CITY OF IOWA FALLS, IOWA

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

YEAR ENDED JUNE 30, 2010

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City of Iowa Falls, Iowa

List of Principal Officials

June 30, 2010

Name	Title	Term Expires
	(Before January 2010)	
Jerrold Welden	Mayor	Jan 2010
John Allan	Mayor Pro-tem	Jan 2010
Mark Messa	Council Member	Jan 2010
Jody Anderson	Council Member	Jan 2012
David Gritsch	Council Member	Jan 2012
Bruce Thies	Council Member	Jan 2012
Brian Weuve	City Manager	July 2009
Jon Kies	City Clerk/Finance Director	July 2009
Clark McNeal	Attorney	July 2009
Ron Kuhfus	Police Chief	July 2009
Rick Gustin	Fire Chief	Indefinite
Terry Tikovitsch	Library Director	Indefinite
Brian Lorenzen	Parks & Recreation Director	Indefinite
Bruce Jeffries	Streets/Sanitation Superintendent	Indefinite
Jason Etnyre	Building & Zoning Director	Indefinite
Scott Peden	Water/Wastewater Superintendent	Indefinite
Jolene Liekweg	Deputy City Clerk	July 2009
John Swartz	Hospital Board of Trustees, Chairperson	Jan 2010
KraigKasischke	Hospital Board of Trustees	Jan 2010
Diana Ruhl	Hospital Board of Trustees, Secretary	Jan 2012
Steve Howard	Hospital Board of Trustees	Jan 2012
Mike Stensland	Hospital Board of Trustees	Jan 2012

City of Iowa Falls, Iowa

List of Principal Officials

June 30, 2010

Name	Title	Term Expires
	(After January 2010)	
Jerrold Welden	Mayor	Jan 2012
Mark Messa	Mayor Pro-tem	Jan 2014
Jody Anderson	Council Member	Jan 2012
David Hempe	Council Member	Jan 2014
Kurt Knudson	Council Member	Jan 2012
Bruce Thies	Council Member	Jan 2012
Brian Weuve	City Manager	July 2010
Jon Kies	City Clerk/Finance Director	July 2010
Clark McNeal	Attorney	July 2010
Ron Kuhfus	Police Chief	July 2010
Rick Gustin	Fire Chief	Indefinite
Terry Tikovitsch	Library Director	Indefinite
Brian Lorenzen	Parks & Recreation Director	Indefinite
Bruce Jeffries	Streets/Sanitation Superintendent	Indefinite
Jason Etnyre	Building & Zoning Director	Indefinite
Scott Peden	Water/Wastewater Superintendent	Indefinite
Jolene Liekweg	Deputy City Clerk	July 2010
Steve Howard	Hospital Board of Trustees, Chairperson	Jan 2012
Diana Ruhl	Hospital Board of Trustees, Secretary	Jan 2012
Mike Stensland	Hospital Board of Trustees	Jan 2012
Amanda Wood	Hospital Board of Trustees	Jan 2014
Francis Fritz	Hospital Board of Trustees	Jan 2014

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the Airport Authority, a discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Iowa Falls, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Iowa Falls' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hospital Fund, an Enterprise Fund or the Ellsworth Municipal Hospital Foundation, a discretely presented component unit. Those financial statements were audited by other independent auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hospital Fund and the Ellsworth Municipal Hospital Foundation is based solely upon the report of the other independent auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the Airport Authority discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Iowa Falls at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated January12, 2011 on our consideration of the City of Iowa Falls' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 14 and 68 through 72 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Iowa Falls' basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other auditors previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (none of which is presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133 Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

January 12, 2011

CITY OF IOWA FALLS, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

As management of the City of Iowa Falls, we offer readers of the City of Iowa Falls financial statements this narrative overview and analysis of the financial activities of the City of Iowa Falls for the fiscal year ended June 30, 2010. Please read it in conjunction with the City's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Iowa Falls exceeded liabilities at the close of the fiscal year by $36,961,443 (net assets). This was an increase of $1,355,691 over net assets at June 30, 2009. Unrestricted assets at June 30, 2010 in the amount of $10,342,678 may be used to meet the City's ongoing obligation to citizens and creditors.

- The expenses of the general fund exceeded revenues by $73,464.

- At June 30, 2010, the unreserved balance for the general fund was $105,942, or 6% percent of total general fund expenditures. This number represents a decrease in the unreserved balance of $129,330.

- Within the City's business-type activities, revenues exceeded expenses by $769,326. The City's policy is to set rates that fund the operational expenses of business-type activities and fund most capital improvements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the City of Iowa Falls basic financial statements. The City of Iowa Falls basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Iowa Falls finances, in a manner similar to a private-sector business. The paragraphs below provide a brief description of the government-wide financial statements.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon

as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods such as uncollected taxes and earned but unused vacation leave.

The government-wide financial statements are divided into two categories:

Governmental activities. This category consists of services provided by the City that are principally supported by taxes and intergovernmental revenues. Basic City services such as police, fire, public works, planning, parks, the library, and general administration are governmental activities.

Business-type activities. These activities are supported primarily by user fees. The services provided by the City in this category include water and sewer utilities, solid waste disposal and a municipal hospital.

Fund Financial Statements

A fund is a grouping a related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with legal requirements for financial transactions and reporting. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financial decisions. Both the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 6 individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Tax Increment Financing Revenue fund, Economic Development Loans fund, Road Use Tax fund, Local Option Sales Tax fund, Payroll Tax fund, Debt Service fund and Capital Projects fund, all of which are considered to be major funds. Data from the other 9 governmental funds are combined into a single, aggregated presentation. Individual fund data from each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

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

GOVERNMENT-WIDE FINANICAL ANALYSIS

Net assets. As noted earlier, net assets may serve as a useful indicator of a government's financial position when observed over time. In the case of the City, assets exceeded liabilities by $36,961,443 at the close of the most recent fiscal year.

The most significant portion of the City's net assets (56%) are reflected in investment in capital assets such as land, infrastructure, machinery and equipment, less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to the citizens and are not available for future spending.

City of Iowa Falls Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 7,786,495	$ 8,478,692	$13,578,579	$ 12,069,297	$21,365,074	$ 20,547,988
Capital assets, net of depreciation	13,927,909	13,821,614	15,056,156	13,223,630	28,984,065	27,045,244
Total Assets	**21,714,404**	**22,300,306**	**28,634,735**	**25,292,927**	**50,349.139**	**47,593,233**
Long-term debt outstanding	2,385,000	2,950,000	5,878,728	3,500,645	8,263,728	6,450,645
Other liabilities	2,857,520	3,464,787	2,266,448	2,072,049	5,123,968	5,536,836
Total liabilities	**5,242,520**	**6,414,787**	**8,145,176**	**5,572,694**	**13,387,696**	**11,987,481**
Net assets						
Invested in capital assets, net of related debt	11,542,909	10,871,614	9,177,428	9,722,985	20,720,337	20,594,599
Restricted	3,322,153	3,579,211	2,576,275	1,990,002	5,898,428	5,569,213
Unrestricted	1,606,822	1,434,694	8,735,856	8,007,246	10,342,678	9,441,940
Total net assets	**16,471,884**	**15,885,519**	**20,489,559**	**19,720,233**	**36,961,443**	**35,605,752**

A portion of the City's net assets (15.9%) represents resources that are subject to external restriction on how they may be used. The remaining balance of net assets ($10,342,678) may be used to meet the City's ongoing obligations to citizens and creditors.

At the close of fiscal years 2010 and 2009, the City is able to report positive balances in all three categories of net assets, both for the government as whole and separate governmental and business-type activities.

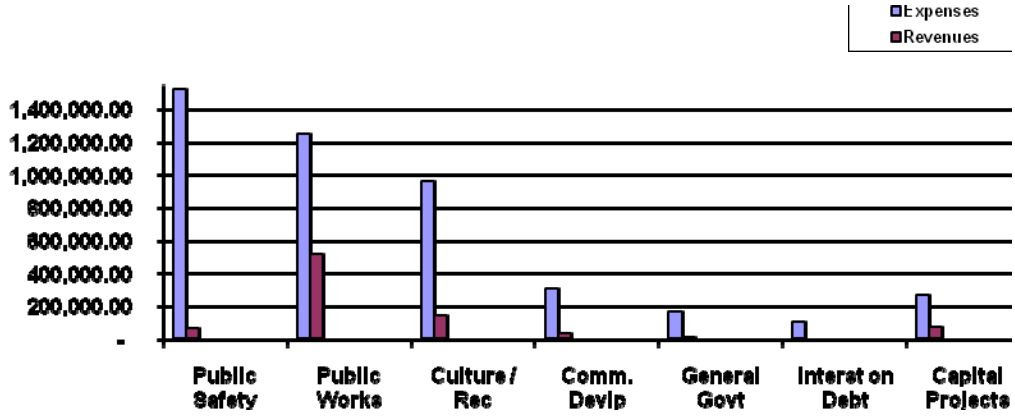
Governmental activities. Governmental activities increased the net assets of the City by $586,365 or 43% of the total increase in net assets in 2010. Taxes are the largest source of governmental revenues with property taxes of $1,863,966 in 2010 and other taxes (sales tax, TIF taxes, and hotel/motel tax) of $1,852,316. Capital grants and contributions for 2010 totaled $99,398. The $179,203 increase in property tax collections in 2010 over 2009 was due to increased valuations. The decrease in other taxes was due to releasing a portion of the increment held within the City's TIF districts. Interest income decreased by $119,527 between Fiscal Year 2010 and 2009. Governmental expenses during 2010 increased by $116,123 over 2009 expenses or 2.6%

City of Iowa Falls Changes in Net Assets

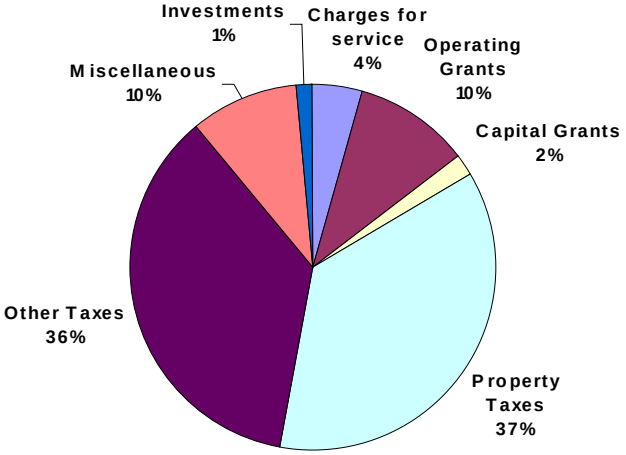
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues						
Charges for service	$ 195,613	$ 224,787	$21,676,335	$21,095,112	$21,871,948	$21,319,899
Operating grants & contributions	531,141	666,364			531,141	666,364
Capital grants & contributions	99,398	916,947			99,398	916,947
General revenues						
Property taxes	1,863,966	1,684,763			1,863,966	1,684,763
Other taxes	1,852,316	2,784,780			1,852,316	2,784,780
Miscellaneous	502,310	227,050	434,841	1,042,081	937,151	1,269,131
Investment earnings	68,155	187,682	161,274	174,770	229,429	362,452
Other	-	-	110	(6,670)	110	(6,670)
Total revenues	**5,112,899**	**6,692,373**	**22,272,560**	**22,305,293**	**27,385,459**	**28,997,666**
Expenses						
Public safety	1,522,065	1,466,487			1,522,065	1,466,487
Public works	1,244,532	1,119,651			1,244,532	1,119,651
Culture and recreation	961,703	891,794			961,703	891,794
Community & economic development	301,994	197,772			301,994	197,772
General government	163,415	156,642			163,415	156,642
Interest on long-term debt	103,009	126,738			103,009	126,738
Other debt costs	3,903	5,744			3,903	5,744
Capital projects	267,292	486,962			267,292	486,962
Water utility			582,640	669,748	582,640	669,748
Sewer utility			752,741	916,350	752,741	916,350
Ellsworth Municipal Hospital			19,367,710	19,587,199	19,367,710	19,587,199
Sanitation utility			729,746	735,188	729,746	735,188
Total expenses	**4,567,913**	**4,451,790**	**21,432,837**	**21,908,485**	**26,000,750**	**26,360,275**
Excess before transfers	544,986	2,240,583	839,723	396,808	1,384,709	2,637,391
Transfers	41,379	94,610	(70,397)	(125,000)	(29,018)	(30,390)
Increase in net assets	**586,365**	**2,335,193**	**769,326**	**271,808**	**1,355,691**	**2,607,001**

