



# Comprehensive Annual Financial Report Year Ended June 30, 2010



Prepared by City of Marshalltown, Iowa  
Finance Department

# CITY OF MARSHALLTOWN, IOWA

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## **INTRODUCTORY SECTION**

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City of Marshalltown  
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December 17, 2010

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

In accordance with Chapter 11 of the Code of Iowa, I hereby submit the Comprehensive Annual Financial Report (CAFR) of the City of Marshalltown, Iowa, (City) for the fiscal year ended June 30, 2010. The accuracy of data, and the completeness and fairness of the presentation, including all disclosures, is the responsibility of the City management. To the best of our knowledge and belief, the enclosed data accurately, and in all material respects, is reported in a manner that presents fairly the financial position and results of operations for the City and its component units. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. Also included is information required to fulfill SEC disclosure regulations and bond covenants as it pertains to bonds held by the City of Marshalltown.

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

1. The introductory section is unaudited and includes the table of contents, this letter, a copy of the Certificate of Achievement for Excellence in Financial Reporting awarded for the FYE 09 CAFR, an organizational chart and a listing of principal elected and appointed officials.
2. The financial section includes the independent auditor's report, the management's discussion and analysis (MD&A) of the City's financial activities, the basic financial statements, the combining and individual fund financial statements, schedules and supplementary information.
3. The statistical section of the report, which is also unaudited, includes statistical information pertaining to the City's financial condition and operations, generally presented on a multi-year basis. This section has been expanded to comply with GASB (Government Accounting and Standards Board) Statement Number 44. Also included in this section are schedules required for bond covenant and SEC compliance.
4. The fourth section of the report provides the information needed to comply with the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to the single audit, including the independent auditor's report, the schedule of expenditures of federal awards (SEFA), schedule of findings and questioned costs are included in the compliance section.

The City of Marshalltown's financial statements have been audited by Eide Bailly, L.L.P. of Dubuque, IA, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended, June 30, 2010 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principals used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor, concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Marshalltown's financial statements for the fiscal year ended, June 30, 2010 are fairly presented in conformity with GAAP.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it. With the FY 05 financial

**CITY COUNCIL:** Marla Grabenbauer, Al Hoop, Andrea Maxwell, Robert Schubert, Patrick Stansberry, Bob Wenner, Bethany Wirin

report, the City implemented Governmental Accounting Standards Board Statement No. 44. This statement expands the usefulness of the information presented in the Statistical Section of this report, presenting many multi-year histories of many financial trends. As the years progress, a greater amount of comparison will be provided to aid the reader in understanding the underlying financial condition of the City.

### **Profile of the Government**

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

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

The annual budget serves as the foundation for the City of Marshalltown's financial planning, development and control. The budget is adopted as one document containing two components, the capital and operating budget. The capital budget includes all projects and assets acquisitions in excess of \$5,000. All City departments are required to submit appropriation requests to the finance department during the fall of each year. Revenue estimates and expenditure requests are verified for availability and compatibility with Council goals and policies. The city administrator and finance director then uses this analysis for developing a proposed budget. The proposed budget is presented to the council for review during January. The council is required to hold at least one public hearing on the proposed budget and to adopt a final budget before March 15. The legally adopted budget is prepared by function (e.g., Public Safety, Public Works, Capital Projects etc). Department managers may make transfers of appropriations within the department. The transfer of appropriations between functions, however, requires a public hearing and approval by the city council prior to exceeding the published function budget. Budgetary control is monitored at the function level. All funds budgeted in accordance with state statute are included in the budget-to-actual comparisons, presented on pages 75-76 as part of the required supplementary information.

## ECONOMIC CONDITION AND OUTLOOK

Policom Corporation, an independent economic research firm which specializes in analyzing local and state economies, recently released a report which compares the economic strength of both metropolitan and micropolitan areas across the United States. This report is very positive for Marshalltown when compared to 14 other micropolitan areas in Iowa. The report ranks the economic strength of Marshalltown as 166<sup>th</sup> of the 576 micropolitan areas across the United States and puts Marshalltown at the 21<sup>st</sup> percentile for economic strength nationwide. Marshalltown has made consistent progress in the past six years on the economic strength analysis report and has moved up from ranking 250<sup>th</sup> in 2004 to 194 in 2006 to the present 166<sup>th</sup>. For additional information, go to [www.policom.com/microrank.htm](http://www.policom.com/microrank.htm).

The number of building permits was down overall. The value of new construction went from 12.2 million to 17.8 million for new construction but went down to 4.0 million from 14.8 from the prior year for remodeling, repairs and additions. The recession impacted retail sales this fiscal year by decreasing to 2006 levels. Unemployment stayed at 6.7% which is lower than national levels but the highest in the past ten years.

The Local Option Sales Tax (LOST) begun April 1, 2000 and was extended for another ten years in early 2004. The original ballot language required 20% of the LOST for the storm sewer, 5% for cash flow reserves and 75% designated for property tax relief. Having successfully achieved the goals of that mandate, the 2004 ballot changed the 5% to be designated by the City Council for any legal purpose and the 20% to be designated for storm sewer and other capital projects. The LOST generated over \$2.6 million tax collected, demonstrating a small decrease from the prior year. The property tax relief portion of the LOST was applied during preparation of the budget for fiscal year 2009-10, reduced the tax levy by \$2.98/\$1,000 of taxable valuation or \$2,175,000. The Council's discretionary designation for this year went towards the renovation of the old Carnegie Library project. The George Butler and Associates study on the condition of the storm sewer system, created a status and location database sighting repairs and reconstruction in excess of \$13.6 million. During this year, Council continued working on their long list of projects, completing work on West Merle Hibbs Boulevard, Iowa Ave HMA Resurfacing project, City Centre parking lot and 33" sanitary sewer CIPP Project. Future projects are prioritized within the Capital Improvement Plan which is prepared as part of the budget process.

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

The City continued to clean up the damage from the flooding in May and June of 2008. Repair costs totaled approximately \$775,000, but the City received approximately \$765,000 from FEMA and state grants. During this period of heavy rains the City recognized continuing sanitary sewer infiltration/inflow problems during periods of high groundwater. The Iowa Department of Natural Resources notified the City by letter that a written plan addressing future efforts to identify and eliminate sources of infiltration and inflow (I/I) was required based upon the City's NPDES Permit. A study conducted by CH2M Hill was recently completed to identify and quantify the sources of infiltration and inflow (I/I). Based upon this report the City has identified two projects to be completed during the next couple of fiscal years. See additional information on the projects and grants reported below under major initiatives.

## MAJOR INITIATIVES

### BUILDING ON WHAT WE ALREADY HAVE

This fiscal year marked historic moments for the City of Marshalltown due to the renovation of various buildings in the downtown district. The renovated historic Orpheum Theatre opened their doors to the public sixty-one years after the original theatre opened. The Theatre was a joint venture between Iowa Valley Community College (IVCCD), the Orpheum Board of directors, and the City. The restoration kept the retro style of this 1949 movie theatre and includes a coffee shop. The renovation project cost 3.2

million and was part of IVCCD \$35 million bond issue approved by the voters in December 2006. The Orpheum Theater is a member of the League of Historic American Theaters and is administered by Iowa Valley Community College District.

In 1902, Andrew Carnegie provided \$30,000 to build a new library. In 2008 the library moved which left the historic Carnegie building and the Liese Addition vacant. Planning began for the reuse of the building followed quickly by renovation. In April 2010, the Parks & Recreation Office moved into their new home followed by the Engineering office and Housing & Community Development Department in June. The City Council began meeting in the new council chambers on June 7<sup>th</sup>. Partial funding for this project was awarded by the State of Iowa in the form of a \$618,618 I-JOBS grant, \$300,000 by HUD Section 8 Rent Assistance Program and \$700,000 in general obligation bonds.

The City continued the renovation by connecting the Carnegie building to City Hall. This walkway allows citizens, guests and staff to go between the above departments and City Hall without having to go outside. Plans are to renovate City Hall as soon as funds become available. The City Clerk's office was renovated due to the attachment between the two buildings.

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

<http://ivh.iowa.gov/MasterPlan/tabid/148/Default.aspx>

Private industry also contributed to the restoration of older buildings in the downtown area. Emerson Process Management renovated their downtown factory. This 136,000 square foot factory was converted to the state-of-the-art Emerson Innovation Center, Fisher® Technology. The \$30 million investment is designed to tackle the toughest engineering challenges facing today's process manufacturing and energy industries. The Center is home to the largest "flow lab" in the world, enabling control valves to be tested in real-world plant conditions to ensure production reliability, efficiency, environmental compliance, and safety. The center's flow lab has enough capacity to fill an Olympic-sized pool in just over eight minutes, or a Goodyear "blimp" in about 12 seconds. The center required almost 2 million pounds of process piping, more than 1,600 feet of 30-inch and 36-inch pipe, seven underground air storage tanks each more than 150 feet long, and more than 4,500 cubic yards of concrete.

A developer's agreement was signed with Menards, Inc. on June 14, 2010. Menards will construct a 162,340 square foot retail store and associated lumberyard. The estimated value of this construction is approximately 7.3 million. The City has agreed to construct the expansion of Iowa Avenue West to at least a three-lane cross section including all associated utilities and traffic signalization at the intersection of Iowa Ave West and South 6<sup>th</sup> Street through the use of tax incremental financing (TIF). The store is set to open in December 2012.

The City has undertaken two projects identified by the infiltration and inflow (I/I) study. The City received a 2.5 million Community Development Block Grant from Iowa Department of Economic Development (IDED) to aid in the financing of the 2009 Sewer Rehabilitation Project, which is estimated to cost 3 million. The WPCP Peak Flow Holding and Pumping Improvements Project is estimated to cost 5.6 million and will be funded by the issuance of bonds. The project will include a holding pond with an additional pumping station.

The City has received several housing grants that are currently in progress. The largest grant was for a 2.591 million grant from US Department of Housing and Urban Development for the purpose of lead hazard control for low income homeowners and rental property owners with low income tenants. The home must be located in the Marshall, Tama and Hardin County area, been built before 1978 and house small children under the age of six. The funding is expected to make 150 homes lead safe over a three year period with 58 units being completed by June 30<sup>th</sup>.

Another grant from the Iowa Department of Economic Development was for a Neighborhood Stabilization Program (NSP) grant in the amount of \$399,723 for the purpose of property acquisition, demolition and rehabilitation in association with foreclosed and abandoned properties. As of June 30, the City has acquired four properties for rehabilitation.

#### OTHER INFLUENCING FACTORS

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

#### State Economic Impact:

During fiscal year 09-10 the residential assessment rollback increased slightly. Assessed values increased in FY 10 by a modest \$7.3 million. However, the taxable growth in values was increased by 11.4 million, influenced by the increase of 45.5893% rollback factor for residential property. During the 1980's, the state legislature limited the value growth by class to 4% statewide and linked or coupled agricultural and residential values so that neither class could increase at a greater percentage than the other. The emergence of ethanol plants in Iowa has changed the market value of agricultural prices which has impacted the property tax system in Iowa. Legislative Interim committees continue to examine the property tax system because, in part, the rollback factor continues to shift the burden for the payment of services onto our businesses and industries. The table below demonstrates the magnitude of roll back by property classification.

Fiscal Year	Residential	Agricultural	Commercial	Industrial	Utility
09-10	45.5893	93.8568	100.	100.	Excise tax
08-09	44.0803	90.102	99.73120	99.73120	Excise tax
07-08	45.5596	100.	100.	100.	Excise tax
06-07	45.9960	100.	99.1509	100.	Excise tax
05-06	47.9642	100.	100.	100.	Excise tax
04-05	45.9960	100.	99.2574	100.	Excise tax
03-04	47.9642	100.	100.	100.	Excise tax
02-03	48.4558	100.	97.7701	100.	Excise tax
01-02	51.3874	100.	100.	100.	Excise tax
00-01	51.6676	96.338	98.7732	100.	Excise tax

The Utility Replacement Tax (URT) also known as the Excise Tax, replaced the centrally assessed property tax on utilities with an excise tax based on the generation, transmission and distribution of electricity and natural gas since 1998. An assessed value of utility property is, however still used to calculate bonding capacity. This fiscal year there was a decrease of 2.6% from the Utility Replacement Tax.

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

Capital Improvement Project (CIP) levy is property tax revenue used for the repair and replacement of capital items, approved by a referendum in 1999. This Capital Improvement levy generated \$432,270 this year. Use of this levy allows: 1) capital equipment and building maintenance on a routine, planned basis, 2) avoids or eliminates the use of debt capacity for capital equipment and building maintenance, 3) avoids or eliminates.

interest expense for capital equipment and building maintenance 4) allows more flexibility for operations within the general fund. By resolution, the City Council voted to set aside 15% of the annual capital improvement levy for large capital items such as fire engines. To better manage the resources generated by the levy, all departments prepare at least a five year capital needs plan for Council approval.

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

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

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

#### INTER-GOVERNMENTAL COOPERATION

A monthly meeting of the management of each of the governmental bodies continues in its 16<sup>th</sup> year. Discussions at these meetings allow informal discussions on changes in the community and their impact on each agency in the areas of taxation, tax increment financing, GIS mapping, data processing, zoning, demographics, personnel and transportation. Many of these managers also travel to Washington DC with the Chamber of Commerce and MEDIC (Marshall Economic Development Impact Committee) to explore available programs and funding assistance.

The County Board of Supervisors meets with the City Council on a quarterly basis to continue management's involvement in intergovernmental cooperation and efficiencies.

#### FINANCIAL INFORMATION

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

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

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

As a part of the City's compliance audit, described earlier, tests are made to determine the adequacy of the internal controls, including that portion related to federal financial assistance programs, and the state programs determined under the same criteria, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's independent auditor's results for the fiscal year ended June 30, 2010, disclosed a material weakness in internal control over financial reporting. All findings and comments can be found in the Schedule of Findings and Questioned Costs in the Compliance Section of this report.

*Cash Management.* Cash temporarily idle during the year can be invested in demand deposits, certificates of deposits, commercial paper rated AAA or above, obligations of the U.S. Treasury, repurchase agreements collateralized by U.S. treasuries or an investment pool. The investment pool utilized by the City was the IPAIT (Iowa Public Agency Investment Trust) which invests primarily in U.S. Treasury securities, repurchase agreements, and agency securities backed by the full faith and credit of the U.S. Government. Investment of City funds are restricted by state statute and local policy. All investments of the primary government are directly held and managed by the City Finance Director with co-authority of the City Administrator. An Investment Advisory Committee of financial specialists within the community review all investment activity on not less than a quarterly basis, insuring the investment vehicles are diversified, staggered to meet cash flow needs, and with minimal risk exposure. The maturities of investments generally range from 30 days to 3 years. The volatility in interest rates, and progress on capital projects there was a decrease in earnings idle funds from \$325,699 in FYE '09 to \$217,948 this year.

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

The City's self-funded health insurance also promotes safety and wellness through preventative incentives, publications and various activities. Third party coverage insures a stop loss limit of \$85,000 minimizing catastrophic exposure to losses. The Group Health Advisory Committee, made up of City employees and support staff, was formed to examine the City's self-administered insurance program. The committee continues to implement and monitor changes to the coverage of the group. Participation in the IRS Section 125 Cafeteria Plan, disability insurance, voluntary life insurance, prescription discounts and wellness programs have substantially increased. A self-funded Preferred Provider Organization (PPO) plan has been offered since January 1998 as an alternative to increased premiums. Provider discounts and favorable experience with claims positively impacts the city again this year increasing available cash balances in the internal service fund and helps control tax levies which support the City's portion of the premium. Cost containment measures and claim review continue to improve control over excessive claims. Cash balances increased slightly during the year.

*Post employment benefits.* The City of Marshalltown provides postretirement health care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 65 retired employees or surviving spouse receiving these benefits, which are financed on a pay-as-you-go basis. This is the second year, GAAP requires governments in Marshalltown's size bracket to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. The City prepared the Actuarial report for the reporting changes required by GASB in this area through various policy changes. See Note 8 under the Notes to Financial Statements for more detail on the policies and changes which affect the post employment benefits.

OTHER INFORMATION

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

*Awards.* The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the years ending June 30, 1990, and consecutively 1993 through 2009. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

The preparation of this report could not be accomplished without the dedicated services of the entire Finance Department. This has been another transition year for the City with the retirement of many department heads, which included the city administrator, finance director and water pollution control director. The City has continued to maintain continuity and make good progress. We also want to acknowledge the assistance from many other department staff, agencies and organizations which are all vital to the culmination of this report.

Respectfully submitted,



Lori Stansberry, CPA  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Marshalltown  
Iowa

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

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

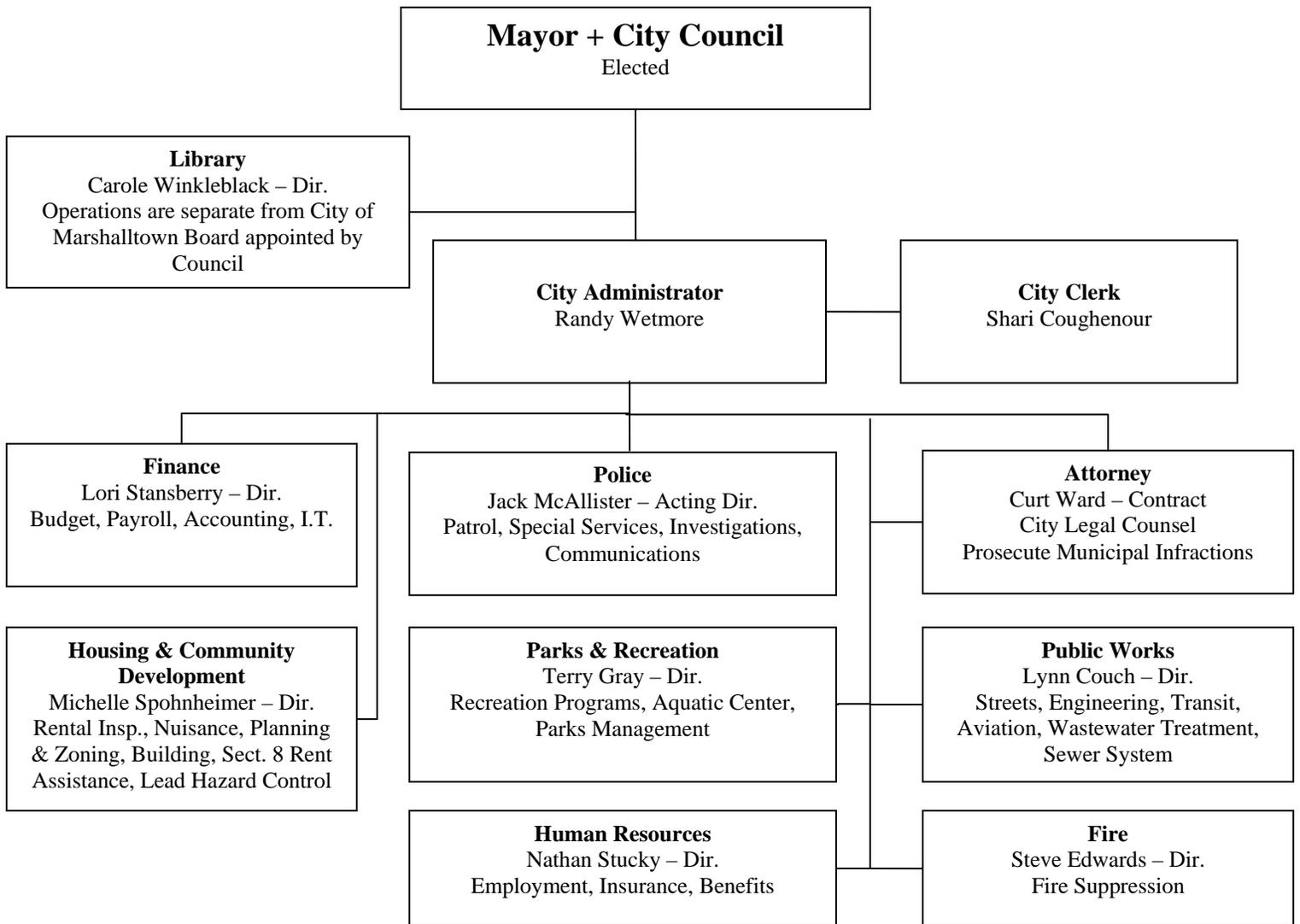


President

Executive Director



# Marshalltown Organization Chart-2010



**CITY OF MARSHALLTOWN, IOWA**  
**OFFICIALS**  
**JUNE 30, 2010**

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Name	Title	Term Expires
Elected officials:		
Gene Beach	Mayor	December 31, 2013
Bethany Wirin	Mayor Pro-tem	December 31, 2013
Andrea Maxwell	Council Member	December 31, 2011
Robert Schubert	Council Member	December 31, 2013
Al Hoop	Council Member	December 31, 2011
Leon Lamer	Council Member	December 31, 2011
Robert Wenner	Council Member	December 31, 2013
Marla Grabenbauer	Council Member	December 31, 2013
Council-appointed officials:		
Randy Wetmore	City Administrator	June 28, 2013
City Administrator appointment with Council Approval:		
	City Attorney	No internal attorney
Shari Coughenour	City Clerk	Indefinite
Lori Stansberry	Finance Director	Indefinite
Steve Edwards	Fire Chief	Indefinite
Michelle Spohnheimer	Housing Director	Indefinite
Terry Gray	Parks and Recreation Director	Indefinite
Jack McAllister	Acting Police Chief	Indefinite
John Phillips	Public Facilities Superintendent	Indefinite
Lynn Couch	Public Works Director	Indefinite
Nathan Stucky	Technical Services Coordinator	Indefinite
John Larkin	Water Pollution Control Director	Indefinite

## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshalltown, Iowa, as of and for the year ended June 30, 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 management of the City of Marshalltown. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Marshalltown Water Works and the Marshalltown Convention and Visitors Bureau. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Marshalltown Water Works and the Marshalltown Convention and Visitors Bureau, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Marshalltown Convention and Visitors Bureau were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshalltown, Iowa, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 17 to the financial statements, the City has recorded material prior period adjustments.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and other required supplementary information, listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Marshalltown, Iowa. The introductory section, combining nonmajor fund financial statements, schedule of bond maturities, and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Marshalltown. The combining nonmajor fund financial statements, schedule of bond maturities, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

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

Dubuque, Iowa  
December 17, 2010

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

The following is a narrative overview and analysis of the financial activities of the City of Marshalltown for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-8 of this report. Additional historical information can be found in the Statistical Section of this report supporting some of the analysis presented in this discussion and the transmittal letter.

