011,567)	\$ (1,061,621)
Add depreciation	1,079,643	1,184,012	1,188,396	1,198,715	1,147,899
Add debt retirement	771,155	763,189	1,021,961	1,031,273	1,042,773
Net income available for debt service	<u>\$ 2,501,537</u>	<u>\$ 2,381,917</u>	<u>\$ 1,795,564</u>	<u>\$ 1,218,421</u>	<u>\$ 1,129,051</u>
Historic debt service	\$ 771,155	\$ 763,189	\$ 1,021,961	\$ 1,031,273	\$ 1,042,773
Historic coverage	3.24	3.12	1.80	1.18	1.08
Projected max future debt	\$ 744,273	\$ 752,953	\$ 762,363	\$ 995,769	\$ 1,008,089
Projected coverage	3.36	3.16	2.42	1.22	1.12

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<u>2004</u>	<u>2003</u>
\$ 3,445,984	\$ 3,499,800
86,945	142,074
13,660	96
<u>147,288</u>	<u>113,223</u>
<u>3,693,877</u>	<u>3,755,193</u>
2,341,278	2,279,904
979,579	959,963
<u>1,772,014</u>	<u>1,098,533</u>
<u>5,092,871</u>	<u>4,338,400</u>
<u>\$ (1,398,994)</u>	<u>\$ (583,207)</u>

<u>2004</u>	<u>2003</u>
\$ (1,398,994)	\$ (583,207)
979,579	959,963
<u>1,772,014</u>	<u>1,098,533</u>
<u>\$ 1,352,599</u>	<u>\$ 1,475,289</u>
\$ 1,772,014	\$ 1,098,533
0.76	1.34
\$ 998,726	\$ 1,009,166
1.35	1.46

**CITY OF MARSHALLTOWN, IOWA**  
**WATER POLLUTION CONTROL**  
**NUMBER OF CUSTOMERS BY TYPE**  
**LAST TEN FISCAL YEARS**

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<u>Year</u>	<u>Residential</u>	<u>Multi-Family</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>	<u>Incr (Decr)</u>
2000	7,956	424	745	43	9,168	(366)
2001	8,051	422	744	44	9,261	93
2002	8,040	419	757	48	9,264	3
2003	7,794	469	815	46	9,124	(140)
2004	8,149	486	851	45	9,531	407
2005	8,487	436	758	42	9,723	192
2006	8,221	420	739	46	9,426	(297)
2007	8,243	416	743	46	9,448	22
2008	8,229	418	741	47	9,435	(13)
2009	8,206	412	735	44	9,397	(38)

Note: Due to computer modification in fiscal year 2003, a more accurate count can be ascertained.

Prior years included credit meters. Information based upon number of meters.

Source: Marshalltown Water Works

**CITY OF MARSHALLTOWN, IOWA**  
**WATER POLLUTION CONTROL**  
**PRESENT NET ASSETS**  
**AS OF JUNE 30, 2009**

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Sewer Revenue Operating and Maintenance Accounts	\$	336,806
Sewer Revenue Sinking Reserve Fund Account		62,023
Sewer Revenue Improvement Fund Account		250,000
Additional Capital Replacement Fund Account		2,450,358
Sewer Revenue Reserve Fund Account		636,400
Undesignated		<u>2,259,651</u>
Total Water Pollution Control Net Assets	\$	<u>5,995,238</u>

**CITY OF MARSHALLTOWN, IOWA**  
**WATER POLLUTION CONTROL**  
**MAJOR USERS – TWO YEAR COMPARISON**

	2009			2008		
	Avg Gallons Per Month	Monthly Bill	2009 Ranking	Avg Gallons Per Month	Monthly Bill	2008 Ranking
JBS Swift & Company	51,778,500	\$ 137,700	1	52,143,025	\$ 142,567	1
IA Veterans Home	2,967,939	6,563	2	2,916,203	6,104	2
Emerson Processing/Fisher Controls	1,256,827	2,785	3	1,233,016	2,587	3
Marshalltown Medical & Surgical Center	842,684	1,870	4	837,074	1,759	6
Packaging Corporation	671,953	1,493	5	652,007	1,372	9
Marshalltown Community School District	650,947	1,447	6	916,549	1,925	4
Rainbow Carwash I & III	634,553	1,410	7	647,145	1,362	10
Sunset Village Mobile Home Park	587,990	1,308	8	678,374	1,427	7
Wes Inc.	454,722	1,014	9			
Lennox Manufacturing Inc	451,917	1,008	10	652,879	1,374	8
Starlite Mobile Home Park				908,571	1,908	5

Source: City Financial Records and Marshalltown Water Works

## **COMPLIANCE SECTION**

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CPAs & BUSINESS ADVISORS

**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  
City of Marshalltown, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshalltown, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The financial statements of the Marshalltown Convention and Visitors Bureau, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not extend to those financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's 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 an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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's 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 that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the 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 item II-A-09 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Marshalltown, Iowa, and are reported in Part III of the accompanying Schedule of Findings and Questioned Costs. 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's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses, and accordingly, we express no opinion on them.

We noted a certain matter that we reported to management of the City of Marshalltown, Iowa, in a separate letter dated December 23, 2009.