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

Expenses and Program Revenues – Governmental Activities



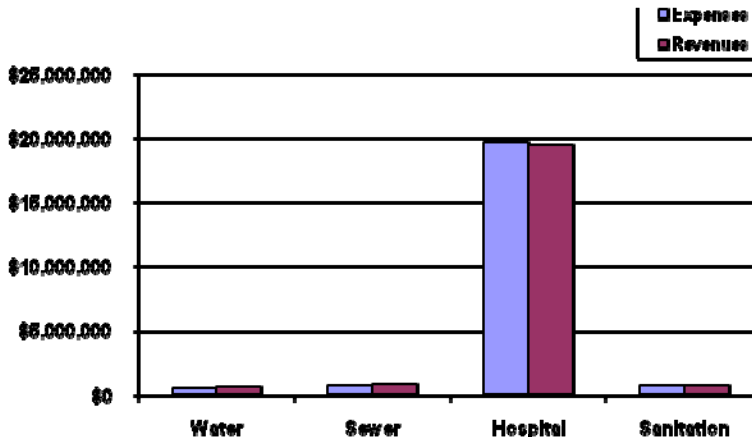
Revenue Sources – Governmental Activities



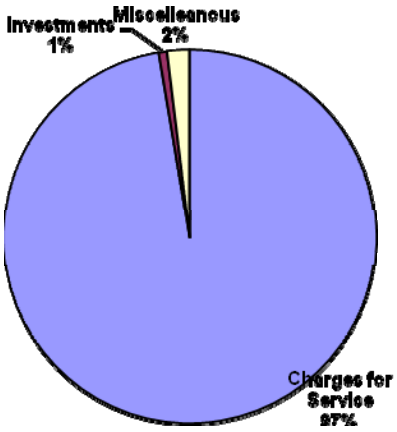
Business-type activities. Business-type activities increased net assets by $769,326 accounting for 57% of the City of Iowa Falls growth in net assets at June 30, 2010. This was 1.83% higher than the 2009 increase in net assets of $271,808. Business type charges for services increased $281,223 during 2010 or 2.7% over 2009 totals. Investment earnings decreased $13,496 or 7.7% during 2010.

The expenses of the business-type activities decreased $475,648 or -2.17% compared to 2009 expenses. Below are graphs showing the business-type activities revenue and expense comparisons.

Expenses and Revenues – Business-Type Activities



Revenue Sources – Business-Type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

The City's governmental funds reported a combined fund balance of $4,927,281 at June 30, 2010. This was a decrease of $20,875 over the prior year. Approximately 94% ($4,630,450) constitutes unreserved fund balance, a decrease of $72,325 under 2009 fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for encumbrances and

endowments, inventories and prepaid items, debt service, and state and grant restricted purposes.

The general fund decreased its fund balance for general operations during 2010 by $73,464. At June 30, 2010, the fund balance of the general fund represented 4% of current annual expenditures.

The debt service fund balance increased $5,054 or 4.3% to end the year at $121,604. Expenditures in this fund total $669,493 as compared to $868,687 in 2009, which represents a decrease of $199,194 or -22.9%. The decrease in expenditures can be attributed to the City not issuing any new debt.

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

The combined net assets of the enterprise funds at June 30, 2010 totals $20,489,559 of which 42.6% ($8,735,856) is unrestricted. This is a $769,326 or 3.9% increase over the 2009 net assets of $19,720,233.

The net assets of Ellsworth Municipal Hospital increased $582,761 to $11,495,220 or 5.3% over the 2009 net assets of $10,912,459. The change in net assets includes investment earnings of $107,280.

The water utility saw an increase in net assets of $68,479 or 1.8%. This includes investments earnings of $26,978. Operating expenses for the water utility were down $104,717 or 15.6% compared to 2009 expenses.

The wastewater utility saw an increase in net assets of $64,899 or 1.39%. This includes investment earnings of $24,506. Operating expenses for the wastewater utility were down $188,455 or 21.8% compared to 2009 expenses.

The solid waste disposal fund saw an increase in net assets of $53,187 or 14.3%. This includes investment earnings of $2,510. Operating expenses for the solid waste disposal fund were down $5,442 or -0.7% compared to 2009 expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to $28,984,065 (net of accumulated depreciation), an increase of $1,938,821 or 7.1% above the 2009 investment of $27,045,244. This increase can be attributed to the construction of new infrastructure. This investment in capital assets includes land, buildings, infrastructure, machinery and equipment. Additional information on the City's capital assets can be found in the notes to the financial statements in this report.

Capital Assets (net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	$ 885,920	$ 885,920	$ 733,257	$ 733,257	$ 1,619,177	$ 1,619,177
Depreciable assets	12,851,273	10,882,532	11,799,014	12,278,552	24,650,287	23,161,084
Construction in progress	190,716	2,053,162	2,523,885	211,821	2,714,601	2,264,983
Total	**13,927,909**	**13,821,614**	**15,056,156**	**13,223,630**	**28,984,065**	**27,045,244**

Long-term debt. At the close of the fiscal year ended June 30, 2010, the City had bonds outstanding of $6,545,000. General obligation debt was $2,385,000 and revenue bonds outstanding totaled $4,160,000. The City issued new revenue bond debt of $4,525,000 in Fiscal Year ending June 30, 2010.

Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	$ 2,385,000	$ 2,950,000			$ 2,385,000	$ 2,950,000
Revenue Bonds			$ 4,160,000	$ 3,500,645	4,160,000	3,500,645
Total net assets	**2,385,000**	**2,950,000**	**4,160,000**	**3,500,645**	**6,545,000**	**6,450,645**

Currently, the City does not maintain a rating on its general obligation debt.

State statutes limit the amount of general obligation debt an Iowa city may issue to five percent (5%) of the actual assessed valuation at January 1, 2008 related to the 2009-2010 fiscal year. The current debt limitation for the City is $12,469,414. A portion of the outstanding general obligation debt is abated by revenue sources other than the property tax. Additional information on the City's long-term debt can be found in the notes to the financial statements in this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City revenue sources affected by economic activity such as local option sales tax, building permit fees, hotel/motel tax, and road use tax showed slight increases or decreases from the prior year. As the national economy continues to weaken or slow down, the change in these revenues may impact the city in the near-term to provide services from these funds.

Selected Revenues

	2010	2009	Change
Local Option Tax	498,354	544,220	(45,866)
Hotel/Motel Tax	102,898	100,236	2,662
Road Use Tax	481,653	431,266	50,387
Building Permits	7,165	55,565	(48,400)

Property taxes

The City continues to enjoy growth in the valuation of taxable property, although that growth has slowed significantly over the past three years. The 2010-2011 budget actually lowered the overall property tax levy by $1.44 to a rate of $14.25 / $1,000 of property valuation.

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

Tax Levy Rate Comparison

	2010-11	2009-10
General Levy	8.10	8.10
Aviation Levy	0.27	0.27
Emergency Levy	0.27	0.27
Debt Service Levy	0.61	0.83
Trust and Agency Levy	4.31	5.42
Tort Liability	0.69	0.80
Total	**14.25**	**15.69**

Utility rates.

Rates charged the citizens of Iowa Falls by the water, wastewater and sanitation utilities were increased for FY 2010-2011. Rates will continue to be reviewed periodically to be sure that all costs associated with providing utility services to the citizens are covered. Increases may be necessary to cover increasing operating costs for each of the three utilities and to prepare for future infrastructure improvements that are needed.

Requests for information. This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the on the information provided in this report or requests for additional financial information should be addressed to Office of the City Clerk / Finance Officer, 315 Stevens Street, Iowa Falls, Iowa, 50126.

Basic Financial Statements

City of Iowa Falls, Iowa
Statement of Net Assets
June 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	$ 5,066,620	7,773,049	12,839,669
Receivables:			
Property tax:			
Delinquent	22,646	-	22,646
Succeeding year	1,933,061	-	1,933,061
Tax increment financing:			
Delinquent	802	-	802
Succeeding year	464,554	-	464,554
Economic development loans	118,584	-	118,584
Customer accounts and unbilled usage (net of allowances for uncollecibles of 2,100,000)	-	2,830,939	2,830,939
Accounts	9,272	85,212	94,484
Accrued interest	11,303	27,205	38,508
Unconditional promises to give	-	-	-
Due from other governments	82,706	2,229	84,935
Due from other funds	(38,706)	38,706	-
Inventories	-	397,597	397,597
Prepaid expenses	99,063	103,737	202,800
Restricted assets:			
Cash	-	1,640,596	1,640,596
Investment in affiliated organizations	-	591,897	591,897
Investments	-	-	-
Capital assets (net of accumulated depreciation)	13,927,909	15,056,156	28,984,065
Bond issuance costs	16,590	87,412	104,002
Total assets	21,714,404	28,634,735	50,349,139
Liabilities			
Accounts payable	154,606	574,467	729,073
Due to Ellsworth Municipal Hospital	-	-	-
Accrued interest payable	7,024	-	7,024
Salaries and benefits payable	96,122	603,151	699,273
Third-party payor settlement	-	369,000	369,000
Deferred Revenue:			
Succeeding year property tax	1,933,061	-	1,933,061
Succeeding year tax increment financing	464,554	-	464,554

Component Units	
Airport Authority	Ellsworth Municipal Hospital Foundation
18,123	261,550
396	-
37,091	-
-	-
-	-
-	-
-	-
634	-
46	10,970
-	7,997
38,881	-
-	-
-	-
3,148	-
-	-
-	-
-	843,407
1,642,182	-
-	-
1,740,501	1,123,924
1,446	-
-	41,086
-	-
-	-
-	-
37,091	-
-	-

City of Iowa Falls, Iowa
Statement of Net Assets
June 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities (continued)			
Liabilities payable from restricted assets:			
Revenue bonds/notes payable	-	739,319	739,319
Accrued and matured interest payable	-	10,460	10,460
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds/notes	475,000	-	475,000
Compensated absences	168,868	695,597	864,465
Portion due or payable after one year:			
General obligation bonds/notes	1,910,000	-	1,910,000
Revenue bonds/notes payable	-	5,139,409	5,139,409
Net OPEB Liability	33,285	13,773	47,058
Total liabilities	5,242,520	8,145,176	13,387,696
Net Assets			
Invested in capital assets, net of related debt	11,542,909	9,177,428	20,720,337
Restricted for:			
Local option sales tax	1,014,734	-	1,014,734
Economic development loans	1,469,980	-	1,469,980
Carnegie library	715,835	-	715,835
Debt service	121,604	-	121,604
Revenue bond retirement	-	453,100	453,100
Water improvement	-	297,676	297,676
Wastwater replacement	-	223,368	223,368
Wastewater improvement	-	358,000	358,000
Capital improvements by donors	-	935,679	935,679
Bond indentures	-	308,452	308,452
Temporarily restricted	-	-	-
Unrestricted	1,606,822	8,735,856	10,342,678
Total net assets	$ 16,471,884	20,489,559	36,961,443

See notes to financial statements.