### Financial Highlights of Primary Government

- Assets of the City of Marshalltown exceeded its liabilities at the close of the most recent fiscal year by \$74,272,162 (*net assets*) as compared to \$69,895,462 in the prior year, as restated.
- The City's total net assets increased by \$4,376,700. This increase is attributable primarily to the reduction of debt liabilities, an increase in Grants (operating and capital) and Contributions.
- As of the close of the current fiscal year, the City of Marshalltown's governmental funds reported combined ending fund balances of \$10,420,430 a decrease of \$575,734 in comparison with the prior year. This reflects the planned drawdown of the fund balances to be used for capital projects such as the library construction, Carnegie building renovation and various storm water and street projects.
- \$2,282,458 a decrease of \$259,001 over last year's ending balance for governmental funds is available for spending at the City's discretion (*unreserved undesignated fund balance*). This reduction is due to drawing down on the fund balance in general and road use tax. The recession has caused revenues to decrease while expenditures have continued to increase.
- The City's total debt had a net decrease of \$2,556,681 during the current fiscal year. This change reflects the retirement of existing bonds.

### Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus,

revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

The government-wide financial statements can be found on pages 32-34 of this report.

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

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

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

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

The City of Marshalltown adopts an annual appropriated budget for all funds as required by state statute. In Iowa, budgetary compliance is at the function level, transcending fund level accounting as demonstrated in this report. Budgetary comparison statements have been provided for the governmental and enterprise/proprietary fund levels. This comparison demonstrates the City's compliance with state requirements. This comparison can be found on pages 75-76 of this report.

The basic governmental fund financial statements can be found on pages 35-38 of this report.

**Proprietary funds.** The City of Marshalltown maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Storm Sewer, Water Pollution Control and Non-major Enterprise funds, namely, Compost, Transit and Concession activities.

The basic proprietary fund financial statements can be found on pages 39-43 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* available to support the City of Marshalltown's own programs. The most significant fiduciary fund maintained by the City of Marshalltown is the payroll fund; which records the taxes collected for other taxing jurisdictions within the City of Marshalltown. The accounting used for fiduciary funds is much like that used for governmental funds. The basic fiduciary fund financial statements can be found on pages 44-45 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 46-72 of this report.

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

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

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Marshalltown, assets exceeded liabilities by \$74,272,162 at the close of the most recent fiscal year.

By far, the largest portion of the City of Marshalltown's net assets \$56,656,347 reflect its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less depreciation and any related debt. The City of Marshalltown uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Marshalltown's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF MARSHALLTOWN NET ASSETS**

**June 30, 2010**

**Governmental Activities**

	<u>FY 2009-10</u>	<u>FY 2008-09</u>	<u>Increase (decrease)</u>
Current and other assets	\$ 24,391,019	\$ 24,916,909	\$ (525,890)
Capital assets	44,124,498	41,985,897	2,138,601
	<hr/>	<hr/>	<hr/>
Total Assets	68,515,517	66,902,806	1,612,711
Current and other liabilities	11,849,350	11,945,005	(95,655)
Non-current liabilities	19,190,861	20,722,032	(1,531,171)
	<hr/>	<hr/>	<hr/>
Total Liabilities	31,040,211	32,667,037	(1,626,826)
Net assets:			
Invested in capital assets, net of related debt	26,650,049	23,043,549	3,606,500
Restricted	5,480,294	4,092,324	1,387,970
Unrestricted	5,344,963	7,099,896	(1,754,933)
	<hr/>	<hr/>	<hr/>
Total Net assets \$	<u>37,475,306</u>	<u>34,235,769</u>	<u>3,239,537</u>

**Business-type Activities**

	<u>FY 2009-10</u>	<u>FY 2008-09</u>	<u>Increase (decrease)</u>
Current and other assets	\$ 7,663,388	\$ 6,660,496	\$ 1,002,892
Capital assets	34,438,212	34,482,000	(43,788)
	<hr/>	<hr/>	<hr/>
Total Assets	42,101,600	41,142,496	959,104
Current and other liabilities	648,274	276,804	371,470
Non-current liabilities	4,656,470	5,205,999	(549,529)
	<hr/>	<hr/>	<hr/>
Total Liabilities	5,304,744	5,482,803	(178,059)
Net assets:			
Invested in capital assets, net of related debt	30,006,298	29,462,000	544,298
Restricted	947,675	948,423	(748)
Unrestricted	5,842,883	5,249,270	593,613
	<hr/>	<hr/>	<hr/>
Total Net assets \$	<u>36,796,856</u>	<u>35,659,693</u>	<u>1,137,163</u>

<b>Total Net Assets</b>			
	<u>FY 2009-10</u>	<u>FY 2008-09</u>	<u>Increase (decrease)</u>
Current and other assets	\$ 32,054,407	\$ 31,577,405	\$ 477,002
Capital assets	78,562,710	76,467,897	2,094,813
Total Assets	<u>110,617,117</u>	<u>108,045,302</u>	<u>2,571,815</u>
Current and other liabilities	12,497,624	12,221,809	275,815
Non-current liabilities	23,847,331	25,928,031	(2,080,700)
Total Liabilities	<u>36,344,955</u>	<u>38,149,840</u>	<u>(1,804,885)</u>
Net assets:			
Invested in capital assets, net of related debt	56,656,347	52,505,549	4,150,798
Restricted	6,427,969	5,040,747	1,387,222
Unrestricted	11,187,846	12,349,166	(1,161,320)
Total Net assets \$	<u>\$ 74,272,162</u>	<u>\$ 69,895,462</u>	<u>\$ 4,376,700</u>

A portion of the City of Marshalltown's activities net assets (\$6,427,969) represents resources that are subject to external restrictions. Prior year comparison shows \$5,040,747, an increase of \$1,387,222. The remaining balance of unrestricted net assets (\$11,187,846) may be used to meet the government's ongoing obligations to citizens and creditors. This is a decrease in available net assets over 2009-2010 by \$1,161,320. At the end of the current fiscal year, the City of Marshalltown is able to report positive balances in all three categories of net assets, governmental, business-type activities, and total.

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

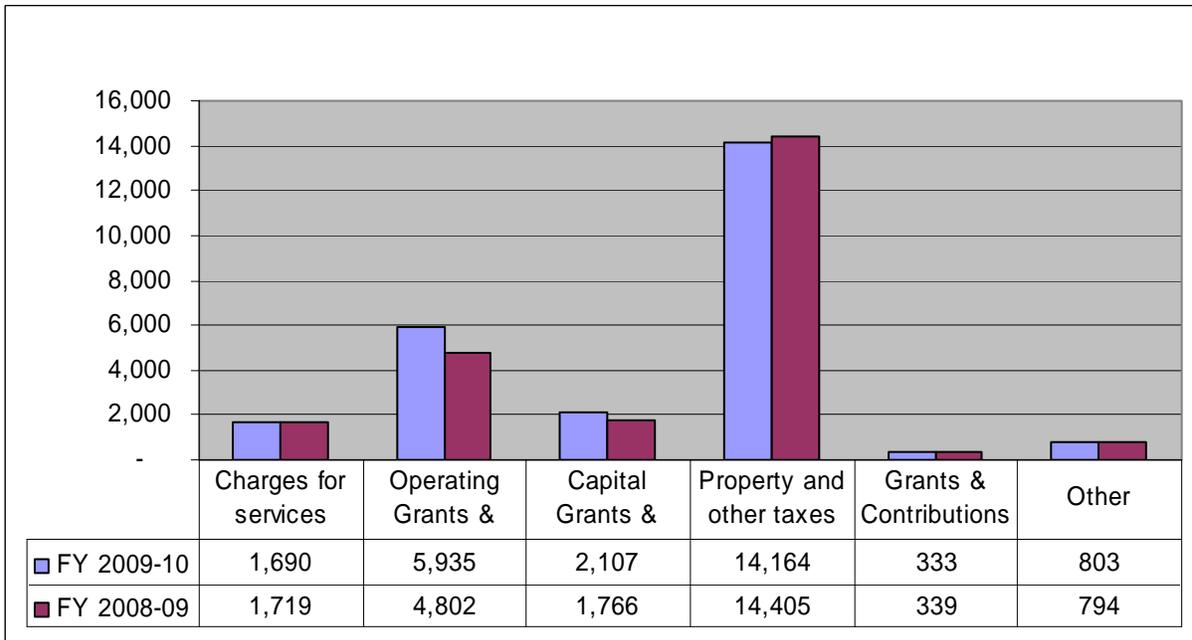
### City of Marshalltown Changes in Net Assets

<b>Governmental Activities</b>			
	<u>FY 2009-10</u>	<u>FY 2008-09</u>	<u>Increase (decrease)</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 1,689,962	\$ 1,718,689	\$ (28,727)
Operating Grants and Contributions	5,935,212	4,801,542	1,133,670
Capital Grants and contributions	2,106,963	1,766,302	340,661
General Revenues			
Property and other taxes	14,163,931	14,404,789	(240,858)
Grants & Contributions not restricted to specific programs	333,259	339,243	(5,984)
Other	803,407	793,952	9,455
Total Revenues	<u>25,032,734</u>	<u>23,824,517</u>	<u>1,208,217</u>

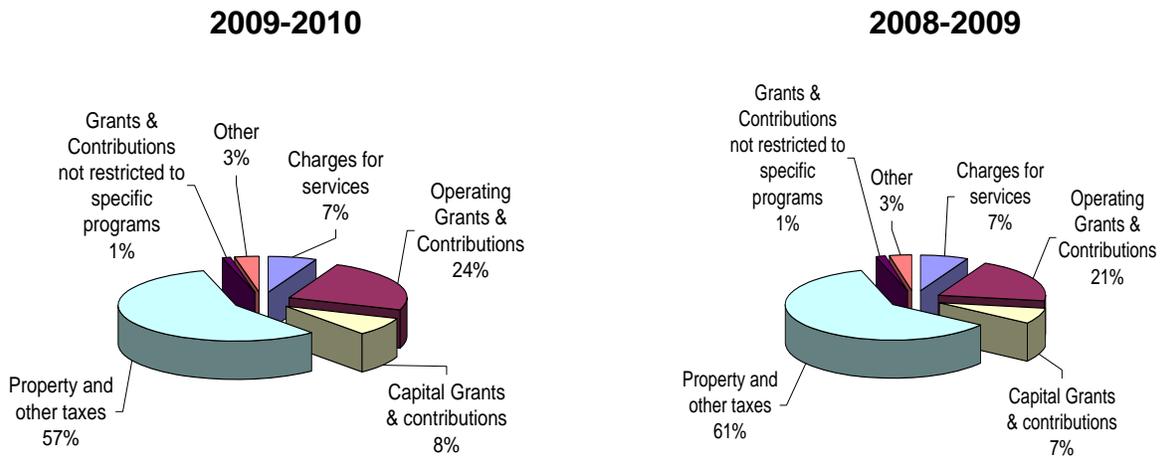
	<u>FY 2009-10</u>	<u>FY 2008-09</u>	<u>Increase (decrease)</u>
Expenses:			
Public safety	8,065,379	7,633,307	432,072
Public works	4,652,177	5,284,406	(632,229)
Health and social services	1,330,332	710,361	619,971
Culture and recreation	3,842,524	2,744,793	1,097,731
Community and economic development	2,343,854	2,369,887	(26,033)
General government	707,425	1,073,832	(366,407)
Interest on long term debt	659,449	846,296	(186,847)
Total expenses	<u>21,601,140</u>	<u>20,662,882</u>	<u>938,258</u>
Increase (decrease) in net assets before transfers	3,431,594	3,161,635	269,959
Transfers	<u>(192,057)</u>	<u>(156,108)</u>	<u>(35,949)</u>
Increase (decrease) in net assets	<u>3,239,537</u>	<u>3,005,527</u>	<u>234,010</u>
Net Assets - beginning of year, as restated	<u>34,235,769</u>	<u>31,230,242</u>	<u>3,005,527</u>
Net assets - end of year	<u>\$ 37,475,306</u>	<u>\$ 34,235,769</u>	<u>\$ 3,239,537</u>

Operating grants and contributions increased by \$1,133,670 and Health and social services expense increased by \$619,971 due to the City being awarded another lead hazard control grant for low income homeowners and rental property owners with low income tenants. Capital grants also increased by \$340,661 due to receiving an I-Jobs from the State of Iowa for the renovation of the Carnegie building.

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

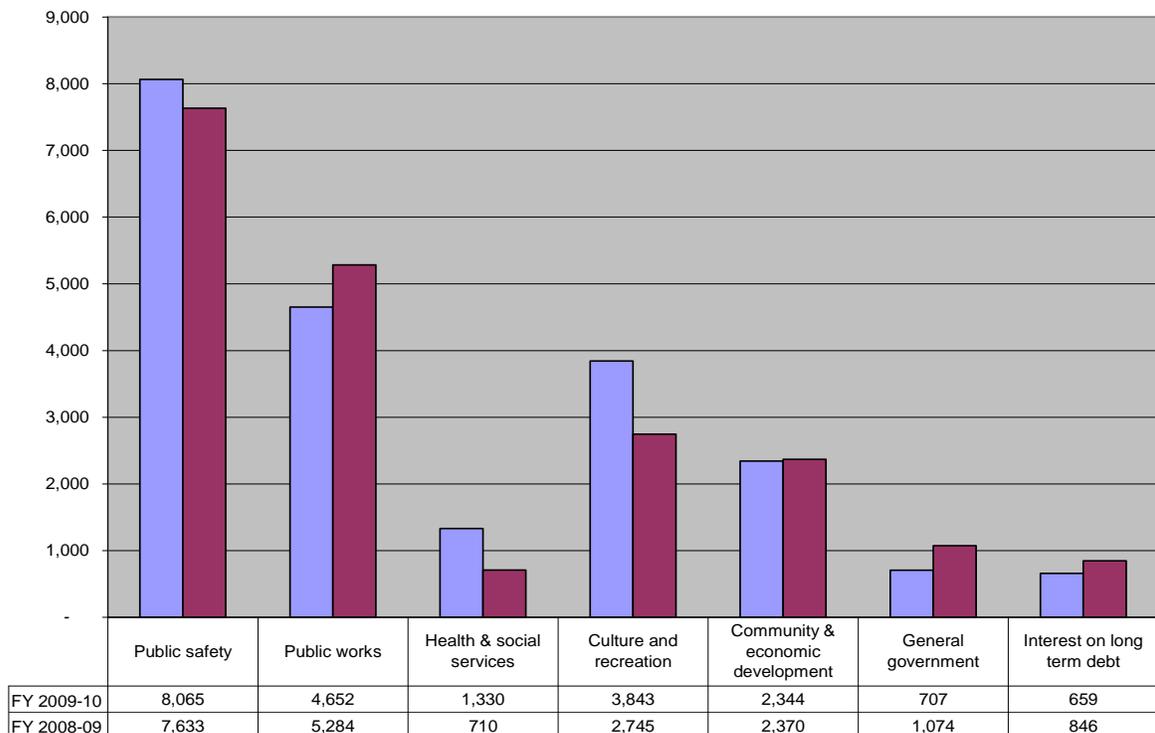


## Revenues as a Percent-Two Year Comparison



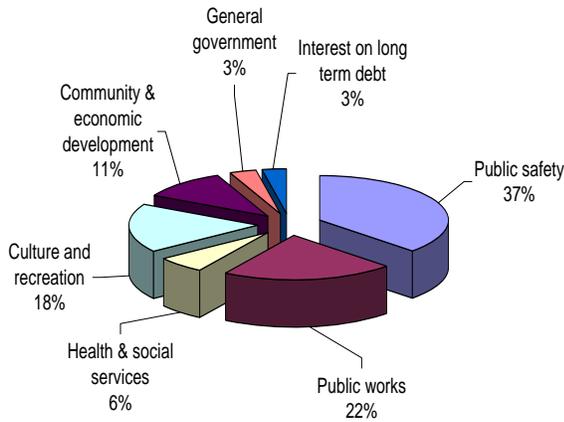
Public works expenses decreased \$632,229 due to a decrease in road repairs out of the road use tax fund. This was due to timing of their construction projects for the start of the season. Culture and recreation \$1,097,731 and general government (\$366,407) differences were due to the completion of the new public library and the startup of the Carnegie building renovations.