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 Marshalltown, Iowa, and other parties to whom the City of Marshalltown, Iowa, 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 Marshalltown, Iowa, 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa  
December 23, 2009



CPAs & BUSINESS ADVISORS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and  
Members of the City Council  
City of Marshalltown, Iowa

Compliance

We have audited the compliance of the City of Marshalltown, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the summary of the independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Marshalltown, Iowa, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

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

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

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 Marshalltown, Iowa, and other parties to whom the City of Marshalltown, Iowa, 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Dubuque, Iowa  
December 23, 2009

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2009**

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Department of Housing and Urban Development			
Pass-through program from:			
HOME Investment Partnerships Program	14.239	04-HM-163-42	\$ 5
HOME Investment Partnerships Program	14.239	08-HM-120-41	43,382
HOME Investment Partnerships Program	14.239	08-HSG-057	15,854
Direct Program			
Section 8 Housing Choice Vouchers	14.871	IA125V08001	1,492,215
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	IALHB0292-05	104,430
Lead-Based Paint Hazard Control in Privately-Owned Housing (Recovery Act Funded)	14.907	IALHB0421-08	<u>36,498</u>
Total Department of Housing and Urban Development			<u>1,692,384</u>
Department of Justice			
Direct Program			
Edward Byrne Memorial Formula Grant Program	16.579	07-JAG/C06-A32	1,175
Edward Byrne Memorial Formula Grant Program	16.579	08-JAG/C06 - A32	33,991
Pass-through program from:			
Iowa Department of Justice			
Crime Victim Assistance Division			
Violence Against Women Formula Grants	16.588	VW-09	28,637
Direct Program			
Bulletproof Vest Partnership Program	16.607	162064008	641
Public Safety Partnership and Community Policing Grants	16.710		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006-DJ-BX-0629	1,724
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0251	2,105
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0666	<u>12,029</u>
Total Department of Justice			<u>80,302</u>
Department of Transportation			
Direct Program			
Airport Improvement Program	20.106	3-19-0058-08	758
Airport Improvement Program	20.106	3-19-0058-10	29,500
Pass-through program from:			
Iowa Department of Transportation			
Federal Transit - Capital Investment Grants			
Federal Transit - Capital Investment Grants	20.500	86-0001-479-09	250,793
Formula Grants for Other Than Urbanized Areas	20.509	18-0028-479-08	103,082
Iowa Department of Public Safety			
State and Community Highway Safety	20.600	PAP 07-163, Task 55	401
State and Community Highway Safety	20.600	PAP 09-04, Task 18	<u>14,914</u>
Total Department of Transportation			<u>399,448</u>

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**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**  
**YEAR ENDED JUNE 30, 2009**

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Environmental Protection Agency			
Direct Program			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF98787901	\$ 19,576
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF98787901	<u>35,350</u>
			<u>54,926</u>
Department of Education			
Direct Program			
Safe and Drug-Free Schools and Communities - State Grants	84.186	5888 DV 09	<u>3,500</u>
Department of Health and Human Services			
Pass-through program from:			
Iowa Department of Public Health			
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	5887LP04	5,970
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	5889LP02	18,010
Marshall County Coalition for Youth			
Drug-Free Communities Support Program Grants	93.276	1H79SP11427-10	<u>96,769</u>
Total Department of Health and Human Services			<u>120,749</u>
Department of Homeland Security			
Pass-through program from:			
Iowa Department of Homeland Security			
Disaster Grants - Public Assistance	97.036	FEMA-IA DR-1763	<u>343,558</u>
Total			<u>\$ 2,694,867</u>

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2009**

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**NOTE 1 – BASIS OF PRESENTATION**

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

**CITY OF MARSHALLTOWN, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

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

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Material weakness identified Yes

Significant deficiency Yes

Noncompliance material to financial statements noted No

Federal Awards

Internal control over major program:

Material weakness identified No

Significant deficiency None reported

Type of auditor's report issued on compliance for the major program Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) No

Identification of major program:

CFDA Number

14.871

97.036

Name of Federal Program or Cluster  
Section 8 Housing Choice Vouchers  
Disaster Grants – Public Assistance  
(Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee No

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

**SIGNIFICANT DEFICIENCY/MATERIAL WEAKNESS**

II-A-09 Material Audit Adjustments

Criteria – A properly designed system of internal control over financial reporting allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles and the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Condition – During the course of our engagement, we proposed material audit adjustments to the financial statements and Schedule of Expenditures of Federal Awards that would not have been identified as a result of the City's existing internal controls and, therefore, could have resulted in a material misstatement of the City's financial statements and Schedule of Expenditures of Federal Awards.

Cause – There is a limited number of office employees with varying levels of experience with the reporting requirements.

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2009**

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**Part II: Findings Related to the Financial Statements: (continued)**

Effect – The effect of this condition was financial data not in accordance with generally accepted accounting principles or the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Recommendation – We recommend that finance staff continue to receive relevant training and that management review all documentation completed by staff for use in preparing the financial statements and Schedule of Expenditures of Federal Awards.

Response – The City continues its commitment for training and management’s monitoring of the preparation of the financial statements and Schedule of Expenditures of Federal Awards. Improvements were made this year and department staffing is expected to stabilize.

Conclusion – Response accepted.

**Part III: Other Findings Related to Required Statutory Reporting:**

III-A-09      Certified Budget – Disbursements during the year ended June 30, 2009, did not exceed the amounts budgeted.

III-B-09      Questionable Expenditures – We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

III-C-09      Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

III-D-09      Business Transactions – No business transactions between the City and City officials or employees were noted.

III-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 that the coverage is adequate for current operations.

III-F-09      Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not. However, we noted one instance where council minutes were not signed by the City Clerk as required by Chapter 380.7 of the Code of Iowa.

Recommendation – The City Council and the City Clerk should ensure all council minutes comply with Chapter 380 of the Code of Iowa.

Response – The City will insure that all Council minutes comply with Chapter 380 of the Code of Iowa by adding monitoring practices throughout the year.

Conclusion – Response accepted.

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2009**

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**Part III: Other Findings Related to Required Statutory Reporting: (continued)**

- III-G-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.
- III-H-09      Revenue Bonds – No instances of non-compliance with the provisions of the City’s revenue bond resolutions were noted.