Exhibit A

Component Units	
Airport Authority	Ellsworth Municipal Hospital Foundation
-	-
-	-
	-
-	-
-	-
-	-
-	-
-	-
38,537	41,086
1,642,182	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	839,729
59,782	243,109
1,701,964	1,082,838

City of Iowa Falls, Iowa
Statement of Activities
Year ended June 30, 2010

Functions/Programs:	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest
Primary Government:				
Governmental activities:				
Public safety	$ 1,522,065	60,186	-	-
Public works	1,244,532	19,917	497,143	-
Culture and recreation	961,703	106,106	33,998	-
Community and economic development	301,994	-	-	29,000
General government	163,415	9,404	-	-
Interest on long-term debt	103,009	-	-	-
Other debt costs	3,903	-	-	-
Capital projects	267,292	-	-	70,398
Total governmental activities	4,567,913	195,613	531,141	99,398
Business type activities:				
Water	582,640	632,893	-	-
Wastewater	752,741	799,214	-	-
Hospital	19,367,710	19,484,060	-	-
Sanitation	729,746	760,168	-	-
Total business type activities	21,432,837	21,676,335	-	-
Total primary government	$ 26,000,750	21,871,948	531,141	99,398
Component Units:				
Airport authority	209,095	-	-	528,082
Ellsworth Municipal Hospital Foundation	460,373	-	-	807,809
Total component units	$ 669,468	-	-	1,335,891
General Revenues:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
Gain (loss) on disposal of fixed assets				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Unit	
Governmental Activities	Business Type Activites	Total	Airport Authority	Ellsworth Municipal Hospital Foundation
(1,461,879)	-	(1,461,879)	-	-
(727,472)	-	(727,472)	-	-
(821,599)	-	(821,599)	-	-
(272,994)	-	(272,994)	-	-
(154,011)	-	(154,011)	-	-
(103,009)	-	(103,009)	-	-
(3,903)	-	(3,903)	-	-
(196,894)	-	(196,894)	-	-
(3,741,761)	-	(3,741,761)	-	-
-	50,253	50,253	-	-
-	46,473	46,473	-	-
-	116,350	116,350	-	-
-	30,422	30,422	-	-
-	243,498	243,498	-	-
(3,741,761)	243,498	(3,498,263)	-	-
-	-	-	318,987	
-	-	-	-	347,436
-	-	-	318,987	347,436
1,733,894	-	1,733,894	32,592	-
130,072	-	130,072	-	-
1,251,064	-	1,251,064	-	-
498,354	-	498,354	-	-
102,898	-	102,898	-	-
68,155	161,274	229,429	68	23,801
502,310	434,841	937,151	86,796	-
41,379	(70,397)	(29,018)	29,018	-
-	110	110	-	-
4,328,126	525,828	4,853,954	148,473	23,801
586,365	769,326	1,355,691	467,460	371,237
15,885,519	19,720,233	35,605,752	1,234,504	711,601
$ 16,471,884	20,489,559	36,961,443	1,701,964	1,082,838

City of Iowa Falls, Iowa
Balance Sheet
Governmental Funds
June 30, 2010

		Special Revenue		
	General	Tax Increment Financing Revenues	Economic Development Loans	Local Option Sales Tax
Assets				
Cash	$ 435,704	422,367	1,390,278	968,809
Receivables:				
Property tax:				
Delinquent	13,063	-	-	-
Succeeding year	1,210,365	-	-	-
Tax increment financing:				
Delinquent	-	802	-	-
Succeeding year	-	464,554	-	-
Economic development loans	-	-	118,584	-
Accounts	8,514	-	-	-
Accrued interest	1,114	-	3,538	2,464
Due from other governments	8,663	-	-	43,461
Interfund receivable	-	-	76,164	-
Prepaid expenditures	75,556	-	-	-
Total assets	$ 1,752,979	887,723	1,588,564	1,014,734
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 84,167	40,136	-	-
Salaries and benefits payable	83,637	-	-	-
Deferred revenue:				
Succeeding year property tax	1,210,365	-	-	-
Succeeding year tax increment financing	-	464,554	-	-
Other	4,993	70,704	118,584	-
Interfund payable	-	114,870	-	-
Total liabilities	1,383,162	690,264	118,584	-

Exhibit C

Payroll Tax Levy	Debt Service	Nonmajor Governmental Funds	Total
58,470	120,062	1,670,930	5,066,620
7,951	1,236	396	22,646
592,832	92,773	37,091	1,933,061
-	-	-	802
-	-	-	464,554
-	-	-	118,584
-	-	758	9,272
-	306	3,881	11,303
-	-	30,582	82,706
-	-	-	76,164
-	-	23,507	99,063
659,253	214,377	1,767,145	7,884,775
2,242	-	28,061	154,606
-	-	12,485	96,122
592,832	92,773	37,091	1,933,061
-	-	-	464,554
-	-	-	194,281
-	-	-	114,870
595,074	92,773	77,637	2,957,494

City of Iowa Falls, Iowa
Balance Sheet
Governmental Funds
June 30, 2010

		Special Revenue		
	General	Tax Increment Financing Revenues	Economic Development Loans	Local Option Sales Tax
Liabilities and Fund Balances (continued)				
Fund balances:				
Reserved for:				
Prepaid expenditures	75,556	-	-	-
Debt service	-	-	-	-
Advances to other funds	-	-	76,164	-
Unreserved:				
Designated for library gifts and memorials	74,512	-	-	-
Designated for park gifts and memorials	24,414	-	-	-
Designated for fire department	8,188	-	-	-
Designated for future equipment purchases/capital improvements	81,192	-	-	-
Designated for building maintenance	13	-	-	-
Undesignated:				
Reported in:				
General fund	105,942	-	-	-
Special revenue funds	-	197,459	1,393,816	1,014,734
Capital projects fund	-	-	-	-
Total fund balances	369,817	197,459	1,469,980	1,014,734
Total liabilities and fund balances	$ 1,752,979	887,723	1,588,564	1,014,734

See notes to financial statements.

Exhibit C

Payroll Tax Levy	Debt Service	Nonmajor Governmental Funds	Total
-	-	23,507	99,063
-	121,604	-	121,604
-	-	-	76,164
-	-	-	74,512
-	-	-	24,414
-	-	-	8,188
-	-	-	81,192
	-	-	13
64,179	-	-	170,121
-	-	994,613	3,600,622
-	-	671,388	671,388
64,179	121,604	1,689,508	4,927,281
659,253	214,377	1,767,145	7,884,775

City of Iowa Falls, Iowa

Exhibit D

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

June 30, 2010

Total governmental fund balances (page 23)	$ 4,927,281
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 in the governmental funds. The cost of assets is $24,218,503 and the accumulated depreciation is $10,290,594	13,927,909
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	194,281
Long-term liabilities, including bonds/notes payable, compensated absences payable, other postemployment benefits payable, and accrued interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(2,594,177)
Other long-term assets are not available to pay current period debt and, therefore, are not included in the governmental funds	16,590
Net assets of governmental activities (page 19)	$ 16,471,884

See notes to financial statements.

City of Iowa Falls, Iowa
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2010

	General	Tax Increment Financing Revenues	Special Economic Development Loans
Revenues:			
Property tax	$ 1,031,766	-	-
Tax increment financing	-	1,251,064	-
Other city tax	46,113	-	-
Licenses and permits	39,960	-	-
Use of money and property	4,876	-	23,737
Intergovernmental	58,065	31,126	-
Charges for service	97,980	-	-
Miscellaneous	130,032	29,000	12,432
Total revenues	1,408,792	1,311,190	36,169
Expenditures:			
Operating:			
Public safety	1,023,392	32	-
Public works	20,652	179,842	-
Culture and recreation	610,457	89,345	-
Community and economic development	(10,521)	129,771	-
General government	119,089	-	-
Debt service	-	-	-
Capital projects	-	788,853	-
Total expenditures	1,763,069	1,187,843	-
Excess (deficiency) of revenues over (under) expenditures	(354,277)	123,347	36,169
	(354,277)	123,347	36,169
Other financing sources (uses):			
Operating transfers in	303,128	50	526,823
Operating transfers out	(22,315)	(315,771)	(534,640)
Total other financing sources (uses)	280,813	(315,721)	(7,817)
Net change in fund balances	(73,464)	(192,374)	28,352
Fund balances beginning of year	443,281	389,833	1,441,628
Fund balances end of year	$ 369,817	197,459	1,469,980

See notes to financial statements.

Revenue				
Local Option Sales Tax	Payroll Tax Levy	Debt Service	Nonmajor Governmental Funds	Total
-	626,533	128,507	-	1,786,806
-	-	-	-	1,251,064
498,354	28,084	1,565	135,490	709,606
-	-	4,299	-	44,259
15,612	-	-	21,187	65,412
-	-	-	528,865	618,056
-	-	-	-	97,980
-	-	-	378,439	549,903
513,966	654,617	134,371	1,063,981	5,123,086
-	357,679	-	27,312	1,408,415
-	123,017	-	486,179	809,690
-	120,200	-	-	820,002
-	24,847	-	157,898	301,995
-	19,125	-	-	138,214
-	-	669,493	-	669,493
-	-	-	248,678	1,037,531
-	644,868	669,493	920,067	5,185,340
513,966	9,749	(535,122)	143,914	(62,254)
513,966	9,749	(535,122)	143,914	(62,254)
66,712	11,403	540,176	288,138	1,736,430
(723,592)	-	-	(98,733)	(1,695,051)
(656,880)	11,403	540,176	189,405	41,379
(142,914)	21,152	5,054	333,319	(20,875)
1,157,648	43,027	116,550	1,356,189	4,948,156
1,014,734	64,179	121,604	1,689,508	4,927,281

City of Iowa Falls, Iowa

Exhibit F

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

Year ended June 30, 2010

Net change in fund balances - Total governmental funds (page 26)		$ (20,875)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	950,254	
Depreciation expense	(843,959)	106,295
Because some revenues will not be collected for several months after the City's year end, they are not considered available revenues and are deferred in the governmental funds as follows:		
Other	(10,187)	(10,187)
Proceeds fom issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year debt repayment is as follows:		
Principal repayments	565,000	
Amortize bond issuance costs	(3,903)	561,097
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:		
Compensated absences	(18,164)	
Other postemployment benefits	(33,285)	
Accrued interest on long-term debt	1,484	(49,965)
Change in net assets of governmental activities (page 19)		$ 586,365