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

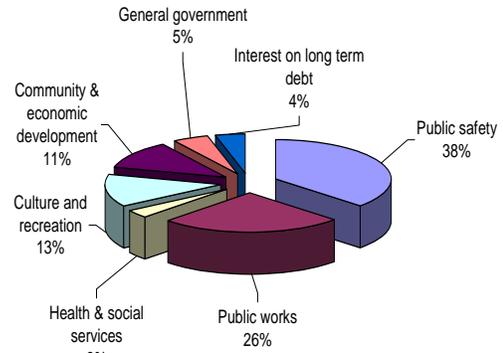


## Expenses as a Percent-Two Year Comparison

**2009-2010**



**2008-2009**



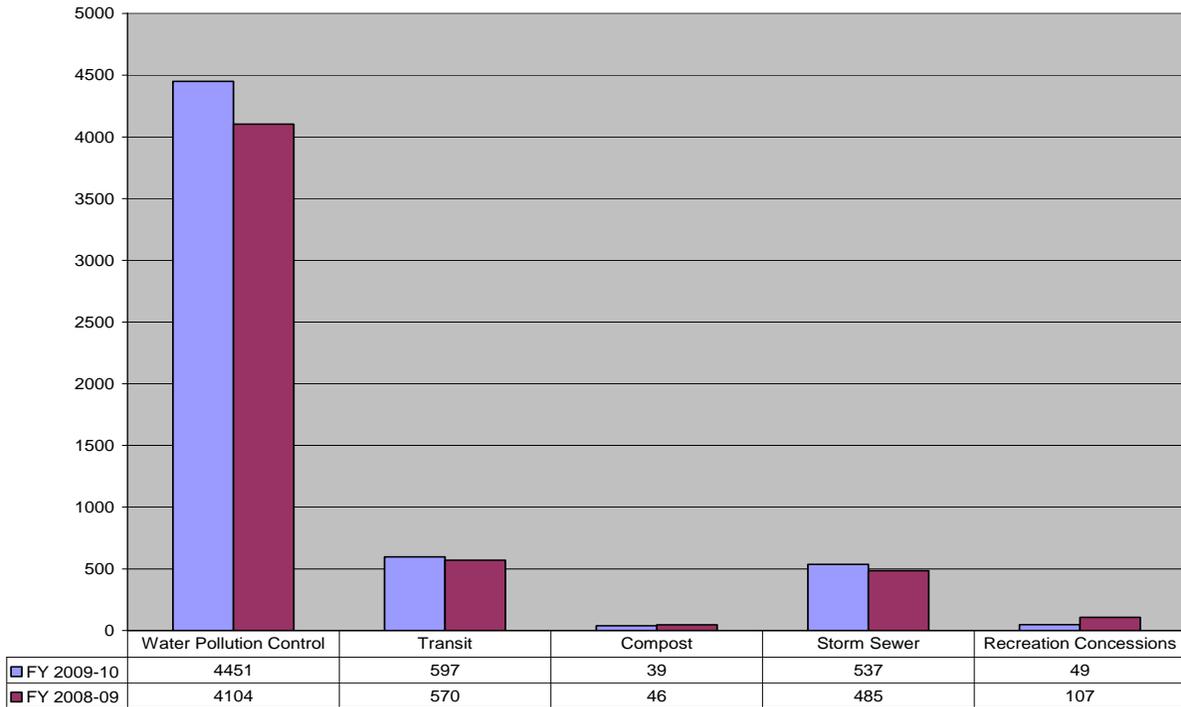
### Business-type Activities

	<u>FY 2009-10</u>	<u>FY 2008-09</u>	<u>Increase (decrease)</u>
Revenues:			
Program Revenues:			
Charges for service	\$ 5,271,450	\$ 4,921,484	\$ 349,966
Operating Grants and Contributions	669,067	572,393	96,674
Capital Grants and contributions	621,223	611,649	9,574
General Revenues			
Other	55,775	139,224	(83,449)
Total Revenues	6,617,515	6,244,750	372,765
Expenses:			
Business type	5,672,409	5,312,607	359,802
Total expenses	5,672,409	5,312,607	359,802
Increase (decrease) in net assets before transfers	945,106	932,143	12,963
Transfers	192,057	156,108	35,949
Increase (decrease) in net assets	1,137,163	1,088,251	48,912
Net Assets - beginning of year, as restated	35,659,693	34,571,442	1,088,251
Net assets - end of year	\$ 36,796,856	\$ 35,659,693	\$ 1,137,163

Charges for service increased by \$349,966 due to raising sewer charges to fund future sewer projects required by Department of Natural Resources. Business type expenses increased accordingly representing the start of sanitary sewer projects as identified with the sewer study.



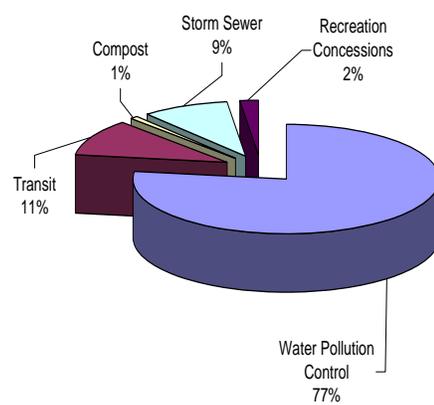
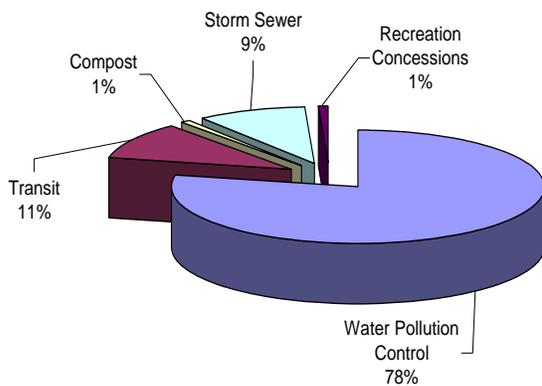
**City of Marshalltown's Changes in Net Assets  
Business-type –Expenses – Two Year Comparison  
(per \$1,000's)**



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

**2009-2010**

**2008-2009**



### Total Governmental & Business-type Activities

	FY 2009-10	FY 2008-09	Increase (decrease)
Revenues:			
Program Revenues:			
Charges for service	\$ 6,961,412	\$ 6,640,173	\$ 321,239
Operating Grants and Contributions	6,604,279	5,373,935	1,230,344
Capital Grants and contributions	2,728,186	2,377,951	350,235
General Revenues			
Property and other taxes	14,163,931	14,404,789	(240,858)
Grants & Contributions not restricted to specific programs	333,259	339,243	(5,984)
Other	859,182	933,176	(73,994)
Total Revenues	31,650,249	30,069,267	1,580,982
Expenses:			
Public safety	8,065,379	7,633,307	432,072
Public works	4,652,177	5,284,406	(632,229)
Health and social services	1,330,332	710,361	619,971
Culture and recreation	3,842,524	2,744,793	1,097,731
Community and economic development	2,343,854	2,369,887	(26,033)
General government	707,425	1,073,832	(366,407)
Interest on long term debt	659,449	846,296	(186,847)
Business type	5,672,409	5,312,607	359,802
Total expenses	27,273,549	25,975,489	1,298,060
Increase (decrease) in net assets before transfers	4,376,700	4,093,778	282,922
Transfers	-	-	-
Increase (decrease) in net assets	4,376,700	4,093,778	282,922
Net Assets - beginning of year, as restated	69,895,462	65,801,684	4,093,778
Net assets - end of year	\$ 74,272,162	\$ 69,895,462	\$ 4,376,700

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

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

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

At the end of the current fiscal year, the City of Marshalltown's governmental funds reported a combined ending fund balance of \$10,420,430, a decrease of \$575,734 in comparison with the prior year, as restated. Of this total amount \$2,282,458 is unreserved fund balance, which is available to meet the future financial needs of the City. \$2,021,413, a decrease of \$121,790 is designated for future equipment and capital maintenance, future cash flow and landfill fees. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$263,637) 2) to fund various debt service payments (\$348,685), 3) for capital projects (\$4,356,472)

4) a variety of other restricted purposes (\$510,236) and 5) for inventory (\$162,428).

The General fund is the chief operating fund of the City of Marshalltown. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3,587,644. \$77,329 has been designated by management for subsequent year's capital expenditures. The general fund's total beginning fund balance was \$4,044,773 an increase of \$70,123 was primarily a result of reducing operating costs. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 28 percent of total general fund expenditures (\$12,614,023), while total fund balance represents 30 percent of the same amount. This unreserved, undesignated balance is approximately a 4% reduction from 2009-2010.

The Road Use Tax fund is apportioned to the City from the state gasoline taxes based upon population. This fund is used for street related purposes only. Major street resurfacing and reconstruction are scheduled each year in the spring after the impact of winter weather can be determined. At the end of the current fiscal year, the ending fund balance of \$826,156 is a decrease of \$19,174 compared to the prior year. Snow and ice removal are the greatest variable for this fund. This year's economic downturn and market demand for gasoline have proved to be detrimental to the City's share of the road use tax. Aging streets requiring major patching are being prioritized.

The Lead Abatement program was sustained due to the award of another three-year Lead-Based Paint Hazard Control grant. This grant was awarded as part of the American Recovery and Reinvestment Act (ARRA). The program was extended into multiple counties due to the high incidents of lead poisoning in young children. The City administers the grant in collaboration with many health and welfare agencies and the local hospital. For the current fiscal year, the City expended \$839,518 under this program

The renewal of the Local Option Sales Tax (LOST) referendum insures property tax relief (75%), storm sewer and other capital improvements (20%), and any project designated by the Council (5%) for the next eight years. Property tax relief dollars are transferred to other funds; therefore, the entire fund balance is reserved for capital projects. The increase in the balance this year (\$647,677) was due to a decrease in capital projects funded with LOST dollars.

The Tax Increment Financing (TIF) fund does not qualify as a major fund this year, but has been included in order to give the reader consistency for this very important revenue source. Numerous projects are focusing on City private partnerships for the removal of blighted housing and economic growth. A CDBG grant awarded during fiscal year 08-09 will be matched with private and TIF funds to purchase and demolish various dilapidated buildings to be replaced with housing units, providing multifamily housing and put value added property back onto the tax base, improving the surrounding neighborhood.

A decrease of \$450,006 in the Debt Service fund reflects underfunding the portion of general obligation bond principle and interest payments. The transfer from TIF fund to debt service fund will be adjusted accordingly in the subsequent fiscal year. Any fund balances will continue to be used to defray debt related fees in the future.

Changes in the Culture and Recreation Projects project funds were an increase of \$388,549 over last year. This is due to issuance of bonds and transfer of funds from Section 8 voucher program for the renovation of the Carnegie Building, which was vacated when the library moved into their new facility. The city has continued its policy to fund capital street projects with a special assessment formula increasing the participation of property owners that benefit directly by the improvements. The Public Works and Other Projects fund decreased by \$264,670; due to an increase in street projects from the prior fiscal year.

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

The ending net assets for the proprietary funds were \$36,796,856, a net asset increase of \$1,137,163.

## Budgetary Highlights

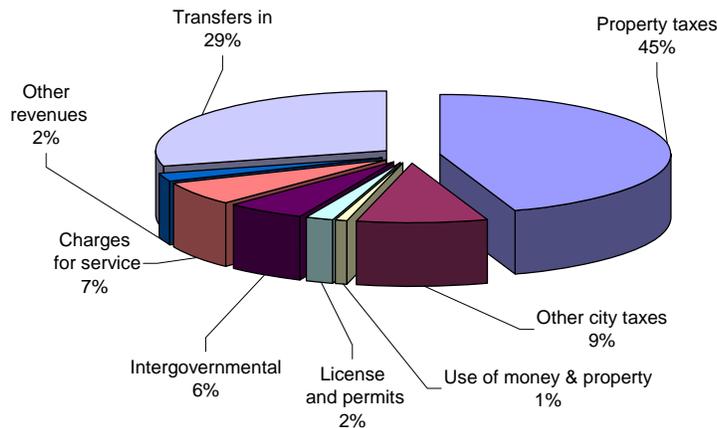
### General Fund

Revenues and transfers in for the general fund operations, on the GAAP basis, were less than revenues estimates by \$305,643 and departmental expenditures and transfers out on the GAAP basis were \$223,719 more than revenues.

The following schedule presents a summary of General Fund revenues and transfers in on the GAAP basis for the fiscal year ended June 30, 2010 and the amount and percentage of increases and decreases

Revenues	FY 2009-10	Percentage of Total	FY 2008-09	Percentage of Total	Change	Percentage of Change
Property taxes	\$ 5,595,796	44.6%	\$ 5,413,626	41.8%	\$ 182,170	(45.6%)
Other city taxes	1,173,217	9.3%	1,139,506	8.8%	33,711	(8.4%)
Use of money & property	112,946	0.9%	161,252	1.2%	(48,306)	12.1%
License and permits	212,918	1.7%	294,196	2.3%	(81,278)	20.3%
Intergovernmental	728,065	5.8%	739,979	5.7%	(11,914)	3.0%
Charges for service	778,863	6.2%	777,808	6.0%	1,055	(0.3%)
Other revenues	282,964	2.3%	400,846	3.1%	(117,882)	29.5%
Transfers in	3,665,125	29.2%	4,022,243	31.1%	(357,118)	89.4%
<b>Total</b>	<b>12,549,894</b>	<b>100.0%</b>	<b>12,949,456</b>	<b>100.0%</b>	<b>(399,562)</b>	<b>100.0%</b>

### 2010 General Fund Revenues and Transfers



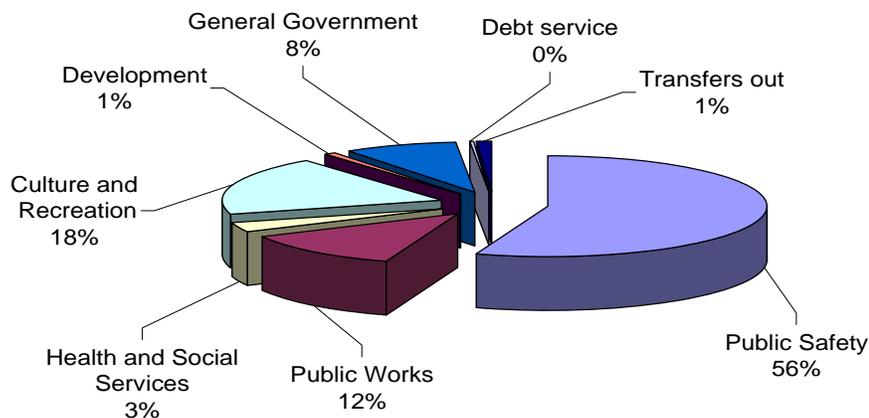
Current and prior year's property taxes continue to represent the largest revenue source, with \$5.6 million or 45% of all general fund revenues. The increase in property tax revenues from 2009 of \$182,170 is due to a modest increase in the taxable value of real estate. The next largest revenue is Transfers In. All general fund employee benefits are reflected in the operating fund even though a transfer is required from the special revenue fund, which collects the tax. The decrease in transfers reflects the change in benefits such as retirement and group health insurance.

In the General Fund, the largest decrease was in the other revenues category which represents refunds and reimbursements and contributions.

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

Expenditures	FY 2009-10	Percentage of Total	FY 2008-09	Percentage of Total	Change	Percentage of Change
Public Safety	\$ 7,058,094	55.3%	\$ 7,185,462	55.8%	\$ (127,368)	120.5%
Public Works	1,573,575	12.3%	1,573,807	12.2%	(232)	0.20%
Health and Social Services	391,077	3.1%	409,595	3.2%	(18,518)	17.5%
Culture and Recreation	2,395,554	18.8%	2,348,735	18.2%	46,819	(44.3%)
Community and Economic Development	106,860	0.8%	83,518	0.7%	23,342	(22.1%)
General Government	1,075,023	8.4%	993,352	7.7%	81,671	(77.2%)
Debt Service	13,840	.1%	13,840	0.1%	-	0.0%
Transfers out	159,590	1.2%	271,021	2.1%	(111,431) <sup>†</sup>	105.4%
<b>Total</b>	<b>12,773,613</b>	<b>100.0%</b>	<b>12,879,330</b>	<b>100.0%</b>	<b>(105,717)</b>	<b>100.0%</b>

### 2010 General Fund Expenditures and Transfers Out



Even though negotiated wages increased an average of approximately 2.75%, which was part of multiyear union contracts; overall the general fund expenditures only increased approximately \$7,000 from the prior year. Departments worked throughout the year to decrease their operating costs, postponing training and minor equipment purchases. Current cash flow projections and the management's stability of the City's general fund balance provide continued assurance that the City will not need to enter the short-term debt market to pay for current expenditures now or in the foreseeable future.

### Enterprise Operations

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

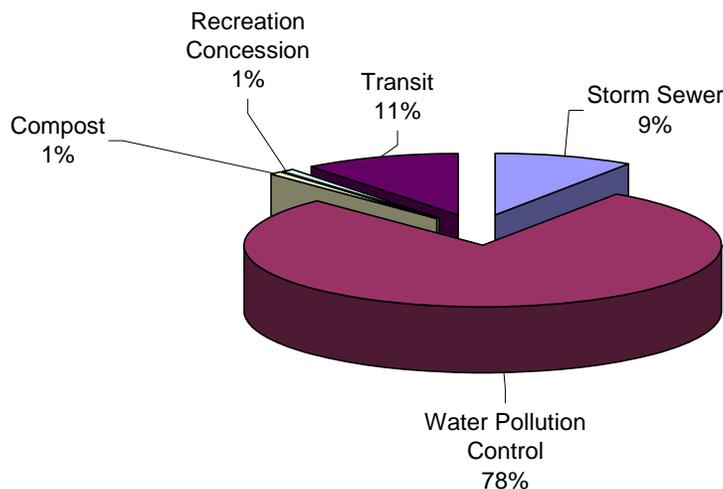
Operating revenues for the City's combined enterprise operations increased by \$322,314 after the prior period adjustment was accounted for. This increase is primarily due to sanitary sewer fees. Recreation concession revenues decreased \$11,099 when compared to the prior year. Total operating expenses for the combined enterprise operations increased by \$378,507. The increase

in retained earnings was due to the reduction of debt related interest expense and additional grant dollars received due to the 2008 flooding.

Revenues		Percentage FY 2009-10 of Total		Percentage FY 2008-09 of Total		Percentage Change of Total
Operating Revenues						
Charges for service	\$ 5,271,450	77.5%	\$ 4,921,484	76.9%	\$ 349,966	85.6%
Operating Grants and Contributions	669,067	9.8%	572,393	8.9%	96,674	23.7%
Capital Grants and contributions	621,223	9.1%	611,649	9.6%	9,574	2.3%
General Revenues						
Other	55,775	0.8%	139,224	2.2%	(83,449)	(20.4%)
Transfers	192,057	2.8%	156,108	2.4%	35,949	8.8%
<b>Total Revenues and Transfers</b>	<b>\$ 6,809,572</b>	<b>100.0%</b>	<b>\$ 6,400,858</b>	<b>100.0%</b>	<b>\$ 408,714</b>	<b>100.0%</b>

Business type Expenses						
Storm Sewer	536,859	9.5%	484,772	9.1%	52,087	14.5%
Water Pollution Control	4,451,055	78.4%	4,104,671	77.3%	346,384	96.0%
Compost	39,067	0.7%	45,822	.9%	(6,755)	(1.9%)
Recreation Concession	48,738	0.9%	107,677	2.0%	(58,939)	(16.4%)
Transit	596,690	10.5%	569,665	10.7%	27,025	7.5%
<b>Total Expenditures and Transfers</b>	<b>\$ 5,672,409</b>	<b>100.0%</b>	<b>\$ 5,312,607</b>	<b>100.0%</b>	<b>\$ 359,802</b>	<b>100.0%</b>

### Enterprise Expenses 2010



## Capital Asset and Debt Administration

**Capital assets.** The City of Marshalltown's investment in capital assets for its governmental and business type activities as of June 30, 2010 amount to \$127,733,642. This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, roads, highways and sewers. The total increase in the City of Marshalltown's investment in capital assets for the current fiscal year was \$5,525,980.

### City of Marshalltown's 2010 Capital Assets

Governmental Activities			
	FY 2009-10	FY 2008-09	Increase (decrease)
Land and Improvements	5,880,481	5,004,423	876,058
Buildings and Structures	17,727,838	16,325,003	1,402,835
Equipment and vehicles	13,485,991	13,200,921	285,070
Infrastructure	30,932,887	29,380,334	1,552,553
Construction in Progress	1,664,884	1,574,090	90,794
<b>Total</b>	<b>69,692,081</b>	<b>65,484,771</b>	<b>4,207,310</b>
Business Type Activities			
	FY 2009-10	FY 2008-09	Increase (decrease)
Land and Improvements	2,869,873	2,869,873	-
Buildings and Structures	11,186,023	11,180,948	5,075
Machinery and Equipment	14,428,784	13,890,444	538,340
Infrastructure, sewers & lift stations	29,267,664	27,877,348	1,390,316
Construction in Progress	289,217	904,278	(615,061)
<b>Total</b>	<b>58,041,561</b>	<b>56,722,891</b>	<b>1,318,670</b>
Total Governmental and Business Type Activities			
	FY 2009-10	FY 2008-09	Increase (decrease)
Land and Improvements	8,750,354	7,874,296	876,058
Buildings and Structures	28,913,861	27,505,951	1,407,910
Machinery and Equipment	27,914,775	27,091,365	823,410
Infrastructure, sewers & lift stations	60,200,551	57,758,378	2,942,869
Construction in Progress	1,954,101	2,478,368	(524,267)
<b>Total</b>	<b>127,733,642</b>	<b>122,708,358</b>	<b>5,525,980</b>

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

- The City completed multiple street repair projects
- Completion of the Carnegie Building Renovation

Additional information on the City of Marshalltown's capital assets can be found on pages 57-59 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Marshalltown had total bonded debt outstanding of \$21,904,204. Of this amount, \$17,469,204 comprises debt backed by the full faith and credit of the City. The remainder of the City of Marshalltown's debt represents bonds secured solely by revenues generated from the sanitary sewer rental fees.

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

Governmental Activities			
	FY 2009-10	FY 2008-09	Increase (decrease)
General obligation bonds and notes payable	17,469	19,443	(1,974)
Revenue bonds and notes payable	-	-	-
Total	17,469	19,443	(1,974)

Business Type Activities			
	FY 2009-10	FY 2008-09	Increase (decrease)
General obligation bonds and notes payable	-	-	-
Revenue bonds and notes payable	4,435	5,020	(585)
Total	4,435	5,020	(585)

Total Governmental and Business Type Activities			
	FY 2009-10	FY 2008-09	Increase (decrease)
General obligation bonds and notes payable	17,469	19,443	(1,974)
Revenue bonds and notes payable	4,435	5,020	(585)
Total	21,904	24,463	(2,559)

The City of Marshalltown's total bonded debt decreased by \$2,559,000 during the current fiscal year due to:

- The normal retirement of existing debt

Moody's Investors Service recalibrated their U.S. Municipal Rating Scale to a Global Rating Scale (GSR). On Friday, April 23, 2010 the City experienced a bond rating increase to an "Aa2" (GSR) rating by Moody's on our general obligation bonds and an increase to a "Aa3" on the City's sewer revenue bonds.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total assessed valuation. The current debt limitation for the City of Marshalltown is \$63,115,990, significantly in excess of the City of Marshalltown's outstanding general obligation debt.

Additional information on the City of Marshalltown's long-term debt can be found in note 5 on pages 59-63 and in the long-term debt section of this report.

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

The local economy of the City remains strong and is creating more private public agreements to maintain that strength. A future Menards retail store will be constructed on Iowa Avenue by December 31, 2012 after a developer's agreement was signed June 14, 2010. This store will be valued at approximately \$7.3 million. The Main Street business district has increased the various reconstruction projects due to promoting the façade grant. Increases in the number of properties using this program the City obligated another \$50,000 for use in fiscal year 2011-2012. The greatest influence on the current stability of the City is with the expansion and rehabilitation of key businesses, such as Fisher/Emerson. See the Transmittal letter for more information on the economic factors, initiatives and general activity of the fiscal year.

The budget for the ensuing fiscal year 2011 considers many factors and estimates about the finances of the upcoming year. Sales and road use taxes collected by the state are stable but the forecast is to maintain a conservative projection for these revenue sources. The statewide police and fire retirement system is increasing the city's contribution to 24.76% from the 19.9%, the City experienced in the current fiscal year. This is a reflection of the decreases in investment values and contributions from the State. The list of pending street and sanitary sewer project indicates a busy year for the construction industry in our community. A primary objective of the Council was to continue to provide basic city services to the citizens while attempting to keep the property tax rate substantially the same. The Council reaffirmed their goals towards a stronger emphasis on customer service and community cleanup. Street maintenance has continued to be a hot topic of discussion due to aging of the infrastructure and the shortage of funding due to the economic slow down. The Council will be given alternative choices on funding future street projects which would include issuance of general obligation debt, local option sales tax and/or emergency fund property tax levy.

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

- The City's contribution rate for Police and Fire retirement system is projected to increase dramatically in the next five years due to changes in the stock market
- All City employees covered by the IPERS retirement system will experience a half of a percent increase in contribution (both employer and employee)
- Compliance with sanitary and storm water regulations will be implemented over the next several years. A 2.5 million grant was received to help with the 3 million sanitary sewer rehabilitation project. The City will issue bonds for the 6 million WPCP Peak Flow Holding and Pumping Improvements project.
- The cost of health care continues to rise. Cost containment and changes in the City's plan have curbed the drain on the plan and single digit increases are anticipated to continue. The City is also looking at more preventive care options to help avoid the high dollar claims.
- Developments in commercial ventures will positively impact the property tax base and sales tax revenues within the next two to five years. Please refer to the Transmittal letter for more details on this development.

## **Requests for Information**

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

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Marshalltown Water Works	Marshalltown Convention and Visitors Bureau
Assets					
Cash and cash equivalents	\$ 12,120,310	\$ 4,759,375	\$ 16,879,685	\$ 1,281,164	\$ 168,041
Receivables					
Property taxes					
Delinquent	203,945	-	203,945	-	-
Succeeding year	9,505,825	-	9,505,825	-	-
Accounts and unbilled usage	507,506	929,449	1,436,955	267,711	219
Special assessments	151,226	-	151,226	-	-
Interest	2,505	877	3,382	1,412	-
Internal balances	(2,497)	2,497	-	-	-
Due from component unit	12,386	249,245	261,631	-	-
Due from other governments	1,398,627	651,080	2,049,707	-	-
Inventories	162,428	46,754	209,182	-	-
Prepaid items	282,534	56,296	338,830	30,300	375
Deferred charges					
Bond issuance costs	46,224	20,140	66,364	-	-
Restricted assets					
Cash and cash equivalents	-	947,675	947,675	110,430	-
Capital assets					
Land	3,918,462	658,888	4,577,350	1,112,721	-
Land improvements	1,962,019	2,210,985	4,173,004	-	-
Buildings and structures	17,727,838	11,186,023	28,913,861	9,931,392	-
Equipment and vehicles	13,485,991	14,428,784	27,914,775	2,171,514	82,721
Sanitary sewers and lift stations	-	17,720,826	17,720,826	-	-
Infrastructure	30,932,887	11,546,838	42,479,725	10,543,407	-
Construction in progress	1,664,884	289,217	1,954,101	-	-
Accumulated depreciation	(25,567,583)	(23,603,349)	(49,170,932)	(11,400,225)	(39,179)
<b>Total assets</b>	<b>68,515,517</b>	<b>42,101,600</b>	<b>110,617,117</b>	<b>14,049,826</b>	<b>212,177</b>

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF NET ASSETS (continued)**  
**JUNE 30, 2010**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Marshalltown Water Works	Marshalltown Convention and Visitors Bureau
<b>Liabilities</b>					
Accounts payable	\$ 1,416,695	\$ 566,196	\$ 1,982,891	\$ 52,616	\$ 6,389
Accrued payroll and payroll benefits	348,503	58,707	407,210	33,595	975
Retainage payable	81,578	-	81,578	-	-
Unearned revenue					
Succeeding year property tax	9,505,825	-	9,505,825	-	-
Other	372,879	-	372,879	-	-
Due to other governments	75,651	11,680	87,331	-	-
Accrued interest payable	48,219	11,691	59,910	-	-
Due to primary government	-	-	-	261,631	-
Liabilities payable from restricted assets					
Customer deposits	-	-	-	110,430	-
<b>Noncurrent liabilities</b>					
Due within one year					
Bonds and notes payable	2,613,841	595,000	3,208,841	200,000	-
Compensated absences payable	219,973	25,597	245,570	79,387	-
Due in more than one year					
Bonds and notes payable	14,860,608	3,836,914	18,697,522	645,000	-
Compensated absences payable	343,693	62,568	406,261	-	-
Net OPEB liability	1,152,746	136,391	1,289,137	-	-
Total liabilities	<u>31,040,211</u>	<u>5,304,744</u>	<u>36,344,955</u>	<u>1,382,659</u>	<u>7,364</u>
<b>Net assets</b>					
Invested in capital assets, net of related debt	26,650,049	30,006,298	56,656,347	11,513,809	43,542
Restricted for					
Capital projects	4,621,373	-	4,621,373	-	-
Improvements	-	250,000	250,000	-	-
Community and economic development	507,473	-	507,473	-	-
Debt service	348,685	697,675	1,046,360	218,955	-
Parks, nonexpendable	2,763	-	2,763	-	-
Unrestricted	<u>5,344,963</u>	<u>5,842,883</u>	<u>11,187,846</u>	<u>934,403</u>	<u>161,271</u>
<b>Total net assets</b>	<u>\$ 37,475,306</u>	<u>\$ 36,796,856</u>	<u>\$ 74,272,162</u>	<u>\$ 12,667,167</u>	<u>\$ 204,813</u>

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental activities				
Public safety	\$ 8,065,379	\$ 194,712	\$ 766,267	\$ -
Public works	4,652,177	717,658	2,265,914	1,046,403
Health and social services	1,330,332	78,181	1,222,019	-
Culture and recreation	3,842,524	443,268	187,180	294,974
Community and economic development	2,343,854	157,415	1,493,832	-
General government	707,425	98,728	-	765,586
Interest on long-term debt	659,449	-	-	-
Total governmental activities	<u>21,601,140</u>	<u>1,689,962</u>	<u>5,935,212</u>	<u>2,106,963</u>
Business-type activities				
Water pollution control	4,451,055	4,772,834	391,132	151,569
Storm sewer	536,859	299,772	-	154,499
Compost	39,067	31,943	-	-
Transit	596,690	118,331	277,935	315,155
Concessions	48,738	48,570	-	-
Total business-type activities	<u>5,672,409</u>	<u>5,271,450</u>	<u>669,067</u>	<u>621,223</u>
Total primary government	<u>\$ 27,273,549</u>	<u>\$ 6,961,412</u>	<u>\$ 6,604,279</u>	<u>\$ 2,728,186</u>
<b>Component units</b>				
Water works	\$ 3,121,334	\$ 2,890,082	\$ -	\$ -
Convention and tourism	225,487	224,250	-	-
Total component units	<u>\$ 3,346,821</u>	<u>\$ 3,114,332</u>	<u>\$ -</u>	<u>\$ -</u>
<b>General Revenues</b>				
Taxes				
Property				
Tax increment financing				
Local option sales				
Utility excise				
Hotel/motel				
Mobile homes				
Unrestricted				
State generated revenues				
Investment earnings				
Miscellaneous revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning, as restated				
Net assets - ending				

See notes to financial statements.

Net (Expense) Revenue and  
Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Marshalltown Water Works	Marshalltown Convention and Visitors Bureau
\$ (7,104,400)	\$ -	\$ (7,104,400)	\$ -	\$ -
(622,202)	-	(622,202)	-	-
(30,132)	-	(30,132)	-	-
(2,917,102)	-	(2,917,102)	-	-
(692,607)	-	(692,607)	-	-
156,889	-	156,889	-	-
(659,449)	-	(659,449)	-	-
<u>(11,869,003)</u>	<u>-</u>	<u>(11,869,003)</u>	<u>-</u>	<u>-</u>
-	864,480	864,480	-	-
-	(82,588)	(82,588)	-	-
-	(7,124)	(7,124)	-	-
-	114,731	114,731	-	-
-	(168)	(168)	-	-
-	889,331	889,331	-	-
<u>\$ (11,869,003)</u>	<u>\$ 889,331</u>	<u>\$ (10,979,672)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (231,252)	\$ -
-	-	-	-	(1,237)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (231,252)</u>	<u>\$ (1,237)</u>
\$ 8,957,392	\$ -	\$ 8,957,392	\$ -	\$ -
1,312,611	-	1,312,611	-	-
2,618,645	-	2,618,645	-	-
868,422	-	868,422	-	-
393,823	-	393,823	16,809	-
13,038	-	13,038	-	-
333,259	-	333,259	-	-
162,173	55,775	217,948	-	1,245
641,234	-	641,234	-	823
(192,057)	192,057	-	-	-
<u>15,108,540</u>	<u>247,832</u>	<u>15,356,372</u>	<u>16,809</u>	<u>2,068</u>
3,239,537	1,137,163	4,376,700	(214,443)	831
<u>34,235,769</u>	<u>35,659,693</u>	<u>69,895,462</u>	<u>12,881,610</u>	<u>203,982</u>
<u>\$ 37,475,306</u>	<u>\$ 36,796,856</u>	<u>\$ 74,272,162</u>	<u>\$ 12,667,167</u>	<u>\$ 204,813</u>

**CITY OF MARSHALLTOWN, IOWA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

	Special Revenue Funds			
	General	Road Use Tax	HUD Programs	Local Option Sales Tax
<b>Assets</b>				
Cash and cash equivalents	\$ 3,163,564	\$ 589,486	\$ 348,494	\$ 3,051,329
Receivables				
Property taxes				
Delinquent	105,742	-	-	-
Succeeding year	5,858,731	-	-	-
Accounts and unbilled usage	420,043	-	48,732	-
Special assessments	-	-	-	-
Interest	1,216	-	-	-
Due from other funds	551,759	-	4,731	-
Due from component unit	12,386	-	-	-
Due from other governments	78,281	144,005	197,069	425,131
Inventory	-	162,428	-	-
Prepaid items	233,410	5,094	5,090	-
Total assets	<u>\$ 10,425,132</u>	<u>\$ 901,013</u>	<u>\$ 604,116</u>	<u>\$ 3,476,460</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 113,873	\$ 74,857	\$ 27,190	\$ 16,085
Accrued payroll and payroll benefits	318,069	-	18,757	-
Retainage payable	-	-	-	-
Deferred revenue				
Succeeding year property tax	5,858,731	-	-	-
Other	235,287	-	45,606	-
Due to other governments	70,890	-	-	-
Due to other funds	7,228	-	-	-
Total liabilities	<u>6,604,078</u>	<u>74,857</u>	<u>91,553</u>	<u>16,085</u>
<b>Fund balances</b>				
<b>Reserved for</b>				
Inventory	-	162,428	-	-
Prepaid items	233,410	5,094	5,090	-
Debt service	-	-	-	-
Endowments	-	-	-	-
Community and economic development	-	-	507,473	-
Capital projects	-	-	-	3,460,375
<b>Unreserved, designated for</b>				
Future equipment and capital maintenance	77,329	-	-	-
Future cash flow	1,794,729	-	-	-
Future landfill fees	149,355	-	-	-
Unreserved, undesignated	1,566,231	658,634	-	-
<b>Unreserved, reported in nonmajor</b>				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Total fund balances	<u>3,821,054</u>	<u>826,156</u>	<u>512,563</u>	<u>3,460,375</u>
Total liabilities and fund balances	<u>\$ 10,425,132</u>	<u>\$ 901,013</u>	<u>\$ 604,116</u>	<u>\$ 3,476,460</u>

See notes to financial statements.

Tax Increment Financing	Property Tax	Debt Service	Capital Projects Funds			Nonmajor Governmental Funds	Total
			Public Works and Other Projects	Culture and Recreation Projects			
\$ 343,763	\$ 120,006	\$ -	\$ 1,183,813	\$ 416,197	\$ 805,570	\$ 10,022,222	
33,791	10,633	45,601	8,178	-	-	203,945	
-	711,657	2,482,264	453,173	-	-	9,505,825	
-	-	-	-	-	1,125	469,900	
-	-	-	151,226	-	-	151,226	
859	-	-	430	-	-	2,505	
237,390	-	-	-	-	-	793,880	
-	-	-	-	-	-	12,386	
590	1,178	4,748	906	236,340	310,379	1,398,627	
-	-	-	-	-	-	162,428	
-	-	-	380	-	19,663	263,637	
<u>\$ 616,393</u>	<u>\$ 843,474</u>	<u>\$ 2,532,613</u>	<u>\$ 1,798,106</u>	<u>\$ 652,537</u>	<u>\$ 1,136,737</u>	<u>\$ 22,986,581</u>	
\$ 207,387	\$ -	\$ -	\$ 329,499	\$ 123,545	\$ 116,599	\$ 1,009,035	
-	-	-	-	-	11,677	348,503	
36,457	-	-	-	41,671	3,450	81,578	
-	711,651	2,482,264	453,173	-	-	9,505,819	
3,798	-	800	114,146	-	349,551	749,188	
-	-	-	-	-	4,761	75,651	
20,066	373,499	237,390	4,811	211	153,172	796,377	
<u>267,708</u>	<u>1,085,150</u>	<u>2,720,454</u>	<u>901,629</u>	<u>165,427</u>	<u>639,210</u>	<u>12,566,151</u>	
-	-	-	-	-	-	162,428	
-	-	-	380	-	19,663	263,637	
348,685	-	-	-	-	-	348,685	
-	-	-	-	-	2,763	2,763	
-	-	-	-	-	-	507,473	
-	-	-	1,160,998	-	-	4,621,373	
-	-	-	-	-	-	77,329	
-	-	-	-	-	-	1,794,729	
-	-	-	-	-	-	149,355	
-	(241,676)	(187,841)	(264,901)	487,110	-	2,017,557	
-	-	-	-	-	586,492	586,492	
-	-	-	-	-	(111,391)	(111,391)	
<u>348,685</u>	<u>(241,676)</u>	<u>(187,841)</u>	<u>896,477</u>	<u>487,110</u>	<u>497,527</u>	<u>10,420,430</u>	
<u>\$ 616,393</u>	<u>\$ 843,474</u>	<u>\$ 2,532,613</u>	<u>\$ 1,798,106</u>	<u>\$ 652,537</u>	<u>\$ 1,136,737</u>	<u>\$ 22,986,581</u>	

**CITY OF MARSHALLTOWN, IOWA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

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Total governmental fund balances \$ 10,420,430

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

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

The cost of capital assets is	\$ 69,692,081	
Accumulated depreciation is	<u>(25,567,583)</u>	
		44,124,498

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

Property tax revenue	5,253	
Mobile home taxes	484	
Intergovernmental revenue	135,942	
Charges for service	<u>374,093</u>	
		515,772

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

1,607,462

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

Those liabilities consist of:

Long-term debt, net of deferrals	(17,428,225)	
Accrued interest on the bonds	(48,219)	
Compensated absences	(563,666)	
Net OPEB liability	<u>(1,152,746)</u>	
		<u>(19,192,856)</u>

Net assets of governmental activities \$ 37,475,306

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**(DEFICIT)**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	Special Revenue Funds			
	General	Road Use Tax	HUD Programs	Local Option Sales Tax
<b>Revenues</b>				
Property taxes	\$ 5,595,796	\$ -	\$ -	\$ -
TIF revenues	-	-	-	-
Other city taxes	1,173,217	-	-	2,618,645
Use of money and property	112,946	-	4,839	36,778
Licenses and permits	212,918	-	-	-
Intergovernmental	728,065	2,267,076	2,598,420	-
Charges for service	778,863	-	35	-
Special assessments	-	-	-	-
Miscellaneous	282,239	-	16,576	-
Total revenues	<u>8,884,044</u>	<u>2,267,076</u>	<u>2,619,870</u>	<u>2,655,423</u>
<b>Expenditures</b>				
<b>Current</b>				
Public safety	7,058,094	-	-	10,499
Public works	1,573,575	1,486,250	-	82,603
Health and social services	391,077	-	839,518	-
Culture and recreation	2,395,554	-	-	-
Community and economic development	106,860	-	1,898,108	-
General government	1,075,023	-	-	-
<b>Debt service</b>				
Principal	13,840	-	-	-
Interest and other fiscal charges	-	-	-	-
Total expenditures	<u>12,614,023</u>	<u>1,486,250</u>	<u>2,737,626</u>	<u>93,102</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,729,979)</u>	<u>780,826</u>	<u>(117,756)</u>	<u>2,562,321</u>
<b>Other financing sources (uses)</b>				
Sale of governmental assets	725	-	-	-
General obligation bonds issued	-	-	-	-
Transfers in	3,665,125	-	29,431	-
Transfers out	(159,590)	(800,000)	-	(1,914,644)
Total other financing sources (uses)	<u>3,506,260</u>	<u>(800,000)</u>	<u>29,431</u>	<u>(1,914,644)</u>
Net change in fund balances	(223,719)	(19,174)	(88,325)	647,677
Fund balances (deficit) - beginning, as restated	<u>4,044,773</u>	<u>845,330</u>	<u>600,888</u>	<u>2,812,698</u>
Fund balances (deficit) - ending	<u>\$ 3,821,054</u>	<u>\$ 826,156</u>	<u>\$ 512,563</u>	<u>\$ 3,460,375</u>

See notes to financial statements.