City of Iowa Falls, Iowa

Statement of Net Assets

Proprietary Funds

June 30, 2010

	Water	Wastewater
Assets		
Current assets:		
Cash	$ 1,553,758	801,449
Receivables (net of allowance for uncollectibles):		
Customer accounts and unbilled usage	96,191	102,793
Accrued interest	4,990	3,825
Other	-	-
Interfund receivable	19,353	19,353
Due from other governments	232	403
Inventories	22,243	-
Prepaid expenses	16,402	12,114
Noncurrent assets:		
Restricted assets:		
Cash:		
Revenue debt service reserve account	109,800	343,300
Water improvement account	297,676	-
Wastewater improvement account	-	223,368
Wastewater replacement account	-	358,000
Investment in affiliated organizations	-	-
Capital assets (net of accumulated depreciation)	2,774,768	6,047,111
Bond issuance costs	18,986	58,647
Total assets	4,914,399	7,970,363

Exhibit G

Enterprise		
Hospital	Sanitation	Total
5,163,535	254,307	7,773,049
2,547,475	84,480	2,830,939
17,743	647	27,205
85,212	-	85,212
-	-	38,706
-	1,594	2,229
375,354	-	397,597
53,769	21,452	103,737
308,452	-	761,552
		297,676
-	-	223,368
-	-	358,000
591,897	-	591,897
6,124,902	109,375	15,056,156
9,779	-	87,412
15,278,118	471,855	28,634,735

City of Iowa Falls, Iowa

Statement of Net Assets

Proprietary Funds

June 30, 2010

	Water	Wastewater
Liabilities		
Current liabilities:		
Accounts payable	39,369	34,519
Salaries and benefits payable	7,955	8,886
Compensated absences	19,954	23,525
Third-party payor settlement	-	-
Current liabilities payable from restricted assets:		
Revenue bonds/notes payable	100,000	270,000
Accrued and matured interest payable	2,310	8,150
Noncurrent liabilities:		
Revenue bonds/notes payable	895,000	2,895,000
Net OPEB liability	4,591	4,591
Total liabilities	1,069,179	3,244,671
Net Assets		
Invested in capital assets net of related debt	1,779,768	2,882,111
Restricted for:		
Revenue bond retirement	109,800	343,300
Water improvement	297,676	-
Wastewater improvement	-	223,368
Wastewater replacement		358,000
Capital improvements by donors	-	-
Bond indentures	-	-
Unrestricted	1,657,976	918,913
Total net assets	$ 3,845,220	4,725,692

See notes to financial statements.

Exhibit G

Enterprise		
Hospital	Sanitation	Total
479,050	21,529	574,467
576,075	10,235	603,151
640,045	12,073	695,597
369,000	-	369,000
369,319	-	739,319
-	-	10,460
1,349,409	-	5,139,409
-	4,591	13,773
3,782,898	48,428	8,145,176
4,406,174	109,375	9,177,428
-	-	453,100
-	-	297,676
-	-	223,368
		358,000
935,679	-	935,679
308,452	-	308,452
5,844,915	314,052	8,735,856
11,495,220	423,427	20,489,559

City of Iowa Falls, Iowa

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

Year ended June 30, 2010

	Water	Wastewater
Operating revenues:		
Charges for service	$ 632,893	799,214
Miscellaneous	33,151	22,414
Total operating revenues	666,044	821,628
Operating expenses:		
Business type activities	565,031	673,561
Total operating expenses	565,031	673,561
Operating income (loss)	101,013	148,067
Non-operating revenues (expenses):		
Interest income	26,978	24,506
Interest expense	(17,609)	(79,180)
Contributed capital	-	-
Share of net gain/loss of hospital's affiliated organizations	-	-
Gain/(Loss) on disposal of capital assets	-	-
Total non-operating revenues (expenses)	9,369	(54,674)
Excess of receipts over disbursements	110,382	93,393
Operating transfer in	-	-
Operating transfer out	(41,903)	(28,494)
Change in net assets	68,479	64,899
Net assets beginning of year	3,776,741	4,660,793
Net assets end of year	$ 3,845,220	4,725,692

See notes to financial statements.

Enterprise		
Hospital	Sanitation	Total
18,744,164	760,168	20,936,439
739,896	20,255	815,716
19,484,060	780,423	21,752,155
19,283,200	729,746	21,251,538
19,283,200	729,746	21,251,538
200,860	50,677	500,617
107,280	2,510	161,274
(84,510)	-	(181,299)
286,133	-	286,133
72,888	-	72,888
110	-	110
381,901	2,510	339,106
582,761	53,187	839,723
-	-	-
-	-	(70,397)
582,761	53,187	769,326
10,912,459	370,240	19,720,233
11,495,220	423,427	20,489,559

City of Iowa Falls, Iowa

Combined Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2010

	Water	Wastewater
Cash flows from operating activities:		
Cash received from customers and users	$ 684,353	849,631
Cash received from other revenues	-	-
Cash paid to suppliers and employees	(482,003)	(458,882)
Net cash provided by operating activities	202,350	390,749
Cash flows from noncapital financing activities:		
Net Transfers	(35,919)	(22,510)
Net cash provided by (used for) noncapital financing activities	(35,919)	(22,510)
Cash flows from capital and related financing activities:		
Proceeds from sale of property and equipment	-	-
Acquisition of capital assets	(728,081)	(1,762,522)
Principal paid on long-term debt	(100,000)	(265,000)
Proceeds from, issuance of long-term debt	1,095,000	1,834,000
Interest paid on long-term debt	(15,299)	(75,020)
Capital contribution	-	-
Net cash used for capital and related financing activities	251,620	(268,542)
Cash flows from investing activities:		
Interest on investments	23,897	22,697
Increase in investment in affiliated organizations	-	-
Net cash provided by investing activities	23,897	22,697
Net increase (decrease) in cash and cash equivalents	441,948	122,394
Cash and cash equivalents beginning of year	1,519,286	1,603,723
Cash and cash equivalents end of year	$ 1,961,234	1,726,117

Exhibit I

Enterprise		
Hospital	Sanitation	Total
19,619,712	786,158	21,939,854
738,733	-	738,733
(18,554,302)	(696,591)	(20,191,778)
1,804,143	89,567	2,486,809
-	-	(58,429)
-	-	(58,429)
25	-	25
(663,755)	-	(3,154,358)
(333,607)	-	(698,607)
147,690	-	3,076,690
(84,693)	-	(175,012)
286,133	-	286,133
(648,207)	-	(665,129)
109,131	2,065	157,790
86,088	-	86,088
195,219	2,065	243,878
1,351,155	91,632	2,007,129
4,120,832	162,675	7,406,516
5,471,987	254,307	9,413,645

City of Iowa Falls, Iowa

Combined Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2010

		Water	Wastewater
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	$	101,013	148,067
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization expense		110,663	219,829
Provision for bad debt		-	-
Increase in receivables		18,308	28,003
(Increase) decrease in inventories, at cost		(1,997)	-
(Increase) decrease in prepaid expenses		(1,754)	(231)
(Increase) in bond issuance costs		(20,164)	(61,025)
Increase (decrease) in accounts payable		(9,432)	(28,076)
(Decrease) accrued expenses		-	-
Increase (decrease) in salaries payable		633	650
Increase in compensated absences		489	1,166
Increase (decrease) in compensated absences		4,591	4,591
Increase in third-party payor settlement		-	-
Net cash provided by operating activities	$	202,350	312,974
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:			
Current assets:			
Cash	$	1,553,758	801,449
Restricted assets:			
Cash:			
Revenue debt service reserve account		109,800	343,300
Water improvement account		297,676	-
Wastewater improvement account		-	223,368
Wastewater replacement account		-	358,000
Cash and cash equivalents at year end	$	1,961,234	1,726,117

See notes to financial statements.

Exhibit I

Enterprise		
Hospital	Sanitation	Total
200,860	50,677	500,617
890,907	28,288	1,249,687
1,114,240	-	1,114,240
(679,855)	5,735	(627,809)
(10,945)	-	(12,942)
11,772	(2,469)	7,318
-	-	(81,189)
(51,354)	6,233	(82,629)
(111,482)	-	(111,482)
-	(1,802)	(519)
-	(1,686)	(31)
-	4,591	13,773
440,000	-	440,000
1,804,143	89,567	2,409,034
5,163,535	254,307	7,773,049
308,452	-	761,552
-	-	297,676
-	-	223,368
-	-	358,000
5,471,987	254,307	9,413,645

(1) Summary of Significant Accounting Policies

The City of Iowa Falls is a political subdivision of the State of Iowa located in Hardin County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Manager form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Iowa Falls provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. It also operates the airport and provides water, sewer and sanitation utilities.

The financial statements of the City of Iowa Falls have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the City of Iowa Falls has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Based on the foregoing criteria, the Ellsworth Municipal Hospital is considered to be part of the primary government and, therefore, the financial information is included in the City's financial statements. The financial activities of the Hospital are reflected in this report as an Enterprise Fund.

These financial statements present the City of Iowa Falls (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Units

The Iowa Falls Municipal Airport Authority (Authority) was established pursuant to Chapter 330A of the Code of Iowa to operate the City's airport facility. The Authority is governed by a five member board appointed by the Iowa Falls City Council. The board members serve at the pleasure of the City Council. The City annually provides significant operating subsidies to the Authority. In accordance with criteria set by the Governmental Accounting Standards Board, the Authority meets the definition of a component unit which should be discretely presented.

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Hardin County Assessor's Conference Board, Region Six Planning Commission, Region Six Housing Authority, Hardin County Sanitary Solid Waste Disposal Commission, Hardin County Emergency Management Commission, Hardin County E911 Service Board, Mid Iowa Drug Task Force and the NE Iowa Hazardous Materials Response Group.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor funds.

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Payroll Tax Levy Fund is used to account for the property tax levied to finance the payment of employee benefit.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major Proprietary Funds:

Enterprise:

The Water Fund is the used to account for the operation and maintenance of the City's water system.

The Wastewater Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Hospital Fund is used to account for the operation and maintenance of Ellsworth Municipal Hospital.

The Sanitation Fund is used to account for the operation and maintenance of the City's garbage and landfill system.

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary funds of the City apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains it financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents – The cash balances of most City funds are pooled and invested in interest-bearing cash accounts or certificates of deposit. Interest on the pooled cash investments is recognized as revenue when earned and allocated to the funds on a systematic basis, or as provided by law. Cash investments are separately held by the Hospital Fund, for which interest is also recognized as revenue when earned. Investments consist of non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax and tax increment financing revenue receivable represent taxes collected by the County but not remitted to the City at June 30, 2010 and unpaid taxes. The succeeding year property tax and tax increment financing revenues receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax and tax increment financing revenues receivable have been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax and tax increment financing revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2009.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2010, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in / first out method. Inventories in the Enterprise Funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue bonds/ notes are classified as restricted assets since their use is restricted by applicable bond/note indentures.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land, buildings and improvements	$ 1,000
Equipment and vehicles	1,000
Infrastructure	25,000

Capital assets of the City is depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	40-50 years
Improvements other than buildings	20-50 years
Vehicles	10-15 years
Equipment	5-30 years
Infrastructure	15-20 years

Bond Issuance Costs – Bond issuance costs associated with general obligation and revenue bonds are deferred and amortized over the term of the bonds using the bond outstanding method which approximates the interest method.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax and tax increment financing revenues receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the business type activities function.

F. Subsequent Events

The City has evaluated subsequent events through December 2, 2010, the date which the financial statements were available to be issued.

(2) Cash

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standard Board Statement No. 3, as amended by Statement No. 40.

(3) Allowances or Collection Losses

Allowances have been made for estimated collection losses on the following receivable amounts:

	Gross Receivables	Allowance For Collection Losses	Net Receivables
Customer accounts, Hospital Fund	$ 4,647,475	2,100,000	2,547,475

(4) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

Primary Government	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 885,920	-	-	885,920
Construction in progress - infrastructure	2,043,430	680,344	(2,632,685)	91,089
Construction in progress - other	9,732	89,895	-	99,627
Total capital assets not being depreciated	2,939,082	770,239	(2,632,685)	1,076,636
Capital assets being depreciated:				
Buildings	5,870,406	-	-	5,870,406
Improvements other than buildings	3,099,943	102,119	-	3,202,062
Equipment and vehicles	3,157,287	77,896	(28,927)	3,206,256
Infrastructure, street network	8,230,458	2,632,685	-	10,863,143
Total capital assets being depreciated	20,358,094	2,812,700	(28,927)	23,141,867
Less accumulated depreciation for:				
Buildings	1,082,682	118,817	-	1,201,499
Improvements other than buildings	1,487,519	160,736	-	1,648,255
Equipment and vehicles	2,009,854	219,809	(28,927)	2,200,736
Infrastructure, street network	4,895,507	344,597	-	5,240,104
Total accumulated depreciation	9,475,562	843,959	(28,927)	10,290,594
Total capital assets being depreciated, net	10,882,532	1,968,741	-	12,851,273
Governmental activities capital assets, net	$ 13,821,614	2,738,980	(2,632,685)	13,927,909

Business type activities	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	$ 733,257	-	-	733,257
Construction in progress	211,823	2,411,695	(99,633)	2,523,885
Total capital assets not being depreciated	945,080	2,411,695	(99,633)	3,257,142
Capital assets being depreciated:				
Buildings	5,704,861	-	-	5,704,861
Improvements other than buildings	711,114	84,946	-	796,060
Equipment and vehicles	11,807,665	679,577	(291,350)	12,195,892
Infrastructure, water and sewer network	10,198,645	-	-	10,198,645
Total capital assets being depreciated	28,422,285	764,523	(291,350)	28,895,458
Less accumulated depreciation for:				
Buildings	3,138,439	178,833	-	3,317,272
Improvements other than buildings	749,606	58,429	-	808,035
Equipment and vehicles	7,735,096	769,452	(291,030)	8,213,518
Infrastructure, water and sewer network	4,520,596	237,023	-	4,757,619
Total accumulated depreciation	16,143,737	1,243,737	(291,030)	17,096,444
Total capital assets being depreciated, net	12,278,548	(479,214)	(320)	11,799,014
Business type activities capital assets, net	$ 13,223,628	1,932,481	(99,953)	15,056,156

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

Governmental activities:	
Public safety	$ 157,728
Public works	423,504
Culture and recreation	236,955
General government	25,772
Total depreciation expense – governmental activities	$ 843,959

Business type activities:	
Water	$ 109,486
Wastewater	217,451
Hospital	888,512
Sanitation	28,288
Total depreciation expense – business type activities	$ 1,243,737

Discretely presented component unit	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	$ 74,112	610,710	-	684,822
Construction in progress	78,711	536,485	(610,710)	4,486
Total capital assets not being depreciated	152,823	1,147,195	(610,710)	689,308
Capital assets being depreciated:				
Buildings	546,368	-	-	546,368
Improvements other than buildings	80,574	-	-	80,574
Equipment and vehicles	189,137	-	-	189,137
Infrastructure, runway network	1,499,408	-	-	1,499,408
Total capital assets being depreciated	2,315,487	-	-	2,315,487
Less accumulated depreciation for:				
Buildings	164,470	21,863	-	186,333
Improvements other than buildings	58,132	10,671	-	68,803
Equipment and vehicles	83,722	33,899	-	117,621
Infrastructure, runway network	927,753	62,103	-	989,856
Total accumulated depreciation	1,234,077	128,536	-	1,362,613
Total capital assets being depreciated, net	1,081,410	(128,536)	-	952,874
Business type activities capital assets, net	$ 1,234,233	1,018,659	(610,710)	1,642,182

Total depreciation expense - discretely presented component unit	$ 128,536

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes:					
General and corporate purpose	$ 2,950,000	---	565,000	2,385,000	475,000
Compensated absences	150,704	168,868	150,704	168,868	168,868
Net OPEB liability	---	33,285	---	33,285	---
Total	$ 3,100,704	202,153	715,704	2,587,153	643,868

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Business type activities:					
Revenue bonds/notes:					
Water	$ ---	1,095,000	100,000	995,000	100,000
Wastewater	1,596,000	1,834,000	265,000	3,165,000	270,000
Hospital	1,904,645	147,690	333,607	1,718,728	369,319
Compensated absences	786,051	692,012	782,466	695,597	695,597
Net OPEB liability	---	13,773	---	13,773	---
Total	$ 4,286,696	3,782,475	1,481,073	6,588,098	1,434,916

The government-wide Statement of Activities includes $739,319 of the long-term liabilities due within one year for business type activities in “liabilities payable from restricted assets.”

Bonded Debt

General obligation bonds/notes:

Five issues of unmatured general obligation bonds/notes, totaling $2,385,000, are outstanding at June 30, 2010. General obligation bonds/notes bear interest with rates ranging from 2.70% to 4.15% and mature in varying annual amounts ranging from $55,000 to $210,000, with the final maturities due in the year ending June 30, 2017.

Revenue bonds/notes:

Six issues of unmatured revenue bonds/notes, totaling $5,878,728, are outstanding at June 30, 2010. These bonds/notes bear interest at rates of 1.45% to 6.073% and mature in varying annual amounts ranging from $9,745 to $300,000, with the final maturities due in the year ending June 30, 2024.

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay $3,430,000 in sewer revenue notes issued in December 2009. Proceeds from the notes provided financing for the construction of improvements to the wastewater treatment plant. The notes are payable solely from wastewater customer net revenues and are payable through 2024. Annual principal and interest payments on the notes are expected to require less than 90 percent of net revenues. The total principal and interest remaining to be paid on the notes is $3,945,665. For the current year, principal and interest paid and total customer net revenues were $313,402 and $367,896 respectively.

The City has pledged future water customer revenues, net of specified operating expenses, to repay $1,095,000 in water revenue notes issued in December 2009. Proceeds from the notes provided financing for the construction of improvements to the water plant and transmission system. The notes are payable solely from water customer net revenues and are payable through 2019. Annual principal and interest payments on the notes are expected to require less than 90 percent of net revenues. The total principal and interest remaining to be paid on the notes is $1,157,539. For the current year, principal and interest paid and total customer net revenues were $113,824 and $211,676 respectively.

The resolutions providing for the issuance of the revenue bonds/notes include the following provisions:

(a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.

(b) Sufficient monthly transfers shall be made to separate water, wastewater and hospital bond and interest sinking accounts for the purpose of making the bond/note principal and interest payments when due.

(c) Additional monthly transfers shall be made to separate water, wastewater and hospital debt service reserve accounts until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying bond/note principal and interest payments due when insufficient money is available in the sinking accounts.

(d) Additional monthly transfers of $2,000 to the wastewater improvement and replacement accounts shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.

(e) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds/notes falling due in the same year.

During the year ended June 30, 2010, the City was in compliance with the revenue bond/note provisions.

Details of bond/notes payable at June 30, 2010 are as follows:

Governmental activities:	Date of Issue	Interest Rate	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2010
General obligation bonds/notes:						
Corporate purpose	Oct 1, 2003	1.40-4.00%	Jun 1, 2014	60,000-80,000	700,000	$ 305,000
Corporate purpose	Oct 1, 2004	2.00-4.00%	Jun 1, 2017	65,000-90,000	900,000	565,000
Corporate purpose	Oct 15, 2006	3.90-4.15%	Jun 1, 2017	20,000-90,000	640,000	480,000
Corporate purpose	Mar 15, 2008	2.35-3.20%	Jun 1, 2014	170,000-210,000	1,340,000	800,000
Essential corporate purpose	Dec 15, 2002	2.40-4.00%	Jun 1, 2013	60,000-80,000	700,000	235,000
Total governmental activities						$ 2,385,000

Business type activities:	Date of Issue	Interest Rate	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2010
Revenue bonds/notes:						
Wastewater revenue capital loan notes, series 1996	Dec 8, 2009	1.10-4.125%	Jun 1, 2024	160,000-300,000	3,430,000	$ 3,165,000
Water revenue capital loan notes, series 2009	Dec 8, 2009	1.05-3.625%	Jun 1, 2019	100,000-125,000	1,095,000	$ 995,000
Hospital revenue bond, series 1998	Nov 1, 1998	5.00%	Jun 1, 2015	187,000-266,000	3,000,000	1,220,525
Hospital revenue note	Jul 18, 2008	6.073%	Jun 1, 2016	11,000-22,000	72,345	31,784
Hospital revenue note		5.150%		33,600	147,690	143,242
Hospital USDA Loan	June 30, 2009	2.49%	Jun 1, 2017	40,000-96,000	412,037	323,177
Total business type activities						$ 5,878,278

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

Year Ending	General Obligation		
June 30,	Principal	Interest	Total
2011	$ 475,000	84,283	559,283
2012	500,000	68,885	568,885
2013	520,000	51,938	571,938
2014	455,000	33,603	488,603
2015	140,000	17,323	157,323
2016-2017	295,000	17,954	312,954
	$ 2,385,000	273,985	2,658,985

Year Ending	Revenue			
June 30,	Principal	Interest	Total	Total
2011	$ 739,319	197,906	937,225	1,496,508
2012	754,249	175,494	929,743	1,498,628
2013	763,913	151,651	915,564	1,487,502
2014	728,008	126,443	854,451	1,343,054
2015	658,239	100,717	758,956	916,279
2016-2020	1,445,000	302,123	1,747,123	2,060,077
2021-2024	790,000	82,400	872,400	872,400
	$ 5,878,728	1,136,734	7,015,462	9,674,447

As of June 30, 2010, the general obligation debt issued by the City did not exceed its legal debt margin computed as follows:

Actual valuation	$ 249,388,280
Debt limit – 5% of total actual valuation	12,469,414
Debt applicable to debt limit:	
General obligation bonded debt outstanding	2,385,000
Legal debt margin	$ 10,084,414

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue:	
	Emergency	$ 32,530
	Local Option Sales Tax	198,701
	TIF	1,500
	Enterprise:	
	Water	41,903
	Sewer	28,494
		303,128
Special Revenue		
Road Use	Special Revenue:	
	Local Option Sales Tax	12,609
TIF	General	50
Payroll Tax Levy	Special Revenue:	
	Self Insurance	11,403
Economic Development Loans	Component Unit – Airport	524,687
	Special Revenue:	
	Local Option Sales Tax	2,136
		526,823
Carnegie-Ellsworth Endowment	Special Revenue:	
	Hotel/Motel Tax	8,986

Hotel/Motel Tax	Special Revenue:	
	Carnegie-Ellsworth Endowment	8,872
Local Option Sales Tax	Special Revenue:	
	TIF	25,270
	Capital Projects	36,942
	General	4,500
		66,712
Debt Service	Special Revenue:	
	TIF	269,441
	Local Option Sales Tax	270,735
		540,176
Capital Projects	Special Revenue:	
	TIF	19,560
	Local Option Sales Tax	238,111
		257,671
Component Unit – Airport	Special Revenue:	
	Economic Development Loans	535,940
	General	17,765
		553,705
Total		$ 2,290,135

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

(7) Interfund Assets/Liabilities

Interfund Receivable/Payable:

Receivable Fund	Payable Fund	Amount
Special Revenue:	Special Revenue:	
Economic Development Loans	Tax Increment Financing Revenues	$ 76,164
Enterprise:	Special Revenue:	
Water	Tax Increment Financing Revenues	19,353
Wastewater	Special Revenue:	
	Tax Increment Financial Revenues	19,353
Total		$ 114,870

These balances result from interfund loans to finance projects. Repayments will be made from future revenues.