Tax Increment Financing	Property Tax	Debt Service	Capital Projects Funds			Nonmajor Governmental Funds	Total
			Public Works and Other Projects	Culture and Recreation Projects			
\$ -	\$ 561,917	\$ 2,364,164	\$ 432,270	\$ -	\$ -	\$ 8,954,147	
1,312,611	-	-	-	-	-	1,312,611	
-	56,070	223,359	43,160	-	188,530	4,302,981	
6,928	2,957	9,971	21,173	4,452	6,865	206,909	
-	-	-	-	-	-	212,918	
5,130	20,758	83,061	465,330	565,586	435,487	7,168,913	
-	-	-	642	-	66,163	845,703	
-	-	-	51,581	-	-	51,581	
-	-	-	73,314	593,654	159,555	1,125,338	
<u>1,324,669</u>	<u>641,702</u>	<u>2,680,555</u>	<u>1,087,470</u>	<u>1,163,692</u>	<u>856,600</u>	<u>24,181,101</u>	
-	6,364	-	-	-	768,725	7,843,682	
1,068,533	-	-	891,010	-	157,844	5,259,815	
-	-	-	-	-	101,773	1,332,368	
-	-	-	-	812,443	160,142	3,368,139	
123,832	-	-	-	2,882	185,929	2,317,611	
-	-	-	47,585	903,185	-	2,025,793	
-	-	-	-	-	-	-	
-	-	2,660,000	-	-	-	2,673,840	
-	-	668,014	-	-	-	668,014	
<u>1,192,365</u>	<u>6,364</u>	<u>3,328,014</u>	<u>938,595</u>	<u>1,718,510</u>	<u>1,374,413</u>	<u>25,489,262</u>	
<u>132,304</u>	<u>635,338</u>	<u>(647,459)</u>	<u>148,875</u>	<u>(554,818)</u>	<u>(517,813)</u>	<u>(1,308,161)</u>	
-	-	-	-	-	223,759	224,484	
-	-	-	-	700,000	-	700,000	
-	1,689,644	197,453	-	243,367	902	5,825,922	
<u>(197,453)</u>	<u>(2,531,918)</u>	<u>-</u>	<u>(413,545)</u>	<u>-</u>	<u>(829)</u>	<u>(6,017,979)</u>	
<u>(197,453)</u>	<u>(842,274)</u>	<u>197,453</u>	<u>(413,545)</u>	<u>943,367</u>	<u>223,832</u>	<u>732,427</u>	
<u>(65,149)</u>	<u>(206,936)</u>	<u>(450,006)</u>	<u>(264,670)</u>	<u>388,549</u>	<u>(293,981)</u>	<u>(575,734)</u>	
<u>413,834</u>	<u>(34,740)</u>	<u>262,165</u>	<u>1,161,147</u>	<u>98,561</u>	<u>791,508</u>	<u>10,996,164</u>	
<u>\$ 348,685</u>	<u>\$ (241,676)</u>	<u>\$ (187,841)</u>	<u>\$ 896,477</u>	<u>\$ 487,110</u>	<u>\$ 497,527</u>	<u>\$ 10,420,430</u>	

**CITY OF MARSHALLTOWN, IOWA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF**  
**ACTIVITIES**  
**YEAR ENDED JUNE 30, 2010**

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Net change in fund balances – total governmental funds \$ (575,734)

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

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

Capital outlay	\$ 3,162,148	
Book value of disposals	(59,961)	
Capital contributions	1,390,017	
Depreciation expense	<u>(2,353,603)</u>	
Net change in capital assets		2,138,601

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

Property taxes	3,424	
Mobile home taxes	278	
Intergovernmental	(51,848)	
Charges for service	<u>173,704</u>	
Net effect		125,558

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

Debt repayments	2,673,840	
Debt proceeds	<u>(700,000)</u>	
Net effect		1,973,840

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest and bond issuance costs amortized	7,960	
Decrease in compensated absences	30,569	
Increase in net OPEB liability	<u>(467,993)</u>	
Total additional expenses		(429,464)

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

		<u>6,736</u>
Change in net assets of governmental activities		<u>\$ 3,239,537</u>

See notes to financial statements.

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2010**

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewer	Nonmajor Enterprise	Total	Activities - Internal Service Funds
Assets					
Current assets					
Cash and cash equivalents	\$ 4,081,298	\$ 192,877	\$ 485,200	\$ 4,759,375	\$ 2,098,088
Receivables					
Accounts and unbilled usage	877,596	38,817	13,036	929,449	37,606
Interest	877	-	-	877	-
Due from other funds	-	38,796	2,497	41,293	9,325
Due from component unit	223,360	25,885	-	249,245	-
Due from other governments	607,497	-	43,583	651,080	-
Inventories	40,188	-	6,566	46,754	-
Prepaid items	36,315	10,250	9,731	56,296	18,897
Deferred charges					
Bond issuance costs	20,140	-	-	20,140	-
Total current assets	<u>5,887,271</u>	<u>306,625</u>	<u>560,613</u>	<u>6,754,509</u>	<u>2,163,916</u>
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	947,675	-	-	947,675	-
Capital assets					
Land	364,920	283,531	10,437	658,888	-
Land improvements	1,937,889	30,000	243,096	2,210,985	-
Buildings and structures	10,475,975	6,000	704,048	11,186,023	-
Equipment and vehicles	12,882,448	139,187	1,407,149	14,428,784	-
Sanitary sewers and lift stations	17,644,835	75,991	-	17,720,826	-
Infrastructure	-	11,546,838	-	11,546,838	-
Construction in progress	151,120	138,097	-	289,217	-
Accumulated depreciation	(19,454,703)	(3,238,154)	(910,492)	(23,603,349)	-
Total noncurrent assets	<u>24,950,159</u>	<u>8,981,490</u>	<u>1,454,238</u>	<u>35,385,887</u>	<u>-</u>
Total assets	<u>30,837,430</u>	<u>9,288,115</u>	<u>2,014,851</u>	<u>42,140,396</u>	<u>2,163,916</u>

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF NET ASSETS (continued)**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2010**

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewer	Nonmajor Enterprise	Total	Activities - Internal Service Funds
<b>Liabilities</b>					
Current liabilities					
Accounts payable	\$ 413,522	\$ 136,525	\$ 16,149	\$ 566,196	\$ 407,660
Accrued payroll and payroll benefits	35,607	8,949	14,151	58,707	-
Unearned revenue	-	-	-	-	139,469
Due to other governments	11,680	-	-	11,680	-
Due to other funds	38,796	-	-	38,796	9,325
Accrued interest payable	11,691	-	-	11,691	-
Compensated absences	18,366	3,568	3,663	25,597	-
Sewer revenue capital loan note	335,000	-	-	335,000	-
Revenue bonds	260,000	-	-	260,000	-
Total current liabilities	<u>1,124,662</u>	<u>149,042</u>	<u>33,963</u>	<u>1,307,667</u>	<u>556,454</u>
Noncurrent liabilities					
Compensated absences	38,810	7,929	15,829	62,568	-
Sewer revenue capital loan note	3,061,914	-	-	3,061,914	-
Revenue bonds	775,000	-	-	775,000	-
Net OPEB liability	89,337	37,643	9,411	136,391	-
Total noncurrent liabilities	<u>3,965,061</u>	<u>45,572</u>	<u>25,240</u>	<u>4,035,873</u>	<u>-</u>
Total liabilities	<u>5,089,723</u>	<u>194,614</u>	<u>59,203</u>	<u>5,343,540</u>	<u>556,454</u>
<b>Net assets</b>					
Invested in capital assets, net of related debt	19,570,570	8,981,490	1,454,238	30,006,298	-
Restricted for					
Bond and interest payments	697,675	-	-	697,675	-
Improvements	250,000	-	-	250,000	-
Unrestricted	5,229,462	112,011	501,410	5,842,883	1,607,462
Total net assets	<u>\$ 25,747,707</u>	<u>\$ 9,093,501</u>	<u>\$ 1,955,648</u>	<u>\$ 36,796,856</u>	<u>\$ 1,607,462</u>

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewer	Nonmajor Enterprise	Total	Activities - Internal Service Funds
Operating revenues					
Charges for service	\$ 4,558,315	\$ 299,772	\$ 198,844	\$ 5,056,931	\$ 2,007,850
Miscellaneous	170,984	-	-	170,984	452,224
Total operating revenues	<u>4,729,299</u>	<u>299,772</u>	<u>198,844</u>	<u>5,227,915</u>	<u>2,460,074</u>
Operating expenses					
Salaries and benefits	1,230,874	242,909	414,247	1,888,030	-
Services and supplies	1,911,313	54,919	175,357	2,141,589	14,906
Claims paid	-	-	-	-	2,130,415
Health insurance premiums	-	-	-	-	215,758
Depreciation	1,119,009	239,031	94,891	1,452,931	-
Miscellaneous	12,409	-	-	12,409	111,223
Total operating expenses	<u>4,273,605</u>	<u>536,859</u>	<u>684,495</u>	<u>5,494,959</u>	<u>2,472,302</u>
Operating income (loss)	<u>455,694</u>	<u>(237,087)</u>	<u>(485,651)</u>	<u>(267,044)</u>	<u>(12,228)</u>
Nonoperating revenues (expenses)					
Federal and state grants	391,132	-	279,946	671,078	-
Interest income	50,336	2,103	3,336	55,775	18,964
Miscellaneous income	43,535	-	-	43,535	-
Interest and other debt expense	(165,650)	-	-	(165,650)	-
Loss on disposal of fixed assets	(11,800)	-	-	(11,800)	-
Net nonoperating revenues (expenses)	<u>307,553</u>	<u>2,103</u>	<u>283,282</u>	<u>592,938</u>	<u>18,964</u>
Income (loss) before capital contributions and transfers	763,247	(234,984)	(202,369)	325,894	6,736
Capital contributions	151,569	154,499	313,144	619,212	-
Transfers in	-	-	210,604	210,604	-
Transfers out	(18,547)	-	-	(18,547)	-
Change in net assets	896,269	(80,485)	321,379	1,137,163	6,736
Net assets - beginning, as restated	<u>24,851,438</u>	<u>9,173,986</u>	<u>1,634,269</u>	<u>35,659,693</u>	<u>1,600,726</u>
Net assets - ending	<u>\$ 25,747,707</u>	<u>\$ 9,093,501</u>	<u>\$ 1,955,648</u>	<u>\$ 36,796,856</u>	<u>\$ 1,607,462</u>

See notes to financial statements.

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewer	Nonmajor Enterprise	Total	Activities - Internal Service Funds
Cash flows from operating activities					
Cash received from customers	\$ 4,486,970	\$ 294,533	\$ 188,102	\$ 4,969,605	\$ 2,024,374
Cash payments to suppliers for goods and services	(2,102,905)	52,319	(203,588)	(2,254,174)	(2,474,734)
Cash payments to employees for services	(1,210,272)	(227,218)	(405,905)	(1,843,395)	-
Other operating revenue	<u>170,984</u>	<u>-</u>	<u>-</u>	<u>170,984</u>	<u>452,224</u>
Net cash provided (used) by operating activities	<u>1,344,777</u>	<u>119,634</u>	<u>(421,391)</u>	<u>1,043,020</u>	<u>1,864</u>
Cash flows from noncapital financing activities					
Transfers from other funds	-	-	210,604	210,604	-
Grants received	391,132	-	279,946	671,078	-
Other noncapital financing received	43,535	-	-	43,535	-
(Increase) decrease in due from other funds	-	-	113	113	(4,553)
Increase (decrease) in due to other funds	<u>(18,367)</u>	<u>-</u>	<u>-</u>	<u>(18,367)</u>	<u>4,553</u>
Net cash provided by noncapital financing activities	<u>397,753</u>	<u>-</u>	<u>490,663</u>	<u>888,416</u>	<u>-</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(617,879)	(183,852)	-	(801,731)	-
Payment of debt	(585,000)	-	-	(585,000)	-
Interest paid	<u>(161,304)</u>	<u>-</u>	<u>-</u>	<u>(161,304)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(1,364,183)</u>	<u>(183,852)</u>	<u>-</u>	<u>(1,548,035)</u>	<u>-</u>
Cash flows from investing activities					
Interest received on investment securities	<u>58,867</u>	<u>3,016</u>	<u>4,277</u>	<u>66,160</u>	<u>24,081</u>
Net increase (decrease) in cash and cash equivalents	437,214	(61,202)	73,549	449,561	25,945
Cash and cash equivalents, beginning	<u>4,591,759</u>	<u>254,079</u>	<u>411,651</u>	<u>5,257,489</u>	<u>2,072,143</u>
Cash and cash equivalents, ending	<u>\$ 5,028,973</u>	<u>\$ 192,877</u>	<u>\$ 485,200</u>	<u>\$ 5,707,050</u>	<u>\$ 2,098,088</u>

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF CASH FLOWS (continued)**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewer	Nonmajor Enterprise	Total	Activities - Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	<u>\$ 455,694</u>	<u>\$ (237,087)</u>	<u>\$ (485,651)</u>	<u>\$ (267,044)</u>	<u>\$ (12,228)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	1,119,009	239,031	94,891	1,452,931	-
Changes in assets and liabilities					
Decrease (increase) in receivables	(501,177)	(5,239)	(49,286)	(555,702)	19,118
Decrease (increase) in inventories and prepaid items	114	(3,387)	686	(2,587)	1,449
Increase (decrease) in accounts payable	253,678	110,625	9,627	373,930	(3,881)
Increase (decrease) in accrued liabilities	(15,680)	376	4,615	(10,689)	-
Decrease in due to other governments	(3,143)	-	-	(3,143)	-
Decrease in unearned revenue	-	-	-	-	(2,594)
Increase in net OPEB liability	<u>36,282</u>	<u>15,315</u>	<u>3,727</u>	<u>55,324</u>	<u>-</u>
Total	<u>889,083</u>	<u>356,721</u>	<u>64,260</u>	<u>1,310,064</u>	<u>14,092</u>
Net cash provided (used) by operating activities	<u>\$ 1,344,777</u>	<u>\$ 119,634</u>	<u>\$ (421,391)</u>	<u>\$ 1,043,020</u>	<u>\$ 1,864</u>
Noncash capital activities					
Contributions of capital assets from other funds and outside sources	<u>\$ 151,569</u>	<u>\$ 154,499</u>	<u>\$ 313,144</u>	<u>\$ 619,212</u>	<u>\$ -</u>

See notes to financial statements.

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2010**

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	Police Pension Trust	Agency Funds
	<u>          </u>	<u>          </u>
Assets		
Cash and cash equivalents	\$ -	\$ 275,966
Liabilities		
Accrued payroll and payroll benefits	-	146,877
Due to City	-	55,819
Due to Friends of the Library	-	57,410
Due to Sleuth User Group	-	14,270
Due to other governments	-	1,590
	<u>          </u>	<u>          </u>
Total liabilities	-	<u>\$ 275,966</u>
Net assets		
Held in trust for pension benefits	<u>\$ -</u>	

**CITY OF MARSHALLTOWN, IOWA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2010**

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	Police Pension Trust
Additions	
Contributions, employer	\$ 6,363
Deductions	
Benefits	<u>7,852</u>
Change in net assets	(1,489)
Net assets - beginning	<u>1,489</u>
Net assets - ending	<u>\$ -</u>

## **NOTES TO FINANCIAL STATEMENTS**

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**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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

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

**Reporting Entity**

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

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

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

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

(continued on next page)

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

Marshalltown Water Works  
205 East State Street  
Marshalltown, Iowa 50158

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

Jointly Governed Organizations: The City also participates in several jointly governed organizations 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. The City Council is a member of or appoints representatives to the following boards and commissions: Mid Iowa Drug Task Force, Marshall County Emergency Management Commission, Marshall County Communication Commission, Marshall County Assessor's Conference Board and the Marshall County Solid Waste Management Commission. Financial transactions relating to these organizations are included in the City's financial statements only to the extent of the City's contributions, if any, to these organizations.

**Government-wide and Fund Financial Statements**

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

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

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

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

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

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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

The City reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and pension trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been 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 of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

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

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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

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

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

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

**Assets, Liabilities, and Fund Equity**

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

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

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

*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 that the tax asking is certified by the City to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

The County Treasurer bills and collects taxes for the City. Taxes for the year ended June 30, 2010, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2009 and March 31, 2010. Any County collections on the 2009-2010 tax levy remitted to the City within sixty days subsequent to June 30, 2010, are recorded as property tax revenues. Taxes not collected and remitted to the City within sixty days subsequent to June 30, 2010, are delinquent and have been recorded as receivables. This amount is recorded as deferred revenue in the governmental funds but is recognized as revenue in the government-wide financial statements.

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

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

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

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

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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*Inventories and Prepaid Items.* Inventories of materials and supplies in the proprietary and governmental fund types are stated at cost using the first-in, first-out method. Inventories in governmental funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation.

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

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

*Deferred Revenue in Governmental Funds.* Although certain revenues are measurable, they may not be available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable, special assessments receivable, succeeding year property tax receivable, and other receivables not collected within sixty days after year-end.

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

*Compensated Absences.* City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, death, or retirement. Accumulated sick leave is generally paid at 25%, not to exceed 1,440 hours for municipal fire employees, 1,072.5 hours for municipal police employees and 1,040 hours for all others, upon retirement if the employee has at least 15 years of service. All vacation and sick leave is accrued when incurred in the government-wide and proprietary financial statements. Governmental funds record the earned vacation and vested sick leave hours as an expenditure of the current year to the extent it is paid during the year. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2010.

Water Works employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. The liability is recorded on the statement of net assets based on rates of pay in effect as of June 30, 2010.

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

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

*Fund Equity.* In the governmental fund financial statements, reservations of fund balance represent amounts that are not appropriable 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. In the government-wide financial statements and the proprietary fund financial statements, restrictions of net assets are limited to outside third-party restrictions.

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

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

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

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

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

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

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

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements did not exceed the amount budgeted.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

*Deposits.* On June 30, 2010, the carrying amount of the City’s deposits was \$18,103,326 and the bank balances were \$18,695,008. 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.

As of June 30, 2010, the City’s carrying amount of deposits, related bank balances, and other cash, including fiduciary funds, were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Money market	\$ 1,001,760	\$ 1,001,760
Demand deposits	4,579,436	5,173,693
Repurchase agreements	9,514,100	9,514,100
Certificates of deposits	3,005,455	3,005,455
Petty cash	<u>2,575</u>	<u>-</u>
Total	<u>\$ 18,103,326</u>	<u>\$ 18,695,008</u>

The Marshalltown Water Works’ carrying amount of deposits was \$1,391,594 all of which was covered by federal depository insurance or insured by the state through pooled collateral, State Sinking Funds and by the state’s ability to assess for lost funds.

The Convention and Visitors Bureau’s deposits carrying amount and bank balance amount was \$168,041 all of which was covered by federal depository insurance.

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

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State statutes permit the City to enter into repurchase agreements. As of June 30, 2010, the City entered into two repurchase agreements; one with open end terms and one with closed end terms. In investing the proceeds of the repurchase agreements, the City policy calls for the term to maturity of the underlying collateral to be the same as the term of the repurchase agreement. Such matching existed at year end. Collateral held by the City for the underlying transaction was invested in obligations of the United States government at no less than 102% of the value of the repurchase agreement. No violations of legal or contractual provisions existed during the year.

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

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

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

*Custodial Credit Risk – Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The City’s deposits are entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

**NOTE 4 – INTERFUND BALANCES AND TRANSFERS**

Interfund balances as of June 30, 2010, consisted of the following:

Due to general fund from	
Tax increment financing	\$ 20,066
Property tax	373,499
Public works and other projects	4,811
Culture and recreation projects	211
Nonmajor governmental funds	<u>153,172</u>
Total due to general fund	<u>\$ 551,759</u>
Due to HUD programs from	
General fund	<u>\$ 4,731</u>

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**CITY OF MARSHALLTOWN, IOWA**  
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Due to tax increment financing fund from Debt service fund	\$ <u>237,390</u>
Due to storm sewer from Water pollution control	\$ <u>38,796</u>
Due to nonmajor enterprise funds from General fund	\$ <u>2,497</u>
Due to internal service funds from Internal service funds	\$ <u>9,325</u>

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

Due to/from primary government and component unit:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government:	Component Unit:	
Governmental Fund, General Fund	Water Works	\$ 12,386
Enterprise Fund, Water Pollution Control	Water Works	223,360
Enterprise Fund, Storm Sewer	Water Works	25,885

Interfund transfers for the year ended June 30, 2010, consisted of the following:

Transfers to general fund from	
Road use tax	\$ 800,000
Property tax	2,497,301
Public works and other projects	367,644
Water pollution control	<u>180</u>
Total transfers to general fund	\$ <u>3,665,125</u>
Transfers to HUD programs fund from	
General	\$ 4,731
Property tax	<u>24,700</u>
Total transfers to HUD programs fund	\$ <u>29,431</u>
Transfers to property tax fund from	
Local option sales tax	\$ <u>1,689,644</u>
Transfers to debt service fund from	
Tax increment financing	\$ <u>197,543</u>
Transfers to culture and recreation projects fund from	
Local option sales tax	\$ 225,000
Water pollution control	<u>18,367</u>
Total transfers to culture and recreation projects fund	\$ <u>243,367</u>

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Transfers to nonmajor enterprise funds from	
General	\$ 154,859
Property tax	9,917
Nonmajor governmental	829
Public works and other projects	<u>44,999</u>
Total transfers to nonmajor enterprise funds	<u>\$ 210,604</u>

Transfers to nonmajor governmental funds from	
Public works and other projects	<u>\$ 902</u>

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

**NOTE 5 – CAPITAL ASSETS**

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

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Primary Government				
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 3,490,071	\$ 433,891	\$ (5,500)	\$ 3,918,462
Construction in progress	<u>1,073,394</u>	<u>3,239,557</u>	<u>(2,648,067)</u>	<u>1,664,884</u>
Total capital assets, not being depreciated	<u>4,563,465</u>	<u>3,673,448</u>	<u>(2,653,567)</u>	<u>5,583,346</u>
Capital assets, being depreciated				
Buildings and structures	16,325,003	1,417,438	(14,603)	17,727,838
Land improvements	1,514,352	447,667	-	1,962,019
Equipment and vehicles	13,200,921	609,822	(324,752)	13,485,991
Infrastructure	<u>29,881,030</u>	<u>1,051,857</u>	<u>-</u>	<u>30,932,887</u>
Total capital assets, being depreciated	<u>60,921,306</u>	<u>3,526,784</u>	<u>(339,355)</u>	<u>64,108,735</u>

**CITY OF MARSHALLTOWN, IOWA**  
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	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2008
Less accumulated depreciation for				
Buildings and structures	(3,556,360)	(468,320)	8,688	(4,015,992)
Land improvements	(457,738)	(106,982)	-	(564,720)
Equipment and vehicles	(6,048,900)	(742,577)	276,206	(6,515,271)
Infrastructure	(13,435,876)	(1,035,724)	-	(14,471,600)
Total accumulated depreciation	<u>(23,498,874)</u>	<u>(2,353,603)</u>	<u>284,894</u>	<u>(25,567,583)</u>
Total capital assets, being depreciated, net	<u>37,422,432</u>	<u>1,173,181</u>	<u>(54,461)</u>	<u>38,541,152</u>
Governmental activities capital assets, net	<u>\$ 41,985,897</u>	<u>\$ 4,846,629</u>	<u>\$ (2,708,028)</u>	<u>\$ 44,124,498</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Land	\$ 658,888	\$ -	\$ -	\$ 658,888
Construction in progress	904,278	400,097	(1,015,158)	289,217
Total capital assets, not being depreciated	<u>1,563,166</u>	<u>400,097</u>	<u>(1,015,158)</u>	<u>948,105</u>
Capital assets, being depreciated				
Buildings and structures	11,180,948	5,075	-	11,186,023
Land improvements	2,210,985	-	-	2,210,985
Equipment and vehicles	13,890,444	640,616	(102,276)	14,428,784
Sanitary sewers and lift stations	16,614,791	1,106,035	-	17,720,826
Infrastructure	11,262,557	284,281	-	11,546,838
Total capital assets, being depreciated	<u>55,159,725</u>	<u>2,036,007</u>	<u>(102,276)</u>	<u>57,093,456</u>
Less accumulated depreciation for				
Buildings and structures	(4,532,315)	(328,929)	-	(4,861,244)
Land improvements	(1,303,463)	(66,199)	-	(1,369,662)
Equipment and vehicles	(9,055,553)	(473,600)	90,473	(9,438,680)
Sanitary sewers and lift stations	(4,447,933)	(357,331)	-	(4,805,264)
Infrastructure	(2,901,627)	(226,872)	-	(3,128,499)
Total accumulated depreciation	<u>(22,240,891)</u>	<u>(1,452,931)</u>	<u>90,473</u>	<u>(23,603,349)</u>
Total capital assets, being depreciated, net	<u>32,918,834</u>	<u>583,076</u>	<u>(11,803)</u>	<u>33,490,107</u>
Business-type activities capital assets, net	<u>\$ 34,482,000</u>	<u>\$ 983,173</u>	<u>\$ (1,026,961)</u>	<u>\$ 34,438,212</u>

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

Governmental activities	
Public safety	\$ 254,020
Public works	1,317,990
Health and social services	2,508
Culture and recreation	748,365
Community and economic development	11,640
General government	<u>19,080</u>
Total depreciation expense – governmental activities	<u>\$ 2,353,603</u>
Business-type activities	
Water pollution control	\$ 1,119,009
Storm sewer	239,031
Compost facility	12,741
Bus transit	<u>82,150</u>
Total depreciation expense – business-type activities	<u>\$ 1,452,931</u>

**NOTE 6 – LONG-TERM DEBT**

The following is a summary of changes in the City’s long-term debt for the year ended June 30, 2010:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year
Governmental activities					
Compensated absences payable	\$ 594,235	\$ 237,198	\$ 267,767	\$ 563,666	\$ 219,973
General obligation bonds and notes payable	19,443,044	700,000	2,673,840	17,469,204	2,613,841
Unamortized discounts	(2,422)	-	(306)	(2,116)	-
Unamortized premiums	<u>8,503</u>	<u>-</u>	<u>1,142</u>	<u>7,361</u>	<u>-</u>
	<u>20,043,360</u>	<u>937,198</u>	<u>2,942,443</u>	<u>18,038,115</u>	<u>2,833,814</u>

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	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year
Business-type activities					
Compensated absences payable	\$ 104,932	\$ 16,521	\$ 33,288	\$ 88,165	\$ 25,597
Enterprise funds, revenue bonds payable	1,295,000	-	260,000	1,035,000	260,000
Sewer revenue capital loan note payable	3,725,000	-	325,000	3,400,000	335,000
Deferred amount on refunding	(7,686)	-	(1,563)	(6,123)	-
Unamortized premiums	3,813	-	776	3,037	-
	<u>5,121,059</u>	<u>16,521</u>	<u>617,501</u>	<u>4,520,079</u>	<u>620,597</u>
Total	<u>\$25,164,419</u>	<u>\$ 953,719</u>	<u>\$ 3,559,944</u>	<u>\$22,558,194</u>	<u>\$ 3,454,411</u>

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

*Bonded Debt.* Details of the City's bonds and notes payable as of June 30, 2010, are as follows:

	Interest Rates	Govern- mental Activities	Business- type Activities	Total
General obligation bonds and notes				
Equipment loan note, issued February 1, 2005	-	\$ 69,204	\$ -	\$ 69,204
2005B Essential corporate purpose refunding bonds, issued April 1, 2005	3.50-3.65	500,000	-	500,000
2006A Capital loan notes, issued June 1, 2006	4.30-4.38	905,000	-	905,000
2008A Essential corporate purpose refunding bonds, issued April 1, 2008	3.50	7,905,000	-	7,905,000
2008B Essential corporate purpose, issued April 1, 2008	3.50-4.00	4,330,000	-	4,330,000

**CITY OF MARSHALLTOWN, IOWA**  
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	Interest Rates	Govern- mental Activities	Business- type Activities	Total
2008C Essential corporate purpose refunding bonds, issued April 1, 2008	3.50	\$ 225,000	\$ -	\$ 225,000
2009A Essential corporate purpose refunding bonds, issued May 1, 2009	1.90-3.90	3,065,000	-	3,065,000
2009B Essential corporate purpose refunding bonds, issued August 13, 2009	1.50-1.70	<u>470,000</u>	<u>-</u>	<u>470,000</u>
Total general obligation bonds and notes		<u>17,469,204</u>	<u>-</u>	<u>17,469,204</u>
 Revenue bonds and notes				
Water Pollution Control, capital loan notes, Series 2003, issued May 15, 2003	3.00	-	3,400,000	3,400,000
Water Pollution Control, refunding bonds, Series 2005A, issued April 1, 2005	3.55-3.85	<u>-</u>	<u>1,035,000</u>	<u>1,035,000</u>
Total revenue bonds and notes		<u>-</u>	<u>4,435,000</u>	<u>4,435,000</u>
Total long-term debt		<u>\$ 17,469,204</u>	<u>\$ 4,435,000</u>	<u>\$ 21,904,204</u>

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

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

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*Future Requirements to Maturity.* Principal and interest requirements to maturity for the City's bonds and notes outstanding as of June 30, 2010, are as follows:

Years Ending June 30	General Obligation Bonds and Notes		Water Pollution Control Revenue Bonds	
	Principal	Interest	Principal	Interest
2011	\$ 2,613,841	\$ 578,629	\$ 260,000	\$ 38,293
2012	2,638,840	499,680	260,000	29,063
2013	2,253,841	417,429	255,000	19,573
2014	2,053,841	345,981	260,000	10,010
2015	2,018,841	277,014	-	-
2016-2020	4,910,000	567,885	-	-
2021-2023	980,000	77,400	-	-

Years Ending June 30	Water Pollution Control Capital Loan Note		Total Business-type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 335,000	\$ 102,000	\$ 595,000	\$ 140,293
2012	345,000	91,950	605,000	121,013
2013	355,000	81,600	610,000	101,173
2014	366,000	70,950	626,000	80,960
2015	377,000	59,970	377,000	59,970
2016-2019	1,622,000	123,450	1,622,000	123,450

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*Legal Debt Margin.* The City's legal debt margin as of June 30, 2010, is as follows:

Regular realty valuations	\$ 1,124,366,238
Utility valuations	101,313,932
Incremental valuations	<u>36,639,623</u>
Total actual valuations applicable to debt	<u>\$ 1,262,319,793</u>
Debt limit - 5% of total actual valuations applicable to debt	<u>\$ 63,115,990</u>
Amount of debt applicable to limitation	
General obligation bonds and notes	17,469,204
Less funds available from	
Debt service fund	-
Tax increment financing	<u>348,685</u>
Total debt applicable to debt margin	<u>17,120,519</u>
Legal debt margin	<u>\$ 45,995,471</u>

**NOTE 7 – PENSION AND RETIREMENT SYSTEMS**

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

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

Plan members are required to contribute 9.40% of earnable compensation and the City is required to contribute 17.00% for the year ended June 30, 2010, 18.75% for 2009, and 25.48% for 2008, of earnable compensation. Contribution requirements are established by state statute. The City's contributions to the Plan for the years ended June 30, 2010, 2009, and 2008, were \$631,097, \$680,344, and \$882,493, respectively, which met the required minimum contribution for each year.

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

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

There is one active beneficiary in the Plan. The Plan is normally funded through a property tax levy, and currently the City expects to continue to levy the tax as long as the benefit is required to be paid equal to the required contributions for the year. This year there were sufficient funds on hand negating the need for an additional levy. The City's contributions to the retirement system for the years ended June 30, 2010, 2009, and 2008, were \$7,852, \$7,614, and \$7,562, respectively.

*Iowa Public Employees Retirement System (IPERS).* The City contributes to IPERS which is a cost-sharing multiple-employer defined benefit pension plan administered by the state of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008, were \$336,665, \$305,532, and \$278,688, respectively, equal to the required contributions for each year.

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

The Plan was established by the Marshalltown Water Works Board of Trustees on September 30, 1953. The Plan was restated and amended on January 1, 2003. The contribution requirements of plan members and the Water Works are established by the Board of Trustees and may be amended by the Board of Trustees at any time. Contribution percentages are actuarially determined rates. Plan members are required to contribute 3.75% of their annual covered salary. The Water Works is required to contribute 6.75% of annual covered payroll.

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

Annual required contribution	\$	114,091
Annual pension cost		114,091
Contributions made		114,091
Increase in net pension obligation		-
Net pension obligations, beginning of year		-
Net pension obligations, end of year		-

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The annual required contribution for the current year was estimated based on the April 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumptions included (a) 7.0% investment rate of return and (b) projected salary increases of 4.0%. Both (a) and (b) include an inflation component and postretirement benefit increases of 0%. The unfunded actuarial accrued liability is being amortized as an open period, assumed level dollar. The information disclosing the remaining years to amortize is not available to the City.

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$ 114,091	100.0%	\$ -
June 30, 2009	91,232	100.0%	-
June 30, 2008	34,708	100.0%	-

For employees who choose not to participate in the Marshalltown Water Works Supplemental Retirement Pension System (Plan), the Water Works contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the state of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the Water Works is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The Water Works' contributions to IPERS for the years ended June 30, 2010, 2009, and 2008, were \$28,064, \$25,865 and \$23,482, respectively, equal to the required contributions for each year.

**NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS**

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

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

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

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

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

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

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

The following table shows the components of the City's annual OPEB cost for the years ended June 30, 2010 and 2009, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

	<u>2010</u>	<u>2009</u>
Normal Cost	\$ 298,500	\$ 298,500
Amortization of UAAL	<u>467,320</u>	<u>467,320</u>
Annual required contribution	765,820	765,820
Interest on net OPEB obligation	<u>22,975</u>	-
Annual OPEB cost	788,795	765,820
Contributions made	<u>(265,478)</u>	-
Increase in net OPEB obligation	523,317	765,820
Net OPEB obligation, beginning of year	<u>765,820</u>	-
Net OPEB obligation, end of year	<u>\$ 1,289,137</u>	<u>\$ 765,820</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

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 and 2009, are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contribution</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 788,795	33.66%	\$ 1,289,137
June 30, 2009	765,820	0.00%	765,820

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**JUNE 30, 2010**

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Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$9,295,011, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,295,011. The covered payroll (annual payroll of active employees covered by the plan) was \$8,571,375 and the ratio of the UAAL to covered payroll was 105.9%. 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, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

Projected claim costs of the medical plan are \$9,780 per year for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**NOTE 9 – RISK MANAGEMENT**

The City is a member in the Iowa Communities Assurance Pool (Pool), as allowed by Chapter 670.7 of the Code of Iowa. The Pool is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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

The Pool's Iowa Risk Management Agreement (IRMA) with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhaust total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, at June 30, 2010, no liability has been recorded in the City's financial statements. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

Members who elect property coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions. The City opted to purchase property and casualty coverage from Chubb and not participate in the risk pool. With this carrier the City of Marshalltown has a \$46,859,554 blanket limit for premises and \$1,026,797 for Inland Marine Contractor's equipment. As a commercial carrier, no additional liability is recorded in the financial statements of the City.

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

The City has established a Group Insurance Benefits Fund for insuring health benefits provided to City employees and covered dependents which is included as an internal service fund. Health benefits were self-insured up to a specific stop-loss amount of \$85,000 and an aggregate stop-loss of approximately \$2,392,705 for 2010. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop-loss amount. All claims handling procedures are performed by a third-party claims administrator. Reported claims as of June 30, 2010, as well as incurred but not reported claims, have been accrued as a liability based upon the claims administrator's estimate and are included in accounts payable. The liability does not include any allocated or unallocated claim adjustment expenses.

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

The City has established an Occupational Insurance Benefits Fund to self insure for workers' compensation benefits for all currently employed police officers and firefighters and police officers and firefighters who have retired due to an accidental disability prior to December 1992, in accordance with Chapter 411.15 of the Code of Iowa. The General Fund is charged for benefits paid to police officers and firefighters by the Occupational Insurance Benefits Fund, which is also accounted for as an internal service fund. Reported claims as of June 30, 2010, as well as incurred but not reported claims, have been accrued as a liability based upon the City's best estimate and are included in accounts payable. The liability does not include any allocated or unallocated claim adjustment expenses. There is no stop-loss insurance for this coverage.

The claims liabilities of \$407,660 in the Group Insurance Benefits Fund and \$0 in the Occupational Insurance Benefits Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The entire amounts will be paid within one year of year-end.

Changes in reported liabilities for the fiscal years ended June 30, 2010 and 2009, are summarized as follows:

	Group Insurance Benefits Fund	Occupational Insurance Benefits Fund
Liabilities as of June 30, 2008	\$ 353,943	\$ 661
Claims and changes in estimates during fiscal year 2009	1,611,478	161,892
Claim payments	<u>(1,562,436)</u>	<u>(153,997)</u>
Liabilities as of June 30, 2009	402,985	8,556
Claims and changes in estimates during fiscal year 2010	1,987,057	66,804
Claim payments	<u>(1,982,382)</u>	<u>(75,360)</u>
	<u>\$ 407,660</u>	<u>\$ -</u>

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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**NOTE 10 – INDUSTRIAL DEVELOPMENT REVENUE BONDS**

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

Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2010, there was one issue of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$505,509.

**NOTE 11 – DEFERRED COMPENSATION PLAN**

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

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

**NOTE 12 – COMMITMENTS**

The City has recognized as a liability only that portion of construction contracts representing construction completed through June 30, 2010. The City has additional commitments for signed construction contracts of approximately \$5,714,994 as of June 30, 2010, to be paid as work on the projects progresses.

**NOTE 13 – MAJOR CUSTOMER**

The financial statements of the Water Pollution Control Enterprise Fund include sales and receivables from Swift and Company, a major customer, of \$1,762,578 and \$260,983, respectively.

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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**NOTE 14 – LITIGATION**

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

**NOTE 15 – DEFICIT BALANCES**

At June 30, 2010, funds with deficit balances were as follows:

Special Revenue Funds – Property Tax Fund	\$	241,676
Special Revenue Funds – Grant Fund		201,993
Debt Service Fund		187,841
Capital Projects Funds – Airport Projects Fund		111,391
Internal Service Funds – Flexible Benefits		9,325

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

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

The Friends of the Library have campaigned to raise funds for the construction of the new library as can be seen in the financial report as an agency fund. At the end of the fiscal year, the group had contributed over \$434,328 to the project. The construction is reflected in the Culture and Recreation Capital Project fund.

**NOTE 17 – RESTATEMENT OF EQUITY**

The beginning equity for the Grant Fund and for Governmental Activities were restated to reflect corrections for unrecorded deferred/unearned revenue for unspent grant proceeds in the prior year. The equity for Governmental Activities was also restated to reflect a correction for construction in progress which included noncapital projects in the prior year. The beginning equity for Water Pollution Control was restated to reflect a correction for receivables which included current revenues in the prior year.

	Water Pollution Control <u>Net Assets</u>	Grant Fund Fund Balance	Governmental Activities <u>Net Assets</u>	Business-Type Activities <u>Net Assets</u>
Equity as of June 30, 2009	\$ 25,339,083	\$ 123,725	\$ 34,887,017	\$ 36,147,338
Restatement of receivable	(487,645)	-	-	(487,645)
Restatement of deferred/unearned revenue	-	(150,552)	(150,552)	-
Restatement of construction in progress	-	-	(500,696)	-
Equity as restated at June 30, 2009	<u>\$ 24,851,438</u>	<u>\$ (26,827)</u>	<u>\$ 34,235,769</u>	<u>\$ 35,659,693</u>

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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

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

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF MARSHALLTOWN, IOWA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE BENEFIT PLAN**  
**YEAR ENDED JUNE 30, 2010**

Schedule of Funding Progress							
For the Year Ended June 30,	Actuarial Valuation Date	Fair Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	AAL/UAAL as a Percentage of Covered Payroll [(b-a)/c]
2010	July 1, 2008	\$ -	\$ 9,295,011	\$ 9,295,011	0.00%	\$ 8,571,375	108.4%
2009	July 1, 2008	-	9,295,011	9,295,011	0.00%	8,779,084	105.9%

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

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

Schedule of Funding Progress

Actuarial Valuation Date *	Fair Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	AAL/UAAL as a Percentage of Covered Payroll [(b-a)/c]
April 1, 2010	\$ 1,188,036	\$ 2,383,223	\$ 1,195,187	49.85%	\$ 547,402	218.3%
April 1, 2009	1,010,404	2,371,007	1,360,603	42.61%	543,736	250.2%
April 1, 2008	1,279,541	2,011,092	731,551	63.62%	491,042	149.0%

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

1. The cost method used to determine the ARC is the frozen entry age actuarial cost method.
2. The assets are shown at fair value.
3. Economic assumptions are as follows: investment return rate of 7%, salary increase of 4%, inflation rate of 0%.
4. The amortization method is open period, assumed level dollar.

\* Actuarial valuations were performed on April 1, 2009. Estimated values have been calculated as of April 1, 2010 and April 1, 2008.