(8) Economic Development Loans Receivable

The City has three long-term loans receivable totaling $118,584 as of June 30, 2010 due from businesses located in Iowa Falls. The loans were financed with the proceeds of two U.S. Department of Housing and Urban Development Action Grants and one Community Development Block Grant.

The first loan of $3,529 as of June 30, 2010 requires annual interest payments of 3%. The principle amount due each year is reviewed annually. This loan is collateralized by a second mortgage on all real estate of the business.

The second loan of $34,000 as of June 30, 2010 requires annual interest payments of 3%. The principle amount due each year is reviewed annually. The loan is secured by assignment contract and mortgage.

The third loan of $84,584 as of June 30, 2010 requires monthly payments of $966, including interest at 3% until September 1, 2018. The loan is secured by assignment contract and mortgage.

(9) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS 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.

Most regular plan members are required to contribute 4.3% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were $120,406, $114,588 and $105,813, respectively, equal to the required contributions for each year.

(10) Other Post-Employment Benefits (OPEB)

The City of Iowa Falls implemented GASB Statement No. 45 Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions during the year ended June 30, 2010.

Plan description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 41 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The City provides for a voluntary early retirement program. Qualification requires 15 years if consecutive employment with the City. The plan provides for payment of 20% of unused sick leave, plus 100% of the employee's unused vacation, plus the payment of one year of single health insurance coverage. The unused sick leave and unused vacation is not included in the valuation. The one year of paid health insurance is included in the valuation.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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 which, 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, 2010, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	$ 49,605
Interest on net OPEB obligation	---
Adjustment to annual required contribution	---
Annual OPEB cost	49,605
Contributions made	2,547
Increase in net OPEB obligation	47,058
Net OPEB obligation beginning of year	---
Net OPEB obligation end of year	$ 47,058

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated using the alternative measurement method by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the City contributed $2,547 to the medical plan. Plan members eligible for benefits contributed $0, or 0% of the premium costs.

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, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$ 49,605	5 %	$ 47,058

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was $400,863, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $400,863. The covered payroll (annual payroll of active employees covered by the plan was approximately $1,600,000 and the ratio of the UAAL to covered payroll was 25%. As of June 30, 2010, there were no trust fund assets.

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, presents 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 includes 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, 2009 actuarial valuation date, the Frozen Entry Age Actuarial Cost Method was used. A method, under which the excess of the Actuarial Present Value of Projected Benefits of the group included in an Actuarial Valuation, over the sum of the Actuarial Value of Assets plus the Unfunded Frozen Actuarial Accrued Liability, is allocated on a level basis over the earnings or service of the group between the valuation date and the assumed exit. This allocation is performed for the group as a whole, not a sum of individual allocations. The Frozen Actuarial Accrued Liability is determined using the Entry Age Actuarial Cost Method. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. Pay-as-you-go is the method of financing. There is no vesting of OPEB benefits before retirement and only after retirement if plan benefits are elected and continued. Actuarial Gains/ (Losses) will reduce (increase) Normal costs and the Unfunded Actuarial Liability. This is a Closed Group Method that uses the Level Dollar Cost Method (benefits are not related to salary). The actuarial assumptions include a 2.5% discount rate based on the City's funding policy. The health cost trend rate is 6% per year.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000 (2/3 Female, 1/3 Male). Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report and applying the termination factors used in the IPERS Actuarial Report.

Projected claim costs of the medical plan are $883 per month for retirees less than age 65 The UAAL is being amortized on a 30 year level dollar funding of the Actuarial Unfunded Liabilities. The actual plan funding method is pay-as-you-go which amortizes last year's loss into next year's normal cost.

(11) Industrial Development Revenue Bonds

The City has issued a total of $1,300,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which $1,216,716 is outstanding at June 30, 2010. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

(12) Related Party Transactions

The City had business transactions between the City and City officials totaling $22,860 during the year ended June 30, 2010.

(13) Joint Financing Agreement

The City is a member of the Hardin County Solid Waste Disposal Commission. The Hardin County Solid Waste Disposal Commission entered into a 28E agreement with the Butler County Solid Waste Commission and the Wright County Area Landfill Authority which established the Rural Iowa Waste Management Association (Association). During the year ended June 30, 1996, the Rural Iowa Waste Management Association issued $830,000 of Solid Waste Revenue Bonds pursuant to Chapter 28F.9 of the Code of Iowa. The principal and interest on the bonds are payable solely from and secured by the net revenues of the facilities operated by the Association. The balance outstanding at June 30, 2010 is $305,000.

(14) Risk Management

The City of Iowa Falls and the Ellsworth Municipal Hospital are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(15) Hospital Related Organizations

Master Affiliation Agreement

The Hospital entered into a Master Affiliation Agreement with Mercy Medical Center – North Iowa to provide hospital, physician, and other health care services in Iowa Falls and the North Central Iowa region under the name of Ellsworth Municipal Hospital. As a part of this Master Affiliation Agreement, the Hospital entered into a professional services agreement with Mercy Medical Center – North Iowa whereby Mercy Medical Center – North Iowa provides professional medical services for the Hospital. Amounts paid to Mercy Medical Center – North Iowa for the provision of these services amounted to $2,211,801 for the year ended June 30, 2010.

Management Services Agreement

The Hospital entered into a contractual arrangement with Medical Center – North Iowa under which Medical Center – North Iowa provides an administrator, director of nursing, management consultation, and other services to Ellsworth Municipal Hospital. The arrangement does not alter the authority or responsibility of the Board of Trustees of Ellsworth Municipal Hospital. Expenses for the administrative and management services received were $526,833 for the years ended June 30, 2010.

Due to Affiliated Organization

As of June 30, 2010, the Hospital records reflect a due to Medical Center – North Iowa of $107,233 for the various services and distributions related to these agreements.

(16) Construction Commitments

As of June 30, 2010, the City had the following commitments with respect to capital projects that have been approved by the Council:

The River Intercept project will be approximately 3,430,000 which will be paid from issuance of bonds. As of June 30, 2010, $1,658,000 has been spent on this project.

The Trail project will be approximately $442,000 and paid by grants and local sources. As of June 30, 2010, $97,000 has been spent on this project.

The Elk Run treatment plant project will be approximately $1,095,000 and will be paid from issuance of bonds. As of June 30, 2010, $749,000 has been spent on this project.

The Maintenance Building Roof and Insulation project will be approximately $145,000 and will be paid from TIF. As of June 30, 2010, $91,089 has been spent on this project.

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

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

(17) Contingencies

Litigations, Claims, and Other Disputes

The Hospital is subject to the usual contingencies in the normal course of operations and relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of litigations, claims, and disputes in process will not be material to the financial position of the hospital.

Malpractice Insurance

The Hospital has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of $1 million per claim and an aggregate limit of $3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured.

Healthcare Legislation and Regulation

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violation of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Hospital is in substantial compliance and fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations is subject to governmental review and interpretation, as well as regulatory actions unknown or unasserted at this time.

The City has one outstanding lawsuit against them. As of the date of the audit report, City officials do not anticipate any judgment against the City.

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Required Supplementary Information

City of Iowa Falls, Iowa
Budgetary Comparison Schedule of
Receipts/Revenues, Disbursements/Expenses and Changes in Balances/Net Assets -
Budget and Actual
All Governmental and Proprietary Funds and the Airport Authority
Discretely Presented Component Unit
Required Supplementary Information
Year ended June 30, 2010

	Funds Budgeted on Cash Basis - Actual			
	Governmental Fund Types	Proprietary Fund Type - Enterprise (excluding Hospital)	Component Unit - Airport Authority	Total
Receipts/Revenues:				
Property tax	$ 1,814,757	-	31,131	1,845,888
Tax increment financing	1,271,613	-	-	1,271,613
Other city tax	702,380	-	1,398	703,778
Licenses and permits	29,355	-	-	29,355
Use of money and property	111,801	43,410	22	155,233
Intergovernmental	637,655	-	528,082	1,165,737
Charges for service	101,710	2,032,448	-	2,134,158
Special assessments	-	-	-	-
Miscellaneous	487,924	4,164	47,659	539,747
Total receipts/revenues	5,157,195	2,080,022	608,292	7,845,509
Disbursements/Expenses:				
Public safety	1,384,491	-	-	1,384,491
Public works	89,597	-	619,187	708,784
Culture and recreation	760,983	-	-	760,983
Community and economic development	334,146	-	-	334,146
General government	173,164	-	-	173,164
Debt service	669,493	-	-	669,493
Capital projects	1,712,873	-	-	1,712,873
Business type activities	-	6,094,549	-	6,094,549
Total disbursements/expenses	5,124,747	6,094,549	619,187	11,838,483
Excess (deficiency) of receipts/revenues over (under) disbursements/expenses	32,448	(4,014,527)	(10,895)	(3,992,974)
Other financing sources, net	26,762	4,388,033	29,018	4,443,813
Excess (deficiency) of receipts/revenues and other and other financing uses	59,210	373,506	18,123	450,839
Balances/net assets beginning of year	5,007,410	1,251,164	-	6,258,574
Balances/net assets end of year	$ 5,066,620	1,624,670	18,123	6,709,413

See accompanying independent auditor's report.

Funds Budgeted on GAAP Basis - Actual Proprietary Fund Type Hospital	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
-	1,845,888	1,845,153	1,845,153	735
-	1,271,613	1,301,172	1,301,172	(29,559)
-	703,778	658,612	690,084	13,694
-	29,355	43,790	32,463	(3,108)
-	155,233	195,603	170,320	(15,087)
-	1,165,737	1,242,546	1,184,794	(19,057)
19,950,471	22,084,629	23,762,854	23,751,478	(1,666,849)
-	-	500	500	(500)
-	539,747	114,159	413,573	126,174
19,950,471	27,795,980	29,164,389	29,389,537	(1,593,557)
-	1,384,491	1,340,210	1,448,510	64,019
-	708,784	720,041	813,191	104,407
-	760,983	731,131	845,631	84,648
-	334,146	266,565	346,565	12,419
-	173,164	166,503	200,603	27,439
-	669,493	669,494	669,494	1
-	1,712,873	2,044,632	3,175,632	1,462,759
19,367,710	25,462,259	23,420,019	25,435,269	(26,990)
19,367,710	31,206,193	29,358,595	32,934,895	1,728,702
582,761	(3,410,213)	(194,206)	(3,545,358)	135,145
-	4,443,813	2,195,000	3,527,300	916,513
582,761	1,033,600	2,000,794	(18,058)	1,051,658
10,912,459	17,171,033	17,885,808	17,171,032	1
11,495,220	18,204,633	19,886,602	17,152,974	1,051,659

City of Iowa Falls, Iowa

Budgetary Comparison Schedule-Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds			Proprietary Funds Enterprise (Excluding Hospital)		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis	Cash Basis	Accrual Adjust-ments	Accrual Basis
Revenues	$ 5,157,195	(34,109)	5,123,086	2,080,022	242,067	2,322,089
Expenditures	(5,124,747)	(60,593)	(5,185,340)	(6,094,549)	4,029,422	(2,065,127)
Net	32,448	(94,702)	(62,254)	(4,014,527)	4,271,489	256,962
Other financing sources (uses)	26,762	14,617	41,379	4,388,033	(4,458,430)	(70,397)
Beginning fund balances	5,007,410	(412,676)	4,948,156	1,251,164	7,556,610	8,807,774
Ending fund balances	$ 5,066,620	(139,339)	4,927,281	1,624,670	7,369,669	8,994,339

	Discretly Presented Airport Authority Component Unit		
	Cash Basis	Accrual Adjust-ments	Accrual Basis
Revenues	$ 608,292	39,245	647,537
Expenses	(619,187)	410,092	(209,095)
Net	(10,895)	449,337	438,442
Other financing sources (uses)	29,018		29,018
Beginning fund balance	-	1,234,504	1,234,504
Ending fund balance	$ 18,123	1,683,841	1,701,964

See accompanying independent auditor's report.

City of Iowa Falls, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. 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 Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, one budget amendments increased budgeted disbursements by $3,576,300 and revenues by $225,148. This budget amendment is reflected in the final budgeted amounts.

The City of Iowa Falls prepares its budget on the cash basis except for hospital operations which are budgeted in accordance with U.S. generally accepted accounting principles. The Budgetary Comparison Schedule is a comparison of the cash basis receipts and disbursements and revenues and expenses of the Hospital Fund with the budget adopted and amended by the City Council.

During the year ended June 30, 2010, disbursements in the development and business type activities function exceeded the amounts budgeted.

City of Iowa Falls, Iowa

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
2010	July 1, 2009	-	$ 401	$ 401	0%	$1,600	25%

See note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

City of Iowa Falls, Iowa

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2010

	Special		
	Hotel Motel Tax	Emergency	Self-Insurance
Assets			
Cash	$ 133,336	-	3,597
Receivables:			
Property tax:			
Delinquent	-	396	-
Succeeding year	-	37,091	-
Accounts	-	-	-
Accrued interest	339	-	-
Due from other governments	-	-	-
Prepaid expenditures	-	-	-
Total assets	133,675	37,487	3,597
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	-	-	-
Salaries and benefits payable	-	-	-
Deferred revenue:			
Succeeding year property tax	-	37,091	-
Other	-	-	-
Total liabilities	-	37,091	-
Fund balances:			
Reserved for:			
Prepaid expenditures	-	-	-
Advance to other funds		-	-
Undesignated, reported in:			
Special revenue funds	133,675	396	3,597
Capital projects fund	-	-	-
Total fund balances	133,675	396	3,597
Total liabilities and fund balances	$ 133,675	37,487	3,597

See accompanying independent auditor's report.

Schedule 1

Road Use Tax	Revenue Carnegie-Ellsworth Endowment	Carnegie-Ellsworth Maintenance	Police Designated	Volunteer Fire Department	Capital Projects	Total
113,541	559,654	154,151	6,930	19,569	680,152	1,670,930
-	-	-	-	-	-	396
-	-	-	-	-	-	37,091
735	-	-	-	23		758
-	-	1,816	17	50	1,659	3,881
30,582	-	-	-	-	-	30,582
21,827	-	1,680	-	-	-	23,507
166,685	559,654	157,647	6,947	19,642	681,811	1,767,145
16,104	-	1,466	45	23	10,423	28,061
12,485	-	-	-	-	-	12,485
						-
-	-	-	-	-	-	37,091
-	-	-	-	-	-	-
28,589	-	1,466	45	23	10,423	77,637
21,827	-	1,680	-	-	-	23,507
-	-	-	-	-	-	-
116,269	559,654	154,501	6,902	19,619	-	994,613
-	-	-	-	-	671,388	671,388
138,096	559,654	156,181	6,902	19,619	671,388	1,689,508
166,685	559,654	157,647	6,947	19,642	681,811	1,767,145

City of Iowa Falls, Iowa

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances

Nonmajor Governmental Funds

Year ended June 30, 2010

	Special		
	Hotel/Motel Tax	Emergency	Self-Insurance
Revenues:			
Other city tax	$ 102,898	32,592	-
Use of money and property	2,117	-	-
Intergovernmental	-	-	-
Miscellaneous	-	-	-
Total revenues	105,015	32,592	-
Expenditures:			
Operating:			
Public safety	-	-	-
Public works	-	-	-
Community and economic development	125,344	-	-
Capital projects	-	-	-
Total expenditures	125,344	-	-
Excess of revenues over expenditures	(20,329)	32,592	-
Other financing sources (uses):			
Transfers in	8,872	-	-
Transfers out	(8,986)	(32,530)	(11,403)
Total other financing sources (uses):	(114)	(32,530)	(11,403)
Excess (deficiency) of revenues and other financing sources (uses) over expenditures and other financing uses	(20,443)	62	(11,403)
Fund balances beginning of year	154,118	334	15,000
Fund balances end of year	$ 133,675	396	3,597

See accompanying independent auditor's report.

	Revenue					
Road Use Tax	Carnegie-Ellsworth Endowment	Carnegie-Ellsworth Maintenance	Police Designated	Volunteer Fire Department	Capital Projects	Total
-	-	-	-	-	-	135,490
1,557	-	10,060	149	241	7,063	21,187
481,653	-	-	10,270	-	36,942	528,865
12,820	-	-	-	14,891	350,728	378,439
496,030	-	10,060	10,419	15,132	394,733	1,063,981
-	-	-	16,138	11,174	-	27,312
486,179	-	-	-	-	-	486,179
-	-	32,554		-	-	157,898
-	-	-	-	-	248,678	248,678
486,179	-	32,554	16,138	11,174	248,678	920,067
9,851	-	(22,494)	(5,719)	3,958	146,055	143,914
12,609	8,986	-	-	-	257,671	288,138
-	(8,872)	-	-	-	(36,942)	(98,733)
12,609	114	-	-	-	220,729	189,405
22,460	114	(22,494)	(5,719)	3,958	366,784	333,319
115,636	559,540	178,675	12,621	15,661	304,604	1,356,189
138,096	559,654	156,181	6,902	19,619	671,388	1,689,508

City of Iowa Falls, Iowa

Bond and Note Maturities

June 30, 2010

	General Obligation Bonds/Notes								
	Corporate Purpose			Corporate Purpose			GO Refunding Capital Loan Notes		
Year	Issued Oct 1, 2003			Issued Oct 1, 2004			Issued Mar 15, 2008		
Ending	Interest			Interest			Interest		
June 30,	Rates		Amount	Rates		Amount	Rates		Amount
2011	3.55	%	$ 70,000	3.20	%	$ 70,000	2.70	%	$ 190,000
2012	3.70		75,000	3.35		75,000	2.90		195,000
2013	3.85		80,000	3.55		80,000	3.05		205,000
2014	4.00		80,000	3.70		80,000	3.20		210,000
2015			-	3.80		85,000			-
2016			-	3.90		85,000			-
2017			-	4.00		90,000			-
Total			$ 305,000			$ 565,000			$ 800,000

	Revenue Bonds/Notes								
	Wastewater Revenue Capital Loan Notes			Water Revenue Capital Loan Notes			Hospital Revenue Bond Series 1998		
Year							Issued Nov 1, 1998		
Ending	Interest			Interest			Interest		
June 30,	Rates		Amount	Rates		Amount	Rates		Amount
2011	1.50	%	$ 270,000	1.45	%	$ 100,000	5.00	%	$ 228,911
2012	1.75		275,000	1.70		105,000	5.00		242,408
2013	2.20		280,000	2.15		105,000	5.00		252,933
2014	2.60		285,000	2.75		105,000	5.00		265,370
2015	3.00		290,000	2.75		110,000	5.00		230,903
2016	3.25		300,000	3.20		110,000			-
2017	3.45		160,000	3.40		115,000			-
2018	3.60		165,000	3.63		120,000			-
2019	3.75		170,000	3.63		125,000			-
2020	3.88		180,000			-			-
2021	4.00		185,000			-			-
2022	4.13		195,000			-			-
2023	4.13		200,000			-			-
2024	4.13		210,000			-			-
Total			$ 3,165,000			$ 995,000			$ 1,220,525

See accompanying independent auditor's report.

Schedule 3

General Obligation Bonds/Notes					
Essential Corporate Purpose			Capital Loan Notes Series 2005		
Issued Dec 15, 2002			Issued Oct. 1, 2006		
Interest Rates		Amount	Interest Rates		Amount
3.75	%	$ 75,000	3.90	%	$ 70,000
3.85		80,000	3.90		75,000
4.00		80,000	3.95		75,000
		-	4.00		85,000
		-	4.05		55,000
		-	4.10		60,000
		-	4.15		60,000
		$ 235,000			$ 480,000

Revenue Bonds/Notes								
Hospital Revenue USDA Loan			Hospital Revenue Cedar Rapids Bank & Trust			Hospital Revenue Iowa Falls State Bank		
Interest Rates		Amount	Interest Rates		Amount	Interest Rates		Amount
2.49	%	$ 91,614	6.073	%	$ 22,039	5.150	%	$ 26,755
2.49		93,914	6.073		9,745	5.150		28,182
2.49		96,290			-	5.150		29,690
2.49		41,359			-	5.150		31,279
		-			-	5.150		27,336
		-			-			-
		-			-			
		-			-			-
		-			-			-
		-			-			-
		-			-			-
		-			-			-
		-			-			-
		-			-			-
		$ 323,177			$ 31,784			$ 143,242

City of Iowa Falls, Iowa

Schedule 3

Bond and Note Maturities

June 30, 2010

General Obligation Bonds/Notes		
Year Ending June 30,		Total
2011	$	475,000
2012		500,000
2013		520,000
2014		455,000
2015		140,000
2016		145,000
2017		150,000
Total	$	2,385,000

Revenue Bonds/Notes		
Year Ending June 30,		Total
2011	$	739,319
2012		754,249
2013		763,913
2014		728,008
2015		658,239
2016		410,000
2017		275,000
2018		285,000
2019		295,000
2020		180,000
2021		185,000
2022		195,000
2023		200,000
2024		210,000
Total	$	5,878,728

See accompanying independent auditor's report.