**CITY OF MARSHALLTOWN, IOWA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN BALANCES – BUDGET AND ACTUAL (CASH BASIS)**  
**GOVERNMENTAL FUNDS AND ENTERPRISE FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	Actual			Budgeted Amounts		Final to Actual Variance
	Governmental Funds	Enterprise Funds	Total	Original Budget	Final Budget	
<b>Receipts</b>						
Property taxes	\$ 8,931,858	\$ -	\$ 8,931,858	\$ 9,293,081	\$ 9,293,081	\$ (361,223)
TIF revenues	1,307,278	-	1,307,278	1,319,088	1,319,088	(11,810)
Other city taxes	4,249,351	-	4,249,351	4,176,209	4,201,236	48,115
Licenses and permits	211,042	3,008	214,050	298,600	298,600	(84,550)
Use of money and property	223,085	109,695	332,780	458,000	408,000	(75,220)
Intergovernmental	6,780,547	561,365	7,341,912	6,869,920	11,883,849	(4,541,937)
Charges for service	828,600	5,004,514	5,833,114	5,392,100	5,393,400	439,714
Special assessments	19,686	-	19,686	17,144	17,144	2,542
Miscellaneous	1,418,959	147,853	1,566,812	584,200	1,300,360	266,452
Other financing sources	700,000	-	700,000	1,050,000	1,000,000	(300,000)
<b>Total receipts</b>	<b>24,670,406</b>	<b>5,826,435</b>	<b>30,496,841</b>	<b>29,458,342</b>	<b>35,114,758</b>	<b>(4,617,917)</b>
<b>Disbursements</b>						
Public safety	7,791,479	-	7,791,479	7,893,192	8,306,396	514,917
Public works	4,258,732	-	4,258,732	5,068,947	5,489,201	1,230,469
Health and social services	1,345,537	-	1,345,537	505,079	1,388,926	43,389
Culture and recreation	2,550,819	-	2,550,819	2,816,039	3,106,380	555,561
Community and economic development	2,304,332	-	2,304,332	2,377,487	3,343,058	1,038,726
General government	1,060,654	-	1,060,654	1,312,683	1,403,795	343,141
Debt service	3,341,853	-	3,341,853	3,107,052	3,345,836	3,983
Capital projects	2,447,170	-	2,447,170	2,318,081	4,965,325	2,518,155
Business-type activities	-	5,569,049	5,569,049	5,548,327	8,082,371	2,513,322
<b>Total disbursements</b>	<b>25,100,576</b>	<b>5,569,049</b>	<b>30,669,625</b>	<b>30,946,887</b>	<b>39,431,288</b>	<b>8,761,663</b>
Excess (deficiency) of receipts over (under) disbursements	(430,170)	257,386	(172,784)	(1,488,545)	(4,316,530)	4,143,746
<b>Transfers</b>						
Transfers in	6,802,856	210,717	7,013,573	7,188,396	7,323,862	310,289
Transfers out	(6,995,026)	(18,547)	(7,013,573)	(7,188,396)	(7,323,862)	(310,289)
<b>Total transfers</b>	<b>(192,170)</b>	<b>192,170</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	(622,340)	449,556	(172,784)	(1,488,545)	(4,316,530)	4,143,746
Fund balances, beginning	10,644,561	5,257,751	15,902,312	12,812,266	15,902,312	-
Fund balances, ending	\$ 10,022,221	\$ 5,707,307	\$ 15,729,528	\$ 11,323,721	\$ 11,585,782	\$ 4,143,746

**CITY OF MARSHALLTOWN, IOWA**  
**BUDGETARY COMPARISON SCHEDULE – BUDGET TO GAAP RECONCILIATION**  
**YEAR ENDED JUNE 30, 2010**

	Governmental Funds			Proprietary Funds Enterprise		
	Accrual		Modified	Accrual		
	Cash Basis	Adjustments	Accrual Basis	Cash Basis	Adjustments	Accrual Basis
Revenues	\$ 24,670,406	\$ 435,179	\$ 25,105,585	\$ 5,826,435	\$ 779,280	\$ 6,605,715
Expenditures/expenses	<u>25,100,576</u>	<u>388,686</u>	<u>25,489,262</u>	<u>5,569,049</u>	<u>91,560</u>	<u>5,660,609</u>
Net	(430,170)	46,493	(383,677)	257,386	687,720	945,106
Transfers	(192,170)	113	(192,057)	192,170	(113)	192,057
Beginning fund balances/ net assets	<u>10,644,561</u>	<u>351,603</u>	<u>10,996,164</u>	<u>5,257,751</u>	<u>30,401,942</u>	<u>35,659,693</u>
Ending fund balances/ net assets	<u>\$ 10,022,221</u>	<u>\$ 398,209</u>	<u>\$ 10,420,430</u>	<u>\$ 5,707,307</u>	<u>\$ 31,089,549</u>	<u>\$ 36,796,856</u>

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –**  
**BUDGETARY REPORTING**  
**YEAR ENDED JUNE 30, 2010**

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

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

Formal and legal budgetary control is based upon nine (9) major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund type, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments were prepared with the required public hearing. The amendments increased budgeted disbursements by \$8,484,401.

During the year ended June 30, 2010, no function disbursements exceeded the amount budgeted.

## **OTHER SUPPLEMENTARY INFORMATION**

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# NONMAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

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

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

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

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

## CAPITAL PROJECTS FUND

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

## PERMANENT FUND

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

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

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	<u>Special</u>	
	<u>E-911</u>	
	<u>Surcharge</u>	<u>Grant Fund</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 234,612	\$ -
Receivables		
Accounts and unbilled usage	1,125	-
Due from other governments	57,752	193,816
Prepaid items	<u>18,109</u>	<u>1,460</u>
Total assets	<u>\$ 311,598</u>	<u>\$ 195,276</u>
<b>Liabilities and fund balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 2,529	\$ 10,109
Accrued payroll and payroll benefits	-	11,653
Retainage payable	-	-
Deferred revenue		
Other	46,367	244,373
Due to other governments	-	4,761
Due to other funds	<u>-</u>	<u>126,373</u>
Total liabilities	<u>48,896</u>	<u>397,269</u>
<b>Fund balances</b>		
Reserved for		
Prepaid items	18,109	1,460
Endowments	-	-
Unreserved		
Capital projects funds	-	-
Special revenue funds	<u>244,593</u>	<u>(203,453)</u>
Total fund balances	<u>262,702</u>	<u>(201,993)</u>
Total liabilities and fund balances	<u>\$ 311,598</u>	<u>\$ 195,276</u>

<u>Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Special Contributions</u>	<u>Other</u>	<u>Airport Projects</u>	<u>Campground Foundation</u>	
\$ 378,689	\$ 189,506	\$ -	\$ 2,763	\$ 805,570
-	-	-	-	1,125
-	-	58,811	-	310,379
94	-	-	-	19,663
<u>\$ 378,783</u>	<u>\$ 189,506</u>	<u>\$ 58,811</u>	<u>\$ 2,763</u>	<u>\$ 1,136,737</u>
\$ 13,961	\$ 8,858	\$ 81,142	\$ -	\$ 116,599
24	-	-	-	11,677
-	-	3,450	-	3,450
-	-	58,811	-	349,551
-	-	-	-	4,761
-	-	26,799	-	153,172
<u>13,985</u>	<u>8,858</u>	<u>170,202</u>	<u>-</u>	<u>639,210</u>
94	-	-	-	19,663
-	-	-	2,763	2,763
-	-	(111,391)	-	(111,391)
<u>364,704</u>	<u>180,648</u>	<u>-</u>	<u>-</u>	<u>586,492</u>
<u>364,798</u>	<u>180,648</u>	<u>(111,391)</u>	<u>2,763</u>	<u>497,527</u>
<u>\$ 378,783</u>	<u>\$ 189,506</u>	<u>\$ 58,811</u>	<u>\$ 2,763</u>	<u>\$ 1,136,737</u>

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES (DEFICIT)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	<u>Special</u>	
	E-911	
	<u>Surcharge</u>	<u>Grant Fund</u>
Revenues		
Other city taxes	\$ 188,530	\$ -
Use of money and property	3,060	1,125
Intergovernmental	-	428,384
Charges for service	-	-
Miscellaneous	<u>893</u>	<u>11,704</u>
Total revenues	<u>192,483</u>	<u>441,213</u>
Expenditures		
Current		
Public safety	395,756	326,629
Public works	-	-
Health and social services	-	101,773
Culture and recreation	-	1,219
Community and economic development	<u>-</u>	<u>185,929</u>
Total expenditures	<u>395,756</u>	<u>615,550</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(203,273)</u>	<u>(174,337)</u>
Other financing sources (uses)		
Sale of governmental assets	-	-
Transfers in	-	-
Transfers out	<u>-</u>	<u>(829)</u>
Total other financing sources (uses)	<u>-</u>	<u>(829)</u>
Net change in fund balances	(203,273)	(175,166)
Fund balances (deficit) - beginning, as restated	<u>465,975</u>	<u>(26,827)</u>
Fund balances (deficit) - ending	<u>\$ 262,702</u>	<u>\$ (201,993)</u>

<u>Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Special Contributions</u>	<u>Other</u>	<u>Airport Projects</u>	<u>Campground Foundation</u>	
\$ -	\$ -	\$ -	\$ -	\$ 188,530
1,674	982	-	24	6,865
-	-	7,103	-	435,487
66,148	15	-	-	66,163
<u>99,771</u>	<u>47,187</u>	<u>-</u>	<u>-</u>	<u>159,555</u>
<u>167,593</u>	<u>48,184</u>	<u>7,103</u>	<u>24</u>	<u>856,600</u>
6,812	39,528	-	-	768,725
-	8,858	148,986	-	157,844
-	-	-	-	101,773
153,408	5,515	-	-	160,142
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,929</u>
<u>160,220</u>	<u>53,901</u>	<u>148,986</u>	<u>-</u>	<u>1,374,413</u>
<u>7,373</u>	<u>(5,717)</u>	<u>(141,883)</u>	<u>24</u>	<u>(517,813)</u>
223,759	-	-	-	223,759
-	902	-	-	902
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(829)</u>
<u>223,759</u>	<u>902</u>	<u>-</u>	<u>-</u>	<u>223,832</u>
231,132	(4,815)	(141,883)	24	(293,981)
<u>133,666</u>	<u>185,463</u>	<u>30,492</u>	<u>2,739</u>	<u>791,508</u>
<u>\$ 364,798</u>	<u>\$ 180,648</u>	<u>\$ (111,391)</u>	<u>\$ 2,763</u>	<u>\$ 497,527</u>

# NONMAJOR ENTERPRISE FUNDS

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

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

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

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**JUNE 30, 2010**

	<u>Compost Facility</u>	<u>Bus Transit</u>	<u>Recreation Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 14,532	\$ 383,827	\$ 86,841	\$ 485,200
Receivables				
Accounts and unbilled usage	822	11,934	280	13,036
Due from other funds	-	2,497	-	2,497
Due from other governments	-	43,583	-	43,583
Inventories	6,566	-	-	6,566
Prepaid items	242	9,362	127	9,731
Total current assets	<u>22,162</u>	<u>451,203</u>	<u>87,248</u>	<u>560,613</u>
<b>Noncurrent assets</b>				
<b>Capital assets</b>				
Land	10,437	-	-	10,437
Land improvements	235,361	7,735	-	243,096
Buildings and structures	26,919	677,129	-	704,048
Equipment and vehicles	99,931	1,307,218	-	1,407,149
Accumulated depreciation	<u>(239,653)</u>	<u>(670,839)</u>	<u>-</u>	<u>(910,492)</u>
Total noncurrent assets	<u>132,995</u>	<u>1,321,243</u>	<u>-</u>	<u>1,454,238</u>
Total assets	<u>155,157</u>	<u>1,772,446</u>	<u>87,248</u>	<u>2,014,851</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	1,148	10,229	4,772	16,149
Accrued payroll and payroll benefits	837	10,851	2,463	14,151
Compensated absences	-	3,663	-	3,663
Total current liabilities	<u>1,985</u>	<u>24,743</u>	<u>7,235</u>	<u>33,963</u>
<b>Noncurrent liabilities</b>				
Compensated absences	-	15,829	-	15,829
Net OPEB liability	-	9,411	-	9,411
Total noncurrent liabilities	<u>-</u>	<u>25,240</u>	<u>-</u>	<u>25,240</u>
Total liabilities	<u>1,985</u>	<u>49,983</u>	<u>7,235</u>	<u>59,203</u>
<b>Net assets</b>				
Invested in capital assets	132,995	1,321,243	-	1,454,238
Unrestricted	20,177	401,220	80,013	501,410
Total net assets	<u>\$ 153,172</u>	<u>\$ 1,722,463</u>	<u>\$ 80,013</u>	<u>\$ 1,955,648</u>

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	Compost Facility	Bus Transit	Recreation Concessions	Total Nonmajor Enterprise Funds
Operating revenues				
Charges for service	\$ 31,943	\$ 118,331	\$ 48,570	\$ 198,844
Operating expenses				
Salaries and benefits	17,365	377,215	19,667	414,247
Services and supplies	8,961	137,325	29,071	175,357
Depreciation	12,741	82,150	-	94,891
Total operating expenses	39,067	596,690	48,738	684,495
Operating loss	(7,124)	(478,359)	(168)	(485,651)
Nonoperating revenues				
Federal and state grants	-	279,946	-	279,946
Interest income	63	2,862	411	3,336
Net nonoperating revenues	63	282,808	411	283,282
Income (loss) before capital contributions and transfers	(7,061)	(195,551)	243	(202,369)
Capital contributions	-	313,144	-	313,144
Transfers in	5,000	160,604	45,000	210,604
Change in net assets	(2,061)	278,197	45,243	321,379
Total net assets - beginning	155,233	1,444,266	34,770	1,634,269
Total net assets - ending	\$ 153,172	\$ 1,722,463	\$ 80,013	\$ 1,955,648

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	<u>Compost Facility</u>	<u>Bus Transit</u>	<u>Recreation Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
Cash flows from operating activities				
Cash received from customers	\$ 31,424	\$ 108,388	\$ 48,290	\$ 188,102
Cash payments to suppliers for goods and services	(10,281)	(165,598)	(27,709)	(203,588)
Cash payments to employees for services	<u>(17,024)</u>	<u>(369,541)</u>	<u>(19,340)</u>	<u>(405,905)</u>
Net cash provided (used) by operating activities	<u>4,119</u>	<u>(426,751)</u>	<u>1,241</u>	<u>(421,391)</u>
Cash flows from noncapital financing activities				
Transfers from other funds	5,000	160,604	45,000	210,604
Grants received	-	279,946	-	279,946
Decrease in due from other funds	<u>-</u>	<u>113</u>	<u>-</u>	<u>113</u>
Net cash provided by noncapital financing activities	<u>5,000</u>	<u>440,663</u>	<u>45,000</u>	<u>490,663</u>
Cash flows from investing activities				
Interest received on investment securities	<u>63</u>	<u>3,803</u>	<u>411</u>	<u>4,277</u>
Net increase in cash and cash equivalents	9,182	17,715	46,652	73,549
Cash and cash equivalents, beginning	<u>5,350</u>	<u>366,112</u>	<u>40,189</u>	<u>411,651</u>
Cash and cash equivalents, ending	<u>\$ 14,532</u>	<u>\$ 383,827</u>	<u>\$ 86,841</u>	<u>\$ 485,200</u>

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS (continued)**  
**NONMAJOR ENTERPRISE FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	<u>Compost Facility</u>	<u>Bus Transit</u>	<u>Recreation Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
Reconciliation of operating loss to net cash provided (used) by operating activities				
Operating loss	\$ (7,124)	\$ (478,359)	\$ (168)	\$ (485,651)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities				
Depreciation	12,741	82,150	-	94,891
Changes in assets and liabilities				
Decrease in receivables	(519)	(48,487)	(280)	(49,286)
(Increase) decrease in inventories and prepaid items	(2,407)	3,006	87	686
Decrease in accounts payable	1,087	7,265	1,275	9,627
Increase in accrued liabilities	341	3,947	327	4,615
Increase in net OPEB liability	<u>-</u>	<u>3,727</u>	<u>-</u>	<u>3,727</u>
Total adjustments	<u>11,243</u>	<u>51,608</u>	<u>1,409</u>	<u>64,260</u>
Net cash provided (used) by operating activities	<u>\$ 4,119</u>	<u>\$ (426,751)</u>	<u>\$ 1,241</u>	<u>\$ (421,391)</u>
Noncash capital activities				
Contributions of capital assets from other funds and outside sources	<u>\$ -</u>	<u>\$ 313,144</u>	<u>\$ -</u>	<u>\$ 313,144</u>

# INTERNAL SERVICE FUNDS

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

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

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

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

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2010**

	Group Insurance Benefits	Occupational Insurance Benefits	Flexible Benefits	Workmen's Compensation Deductible	Total
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 1,536,305	\$ 521,437	\$ -	\$ 40,346	\$ 2,098,088
Receivables					
Accounts	37,606	-	-	-	37,606
Due from other funds	9,325	-	-	-	9,325
Prepaid items	18,897	-	-	-	18,897
	<u>1,602,133</u>	<u>521,437</u>	<u>-</u>	<u>40,346</u>	<u>2,163,916</u>
<b>Liabilities</b>					
Current liabilities					
Accounts payable	407,660	-	-	-	407,660
Unearned revenue	139,469	-	-	-	139,469
Due to other funds	-	-	9,325	-	9,325
	<u>547,129</u>	<u>-</u>	<u>9,325</u>	<u>-</u>	<u>556,454</u>
Total net assets (deficit) - unrestricted	<u>\$ 1,055,004</u>	<u>\$ 521,437</u>	<u>\$ (9,325)</u>	<u>\$ 40,346</u>	<u>\$ 1,607,462</u>

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS (DEFICIT)**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	Group Insurance Benefits	Occupational Insurance Benefits	Flexible Benefits	Workmen's Compensation Deductible	Total
Operating revenues					
Charges for service	\$ 1,900,330	\$ 35,388	\$ 71,402	\$ 730	\$ 2,007,850
Miscellaneous	449,129	3,095	-	-	452,224
<b>Total operating revenues</b>	<b>2,349,459</b>	<b>38,483</b>	<b>71,402</b>	<b>730</b>	<b>2,460,074</b>
Operating expenses					
Services and supplies	14,906	-	-	-	14,906
Claims paid	1,987,057	66,804	75,955	599	2,130,415
Health insurance premiums	215,758	-	-	-	215,758
Miscellaneous	110,474	749	-	-	111,223
<b>Total operating expenses</b>	<b>2,328,195</b>	<b>67,553</b>	<b>75,955</b>	<b>599</b>	<b>2,472,302</b>
<b>Operating income (loss)</b>	<b>21,264</b>	<b>(29,070)</b>	<b>(4,553)</b>	<b>131</b>	<b>(12,228)</b>
Nonoperating revenues (expenses)					
Interest income (loss)	14,341	4,988	-	(365)	18,964
<b>Change in net assets</b>	<b>35,605</b>	<b>(24,082)</b>	<b>(4,553)</b>	<b>(234)</b>	<b>6,736</b>
<b>Total net assets (deficit) - beginning</b>	<b>1,019,399</b>	<b>545,519</b>	<b>(4,772)</b>	<b>40,580</b>	<b>1,600,726</b>
<b>Total net assets (deficit) - ending</b>	<b>\$ 1,055,004</b>	<b>\$ 521,437</b>	<b>\$ (9,325)</b>	<b>\$ 40,346</b>	<b>\$ 1,607,462</b>

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	Group Insurance Benefits	Occupational Insurance Benefits	Flexible Benefits	Workmen's Compensation Deductible	Total
Cash flows from operating activities					
Cash received from customers	\$ 1,916,854	\$ 35,388	\$ 71,402	\$ 730	\$ 2,024,374
Cash payments to suppliers for goods and services	(2,322,366)	(75,814)	(75,955)	(599)	(2,474,734)
Other operating revenue	449,129	3,095	-	-	452,224
Net cash provided (used) by operating activities	<u>43,617</u>	<u>(37,331)</u>	<u>(4,553)</u>	<u>131</u>	<u>1,864</u>
Cash flows from noncapital financing activities					
Increase in due from other funds	(4,553)	-	-	-	(4,553)
Increase in due to other funds	-	-	4,553	-	4,553
Net cash provided (used) by noncapital financing activities	<u>(4,553)</u>	<u>-</u>	<u>4,553</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities					
Interest received on investment securities	16,494	7,587	-	-	24,081
Net increase (decrease) in cash and cash equivalents	55,558	(29,744)	-	131	25,945
Cash and cash equivalents, beginning	<u>1,480,747</u>	<u>551,181</u>	<u>-</u>	<u>40,215</u>	<u>2,072,143</u>
Cash and cash equivalents, ending	<u>\$ 1,536,305</u>	<u>\$ 521,437</u>	<u>\$ -</u>	<u>\$ 40,346</u>	<u>\$ 2,098,088</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 21,264	\$ (29,070)	\$ (4,553)	\$ 131	\$ (12,228)
Changes in assets and liabilities					
Decrease in receivables	19,118	-	-	-	19,118
Decrease in prepaid items	1,154	295	-	-	1,449
Increase (decrease) in accounts payable	4,675	(8,556)	-	-	(3,881)
Decrease in unearned revenue	(2,594)	-	-	-	(2,594)
Total	<u>22,353</u>	<u>(8,261)</u>	<u>-</u>	<u>-</u>	<u>14,092</u>
Net cash provided (used) by operating activities	<u>\$ 43,617</u>	<u>\$ (37,331)</u>	<u>\$ (4,553)</u>	<u>\$ 131</u>	<u>\$ 1,864</u>