City of Iowa Falls, Iowa

Schedule of Revenues by Source and Expenditures by Function

All Governmental Funds

For the Last Eight Years

	2010	2009	2008	2007
Revenues:				
Property tax	$ 1,786,806	1,564,704	1,494,982	1,400,514
Tax increment financing revenue	1,251,064	2,149,640	1,917,546	1,811,571
Other city tax	709,606	788,128	713,382	754,511
Licenses and permits	44,259	84,228	72,499	62,128
Use of money and property	65,412	102,790	199,157	243,822
Intergovernmental	618,056	1,552,601	1,184,468	776,088
Charges for service	97,980	98,364	119,465	146,950
Miscellaneous	549,903	244,965	303,519	209,422
Total	$ 5,123,086	6,585,420	6,005,018	5,405,007
Expenditures:				
Operating:				
Public safety	$ 1,408,415	1,431,502	1,296,586	1,315,999
Public works	809,690	677,405	597,857	650,685
Culture and recreation	820,002	708,467	671,157	705,734
Community and economic development	301,995	197,772	99,582	153,248
General government	138,214	128,093	152,263	116,442
Debt service	669,493	868,687	2,193,492	845,465
Capital projects	1,037,531	2,570,404	1,589,517	1,599,999
Total	$ 5,185,340	6,582,330	6,600,454	5,387,572

See accompanying independent auditor's report.

Schedule 4

2006	2005	2004	2003
1,362,623	1,435,121	1,545,978	1,428,398
1,286,764	1,142,363	885,271	781,318
666,026	605,179	567,995	582,462
52,250	86,381	60,721	41,528
217,700	156,051	82,696	95,151
819,551	761,667	955,757	1,394,722
137,101	136,768	133,319	146,660
373,608	368,117	377,068	348,223
4,915,623	4,691,647	4,608,805	4,818,462
1,234,754	1,207,781	1,052,954	1,092,281
565,837	443,900	432,051	436,786
578,525	618,940	561,258	668,445
136,666	116,335	201,158	438,733
123,957	175,021	321,840	335,867
800,951	775,946	753,665	697,591
1,924,758	2,341,908	1,622,095	2,586,624
5,365,448	5,679,831	4,945,021	6,256,327

City of Iowa Falls, Iowa

Schedule of Expenditures of Federal Awards

June 30, 2010

Grantor Program	CFDA Number	Agency or Pass-Through Number	Program Expenditures
Direct:			
U.S. Department of Transportation:			
Airport Improvement Program	20.106	3-19-0048-03	$ 387,861
Airport Improvement Program	20.106	3-19-0048-04	175,613
Total Direct			563,474
Indirect:			
Department of Transportation:			
Iowa Department of Public Safety Governor's Traffic Safety Bureau	20.601	10-406	4,500
Iowa Department of Transportation: Area-Highway Planning and Construction	20.205	FY 2010	2,336
Total Indirect			6,836
Total			$ 570,310

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Iowa Falls and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-33, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the Airport Authority discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Iowa Falls, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 12, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Iowa Falls' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Iowa Falls' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Iowa Falls' internal control over financial reporting.

A deficiency in internal control 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 material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Iowa Fall's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial

reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting: item II-A-10 and item II-B-10. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Iowa Falls' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit on the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

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

January 12, 2011

Independent Auditor's 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:

Compliance

We have audited the compliance of the City of Iowa Falls, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2010. The City of Iowa Falls' major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of the City of Iowa Falls' management. Our responsibility is to express an opinion on the City of Iowa Falls' compliance based on our audit.

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

In our opinion, the City of Iowa Falls complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

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

A deficiency in 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 material weakness in internal control over compliance is a deficiency , or combination of deficiencies, in internal control over compliance such that there is reasonable possibility material noncompliance with a type of compliance requirement if a federal program will not be prevented or detected is more than inconsequential will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance 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 Iowa Falls and other parties to whom the City of Iowa Falls may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

January 12, 2011

City of Iowa Falls, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

(a) Unqualified opinions were issued on the financial statements.

(b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.

(c) The audit did not disclose any non-compliance which is material to the financial statements.

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

(e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.

(f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

(g) The major program was CFDA Number 20.106 – Airport Improvement Program.

(h) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

(i) The City of Iowa Falls did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP). The City of Iowa Falls does not have an internal control system designed to provide for the preparation of the financial statements, including accompanying footnotes and statements of cash flows, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in and Audit*, requires us to communicate this matter to those charged with governance.

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

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

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

Conclusion – Response accepted.

II-B-10 Utility Billing – During the audit, we identified one billing category that did not get updated when the billing rates changed on July 1, 2009. The correct rate was subsequently input into the billing system by the City so that the proper rate will be used going forward. It was also noted that if there were any adjustments to a customer's account, it was not approved by someone outside the utility billing department.

Recommendation – The City should implement procedures to ensure that rates being used to calculate all of the categories in the utility billing system are the rates that have been approved by ordinance and are updated to correspond to the effective date of the ordinance. Also, the City should appoint an individual to approve any adjustments to the customer's accounts.

Response – This was an oversight on one category that doesn't have many customers. We will revise our procedures to ensure all categories are updated in the future. We will have the City manager approve any customer adjustments in the future.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

City of Iowa Falls, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

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

Part IV: Other Findings Related to Statutory Reporting:

IV-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the business activities function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in sufficient amounts in the future, if applicable.

Conclusion – Response accepted.

IV-B-10 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979. However, it was noted that the Council approved an expenditure to a local nonprofit organization in the next fiscal year that may not meet the definition of public purpose. In order to meet the definition of public purpose, the benefits to the public should be clearly documented. It was also noted that the fire department was paying for meals for their monthly meetings that may not meet the definition of public purpose.

Recommendation – The Council should consult legal council to determine if this proposed expenditure meets the definition of public purpose before monies are expended. Also, the Council should consider whether the fire department should set up a separate non-profit entity to legally separate the fund raising activities from the City.

Response – We will follow up on these recommendations.

Conclusion – No further procedures necessary.

IV-C-10 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-10 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Lisa Brannick, Police dispatcher	Sewing	$ 249
Steve Henry, Fire Secretary/ Treasurer, owner of Iowa Falls Glass	Supplies for fire station	262
Rick Gustin, Fire Chief Owner of Iowa Falls Heating & A/C	Heating & air conditioning maintenance & supplies	6,497
DennisBarrick, Fireman Owner of Hardin County Tire	Tires and repairs for vehicles	11,288
Tyler Prochaska, Fireman Owner of Pro-Repair & Performance	Repairs	4,564

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Police Dispatcher and the Fire Secretary do not appear to represent conflicts of interest since the total transactions with each individual were less than $1,500 during the fiscal year. The transactions with the Fire Chief and Firemen do not appear to represent conflicts of interest since they were entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa.

IV-E-10 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

IV-F-10 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-10 Revenue Bonds and Notes – The City has complied with the revenue bond and note provisions.

IV-H-10 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.

IV-I-10 TIF Expenditures – It was noted that certain expenditures were paid out of the TIF fund without first incurring legal debt. This appears to not be in accordance with Chapter 403 of the Code of Iowa even though these expenditures are proper TIF projects. It should be noted however, that the City has properly been decertifying it's TIF property taxes for cash balances on hand.

Recommendation – City officials should review their procedures to make sure they are in accordance with the State of Iowa.

Response – We have reviewed our procedures and we will make sure we follow the proper procedures in the future.

Conclusion – Response accepted.

IV-J-10 Other Information Required by Bond Resolution

Insurance – The following insurance policies were in force at June 30, 2010:

Insurer	Description	Amount	Expiration Date
Employer's Mutual	Property coverage	$ 19,705,167	Apr 1, 2011
Employer's Mutual	Liability coverage:		
	General aggregate	2,000,000	Apr 1, 2011
	Products aggregate	2,000,000	Apr 1, 2011
	Personal injury	1,000,000	Apr 1, 2011
	Each occurrence	1,000,000	Apr 1, 2011
	Fire damage	1,000,000	Apr 1, 2011
	Medical expense	5,000	Apr 1, 2011
Employer's Mutual	Inland Marine:		
	Contractor's equipment	755,751	Apr 1, 2011
	Data processing	194,419	Apr 1, 2011
	Valuable papers	650,000	Apr 1, 2011
	Miscellaneous property	51,028	Apr 1, 2011
Employer's Mutual	Automobile coverage:		
	Liability	1,000,000	Apr 1, 2011
	Auto medical	5,000	Apr 1, 2011
	Uninsured motorist	50,000	Apr 1, 2011
	Underinsured motorist	50,000	Apr 1, 2011
	Comprehensive/collision	Lesser of cash value or cost of repair	Apr 1, 2011

City of Iowa Falls, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Insurer	Description	Amount	Expiration Date
Employer's Mutual	Worker's compensation:		
	Bodily injury by accident	500,000	Apr 1, 2011
	Bodily injury by disease	500,000	Apr 1, 2011
	Policy limit	500,000	Apr 1, 2011
Employer's Mutual	Umbrella:		
	Occurrence limit	3,000,000	Apr 1, 2011
	Aggregate limit	3,000,000	Apr 1, 2011
Employer's Mutual	Linebacker:		
	Each loss	1,000,000	Apr 1, 2011
	Aggregate	1,000,000	Apr 1, 2011
	Insured's Deductible per Loss	3,000	Apr 1, 2010
Old Republic Insurance Company	Airport liability:		
	Completed Ops Agg Limit	1,000,000	Jul 1, 2010
	Each occurrence	1,000,000	Jul 1, 2010
	Malpractice aggregate	1,000,000	Jul 1, 2010
	Fire damage	50,000	Jul 1, 2010
	Medical expense	1,000	Jul 1, 2010
	Hangarkeepers-per aircraft	200,000	Jul 1, 2010
	Hangarkeepers-per occurrence	200,000	Jul 1, 2010
	Personal injury and advertising injury aggregate limit	1,000,000	Jul 1, 2010
Darwin Select Insurance Company	Airport public officials		
	Professional Liability	1,000,000	Jul 1, 2010
	Employment Practices Liab.	1,000,000	Jul 1, 2010
	Policy Aggregate	1,000,000	Jul 1, 2010
	Supplementary Payments	50,000	Jul 1, 2010
	Supplementary Payments Agg.	50,000	Jul 1, 2010

City of Iowa Falls, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Insurer	Description	Amount	Expiration Date
Allied Insurance Company	Public employees' blanket bond	100,000	Continuous until canceled
PMMIC	Pollution liability: Underground tanks	1,000,000	Nov 17, 2010

Statistical Information:

Description	Amount
Customers served at June 30, 2010 – Water	2,227
Customers served at June 30, 2010– Sewer	2,200

Water rates in effect at June 30, 2010:
Per month:
First 1,000 gallons - $3.57 minimum charge
1,000 to 20,000 gallons - $2.85 per 1,000 gallons
Over 20,000 gallons - $2.46 per 1,000 gallons

Sewer rates in effect at June 30, 2010:
Minimum charge per month of $5.25 plus $4.00 per 1,000 gallons of water used

Users who contribute wastewater, the strength of which is greater than normal domestic wastewater, and users who contribute more than an average of fifty thousand gallons per day during the entire current billing period, are charged the following rates for the excess concentration:

Flow in excess of fifty thousand gallons per day	$0.59 per 1000 gallons
Biochemical oxygen demand	$0.19 per pound
Suspended solids	$0.13 per pound
NH_3-N	$0.48 per pound