# FIDUCIARY FUNDS

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

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

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

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

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

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

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<b>PAYROLL FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 222,847	\$ 31,016,276	\$ 31,036,597	\$ 202,526
<b>LIABILITIES</b>				
Accrued payroll and payroll benefits	\$ 222,847	\$ 30,960,627	\$ 31,036,597	\$ 146,877
Due to City	-	55,649	-	55,649
Total liabilities	\$ 222,847	\$ 31,016,276	\$ 31,036,597	\$ 202,526
<b>FRIENDS OF THE LIBRARY</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 34,984	\$ 230,651	\$ 208,225	\$ 57,410
<b>LIABILITIES</b>				
Due to Friends of the Library	\$ 34,984	\$ 230,651	\$ 208,225	\$ 57,410
<b>SLEUTH USER GROUP</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,140	\$ 130	\$ -	\$ 14,270
<b>LIABILITIES</b>				
Due to Sleuth User Group	\$ 14,140	\$ 130	\$ -	\$ 14,270
<b>SURETY BONDS/DEPOSITS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 24,301	\$ 24,131	\$ 170
Accounts and unbilled usage	18,000	-	18,000	-
Accrued interest	34	-	34	-
Total assets	\$ 18,034	\$ 24,301	\$ 42,165	\$ 170
<b>LIABILITIES</b>				
Due to City	\$ 6,083	\$ 253	\$ 6,166	\$ 170
Due to developer	11,951	24,048	35,999	-
Total liabilities	\$ 18,034	\$ 24,301	\$ 42,165	\$ 170

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<b>OTHER</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,124	\$ 11,016	\$ 10,550	\$ 1,590
<b>LIABILITIES</b>				
Due to other governments	\$ 1,124	\$ 11,016	\$ 10,550	\$ 1,590
<b>ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 273,095	\$ 31,282,374	\$ 31,279,503	\$ 275,966
Accounts and unbilled usage	18,000	-	18,000	-
Accrued interest	34	-	34	-
Total assets	<u>\$ 291,129</u>	<u>\$ 31,282,374</u>	<u>\$ 31,297,537</u>	<u>\$ 275,966</u>
<b>LIABILITIES</b>				
Accrued payroll and payroll benefits	\$ 222,847	\$ 30,960,627	\$ 31,036,597	\$ 146,877
Due to Friends of the Library	34,984	230,651	208,225	57,410
Due to Sleuth User Group	14,140	130	-	14,270
Due to City	6,083	55,902	6,166	55,819
Due to developer	11,951	24,048	35,999	-
Due to other governments	1,124	11,016	10,550	1,590
Total liabilities	<u>\$ 291,129</u>	<u>\$ 31,282,374</u>	<u>\$ 31,297,537</u>	<u>\$ 275,966</u>

## **LONG-TERM DEBT**

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**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF BOND MATURITIES**  
**JUNE 30, 2010**

Issue	Year Ending June 30	Interest Rates	Interest	Principal
<b>Governmental Activities</b>				
<b>General Obligation</b>				
Equipment loan note, issued February 1, 2005	2011	0.00%	\$ -	\$ 13,841
	2012	0.00%	-	13,840
	2013	0.00%	-	13,841
	2014	0.00%	-	13,841
	2015	0.00%	-	13,841
			-	69,204
2005B Essential corporate purpose refunding bonds, issued April 1, 2005	2011	3.50%	17,950	200,000
	2012	3.65%	10,950	300,000
			28,900	500,000
2006A Capital loan notes, issued June 1, 2006	2011	4.30%	37,684	165,000
	2012	4.35%	30,460	175,000
	2013	4.38%	22,739	180,000
	2014	4.38%	14,766	190,000
	2015	4.38%	6,454	195,000
			112,103	905,000
2008A Essential corporate purpose refunding bonds, issued April 1, 2008	2011	3.50%	276,675	1,000,000
	2012	3.50%	241,675	1,155,000
	2013	3.50%	201,250	1,150,000
	2014	3.50%	161,000	1,200,000
	2015	3.50%	119,000	1,150,000
	2016	3.50%	78,750	1,150,000
	2017	3.50%	38,500	1,100,000
			1,116,850	7,905,000

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF BOND MATURITIES (continued)**  
**JUNE 30, 2010**

Issue	Year Ending June 30	Interest Rates	Interest	Principal
<b>Governmental Activities (continued)</b>				
<b>General Obligation (continued)</b>				
2008B Essential corporate purpose, issued April 1, 2008	2011	3.50%	\$ 163,150	\$ 335,000
	2012	3.50%	151,425	335,000
	2013	3.50%	139,700	335,000
	2014	3.50%	127,975	335,000
	2015	3.50%	116,250	335,000
	2016	3.50%	104,525	335,000
	2017	4.00%	92,800	335,000
	2018	4.00%	79,400	335,000
	2019	4.00%	66,000	335,000
	2020	4.00%	52,600	335,000
	2021	4.00%	39,200	335,000
	2022	4.00%	25,800	335,000
	2023	4.00%	12,400	310,000
			1,171,225	4,330,000
2008C Essential corporate purpose refunding bonds, issued April 1, 2008	2011	3.50%	7,875	225,000
2009A Essential corporate purpose refunding bonds, issued May 1, 2009	2011	1.90%	67,765	445,000
	2012	2.10%	61,090	420,000
	2013	2.60%	53,740	575,000
	2014	3.00%	42,240	315,000
	2015	3.15%	35,310	325,000
	2016	3.30%	27,510	335,000
	2017	3.65%	18,800	350,000
	2018	3.90%	9,000	300,000
			315,455	3,065,000
2009B Essential corporate purpose refunding bonds, issued August 13, 2009	2011	1.50%	7,530	230,000
	2012	1.70%	4,080	240,000
			11,610	470,000
Total general obligation bonds and notes	2011		578,629	2,613,841
	2012		499,680	2,638,840
	2013		417,429	2,253,841
	2014		345,981	2,053,841
	2015		277,014	2,018,841
	2016		210,785	1,820,000
	2017		150,100	1,785,000
	2018		88,400	635,000
	2019		66,000	335,000
	2020		52,600	335,000
	2021		39,200	335,000
	2022		25,800	335,000
	2023		12,400	310,000
			\$ 2,764,018	\$ 17,469,204

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF BOND MATURITIES (continued)**  
**JUNE 30, 2010**

Issue	Year Ending June 30	Interest Rates	Interest	Principal
<b>Enterprise Funds</b>				
Water Pollution Control, capital loan notes, Series 2003, issued May 15, 2003	2011	3.00%	\$ 102,000	\$ 335,000
	2012	3.00%	91,950	345,000
	2013	3.00%	81,600	355,000
	2014	3.00%	70,950	366,000
	2015	3.00%	59,970	377,000
	2016	3.00%	48,660	388,000
	2017	3.00%	37,020	399,000
	2018	3.00%	25,050	411,000
	2019	3.00%	12,720	424,000
			529,920	3,400,000
Water Pollution Control, refunding bonds, Series 2005A, issued April 1, 2005	2011	3.55%	38,293	260,000
	2012	3.65%	29,063	260,000
	2013	3.75%	19,573	255,000
	2014	3.85%	10,010	260,000
			96,939	1,035,000
Total enterprise funds	2011		140,293	595,000
	2012		121,013	605,000
	2013		101,173	610,000
	2014		80,960	626,000
	2015		59,970	377,000
	2016		48,660	388,000
	2017		37,020	399,000
	2018		25,050	411,000
	2019		12,720	424,000
			\$ 626,859	\$ 4,435,000

**STATISTICAL SECTION (UNAUDITED)**

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# CITY OF MARSHALLTOWN, IOWA

## STATISTICAL SECTION – CONTENTS

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

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	93
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	102
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	106
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	112
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	114

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

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

	<b>Fiscal Year</b>				
	2010	2009	2008	2007	2006
Governmental activities					
Invested in capital assets, net of related debt	\$26,650,049	\$23,043,549	\$19,020,002	\$14,837,533	\$10,902,193
Restricted	5,480,294	4,092,324	3,466,011	3,093,281	2,465,406
Unrestricted	<u>5,344,963</u>	<u>7,751,144</u>	<u>8,744,229</u>	<u>9,609,800</u>	<u>8,572,318</u>
Total governmental activities net assets	<u>\$37,475,306</u>	<u>\$34,887,017</u>	<u>\$31,230,242</u>	<u>\$27,540,614</u>	<u>\$21,939,917</u>
Business-type activities					
Invested in capital assets, net of related debt	\$30,006,298	\$29,462,000	\$28,057,883	\$27,975,107	\$28,081,324
Restricted	947,675	948,423	949,146	949,930	1,382,713
Unrestricted	<u>5,842,883</u>	<u>5,736,915</u>	<u>5,564,413</u>	<u>4,708,652</u>	<u>3,531,327</u>
Total business-type activities net assets	<u>\$36,796,856</u>	<u>\$36,147,338</u>	<u>\$34,571,442</u>	<u>\$33,633,689</u>	<u>\$32,995,364</u>
Primary Government					
Invested in capital assets, net of related debt	\$56,656,347	\$52,505,549	\$47,077,885	\$42,812,640	\$38,983,517
Restricted	6,427,969	5,040,747	4,415,157	4,043,211	3,848,119
Unrestricted	<u>11,187,846</u>	<u>13,488,059</u>	<u>14,308,642</u>	<u>14,318,452</u>	<u>12,103,645</u>
Total primary government net assets	<u>\$74,272,162</u>	<u>\$71,034,355</u>	<u>\$65,801,684</u>	<u>\$61,174,303</u>	<u>\$54,935,281</u>

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

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<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 9,538,473	\$ 7,585,973	\$14,182,084
1,401,272	976,110	2,408,818
<u>8,412,821</u>	<u>8,036,183</u>	<u>7,318,392</u>
<u>\$19,352,566</u>	<u>\$16,598,266</u>	<u>\$23,909,294</u>

\$28,091,451	\$27,579,870	\$18,870,233
1,285,042	1,424,373	1,625,224
<u>3,462,591</u>	<u>2,862,230</u>	<u>2,811,086</u>
<u>\$32,839,084</u>	<u>\$31,866,473</u>	<u>\$23,306,543</u>

\$37,629,924	\$35,165,843	\$33,052,317
2,686,314	2,400,483	4,034,042
<u>11,875,412</u>	<u>10,898,413</u>	<u>10,129,478</u>
<u>\$52,191,650</u>	<u>\$48,464,739</u>	<u>\$47,215,837</u>

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

	<b>Fiscal Year</b>				
	2010	2009	2008	2007	2006
<b>Expenses</b>					
Governmental activities:					
Public safety	\$ 8,065,379	\$ 7,633,307	\$ 7,542,266	\$ 7,221,486	\$ 7,343,575
Public works	4,652,177	4,783,710	5,083,392	4,002,011	3,938,080
Health and social services	1,330,332	710,361	1,273,679	1,404,277	1,361,077
Culture and recreation	3,842,524	2,744,793	2,900,972	2,477,842	2,893,559
Community and economic development	2,343,854	2,369,887	1,795,613	1,992,572	1,694,889
General government	707,425	1,073,832	1,120,708	1,271,344	1,028,482
Interest on long term debt	659,449	846,296	841,587	910,061	921,460
Total governmental activities expenses	<u>21,601,140</u>	<u>20,162,186</u>	<u>20,558,217</u>	<u>19,279,593</u>	<u>19,181,122</u>
Business-type activities:					
Water pollution control	4,451,055	4,104,671	4,127,563	3,935,556	4,096,849
Storm sewer	536,859	484,772	516,213	451,013	423,426
Compost	39,067	45,822	89,164	37,472	44,066
Transit	596,690	569,665	562,279	501,321	438,430
Concessions	48,738	107,677	59,936	53,291	54,725
Total business-type activities expenses	<u>5,672,409</u>	<u>5,312,607</u>	<u>5,355,155</u>	<u>4,978,653</u>	<u>5,057,496</u>
Total primary government expenses	<u>\$ 27,273,549</u>	<u>\$ 25,474,793</u>	<u>\$ 25,913,372</u>	<u>\$ 24,258,246</u>	<u>\$ 24,238,618</u>
<b>Program Revenues</b>					
Governmental activities					
Charges for service:					
Public safety	\$ 194,712	\$ 79,976	\$ 186,932	\$ 550,576	\$ 104,082
Public works	717,658	720,300	446,564	663,753	636,645
Health and social services	78,181	41,585	66,515	68,541	-
Culture and recreation	443,268	436,038	469,169	488,282	687,079
Community and economic development	157,415	287,548	312,835	184,928	230,674
Other activities	98,728	153,242	159,155	83,055	171,517
Operating grants and contributions	5,935,212	4,952,094	6,006,627	5,739,079	5,440,505
Capital grants and contributions	2,106,963	1,766,302	1,570,148	2,898,828	1,461,418
Total governmental activities program revenues	<u>9,732,137</u>	<u>8,437,085</u>	<u>9,217,945</u>	<u>10,677,042</u>	<u>8,731,920</u>
Business-type activities					
Charges for service:					
Water pollution control	4,772,834	4,921,428	4,915,786	4,051,010	3,657,366
Storm sewer	299,772	279,142	303,621	334,058	327,807
Compost	31,943	33,404	26,155	22,405	26,627
Transit	118,331	115,486	129,841	85,433	118,473
Concessions	48,570	59,669	61,986	61,732	67,014
Operating grants and contributions	669,067	572,393	290,701	253,130	453,792
Capital grants and contributions	621,223	611,649	165,849	239,065	227,315
Total business-type activities program revenues	<u>6,561,740</u>	<u>6,593,171</u>	<u>5,893,939</u>	<u>5,046,833</u>	<u>4,878,394</u>
Total primary government program revenues	<u>\$ 16,293,877</u>	<u>\$ 15,030,256</u>	<u>\$ 15,111,884</u>	<u>\$ 15,723,875</u>	<u>\$ 13,610,314</u>

	2005	2004	2003
\$	6,718,838	\$ 7,334,477	\$ 6,704,841
	4,975,532	4,132,829	4,067,481
	1,336,175	783,075	455,506
	2,356,111	2,669,207	2,462,897
	1,743,784	2,495,685	1,744,724
	975,510	1,038,353	1,083,663
	1,037,688	984,214	1,137,323
	<u>19,143,638</u>	<u>19,437,840</u>	<u>17,656,435</u>
	4,153,055	3,677,871	3,563,400
	472,913	408,532	-
	47,634	35,357	40,971
	419,640	492,115	531,734
	44,416	58,824	14,900
	<u>5,137,658</u>	<u>4,672,699</u>	<u>4,151,005</u>
\$	<u>24,281,296</u>	<u>24,110,539</u>	<u>21,807,440</u>
\$	257,712	\$ 172,460	\$ 104,795
	401,644	643,004	483,067
	-	-	-
	632,892	651,286	350,488
	307,867	272,422	301,441
	122,900	112,633	163,010
	5,265,563	5,510,052	4,887,463
	971,519	517,296	697,162
	<u>7,960,097</u>	<u>7,879,153</u>	<u>6,987,426</u>
	3,649,510	3,593,272	3,613,023
	306,892	274,397	-
	35,620	41,526	43,914
	123,760	136,637	102,802
	59,149	71,121	25,764
	273,126	198,530	185,399
	1,276,587	472,261	473,479
	<u>5,724,644</u>	<u>4,787,744</u>	<u>4,444,381</u>
\$	<u>13,684,741</u>	<u>12,666,897</u>	<u>11,431,807</u>

(continued)

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

	<b>Fiscal Year</b>				
	2010	2009	2008	2007	2006
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (11,869,003)	\$ (11,725,101)	\$ (11,340,272)	\$ (8,602,551)	\$ (10,449,202)
Business-type activities	889,331	1,280,564	538,784	68,180	(179,102)
Total primary government net expense	<u>\$ (10,979,672)</u>	<u>\$ (10,444,537)</u>	<u>\$ (10,801,488)</u>	<u>\$ (8,534,371)</u>	<u>\$ (10,628,304)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property	\$ 8,957,392	\$ 8,617,322	\$ 7,821,311	\$ 7,523,858	\$ 7,006,898
Other	5,206,539	5,787,467	5,735,724	5,697,114	4,928,051
Unrestricted					
State generated revenues	333,259	339,243	368,341	343,333	383,643
Investment earnings	162,173	325,699	602,711	655,348	477,315
Miscellaneous revenues	641,234	468,253	653,069	297,817	385,881
Transfers	(192,057)	(156,108)	(151,256)	(314,222)	(145,235)
Total governmental activities	<u>15,108,540</u>	<u>15,381,876</u>	<u>15,029,900</u>	<u>14,203,248</u>	<u>13,036,553</u>
Business-type activities:					
Investment earnings	55,775	139,224	245,262	255,923	190,147
Miscellaneous revenues	-	-	2,151	-	-
Transfers	192,057	156,108	151,256	314,222	145,235
Total business-type activities	<u>247,832</u>	<u>295,332</u>	<u>398,669</u>	<u>570,145</u>	<u>335,382</u>
Total primary government	<u>\$ 15,356,372</u>	<u>\$ 15,677,208</u>	<u>\$ 15,428,569</u>	<u>\$ 14,773,393</u>	<u>\$ 13,371,935</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ 3,239,537	\$ 3,656,775	\$ 3,689,628	\$ 5,600,697	\$ 2,587,351
Business-type activities	1,137,163	1,575,896	937,453	638,325	156,280
Total primary government	<u>\$ 4,376,700</u>	<u>\$ 5,232,671</u>	<u>\$ 4,627,081</u>	<u>\$ 6,239,022</u>	<u>\$ 2,743,631</u>

Note:

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

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2005	2004	2003
\$ (11,183,541)	\$ (11,558,687)	\$ (10,669,009)
<u>586,986</u>	<u>115,045</u>	<u>293,376</u>
<u>\$ (10,596,555)</u>	<u>\$ (11,443,642)</u>	<u>\$ (10,375,633)</u>

\$ 6,660,061	\$ 6,413,043	\$ 6,179,720
5,891,242	5,067,338	5,335,391
401,992	415,760	925,838
288,581	167,696	217,902
726,918	540,411	624,720
<u>(120,380)</u>	<u>(8,356,589)</u>	<u>(101,045)</u>
<u>13,848,414</u>	<u>4,247,659</u>	<u>13,182,526</u>

113,190	88,296	142,525
-	-	-
<u>120,380</u>	<u>8,356,589</u>	<u>101,045</u>
<u>233,570</u>	<u>8,444,885</u>	<u>243,570</u>
<u>\$ 14,081,984</u>	<u>\$ 12,692,544</u>	<u>\$ 13,426,096</u>

\$ 2,664,873	\$ (7,311,028)	\$ 2,513,517
<u>820,556</u>	<u>8,559,930</u>	<u>536,946</u>
<u>\$ 3,485,429</u>	<u>\$ 1,248,902</u>	<u>\$ 3,050,463</u>

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

Function/Program	Program Revenues by Fiscal Year				
	2010	2009	2008	2007	2006
<b>Governmental activities</b>					
Public safety	\$ 960,979	\$ 854,028	\$ 969,752	\$ 1,198,228	\$ 764,806
Public works	4,029,975	3,260,842	3,342,003	4,322,473	4,009,030
Health and social services	1,300,200	321,478	975,487	1,021,964	1,088,238
Culture and recreation	925,422	2,010,582	1,862,073	2,068,851	949,630
Community and economic development	1,651,247	1,836,913	1,909,475	1,982,471	1,823,109
General government	864,314	153,242	159,155	83,055	97,107
Total governmental activities	<u>\$ 9,732,137</u>	<u>\$ 8,437,085</u>	<u>\$ 9,217,945</u>	<u>\$ 10,677,042</u>	<u>\$ 8,731,920</u>
<b>Business-type activities</b>					
Water pollution control	\$ 5,315,535	\$ 5,426,868	\$ 4,915,859	\$ 4,196,643	\$ 3,689,112
Storm sewer	454,271	465,414	427,640	417,245	523,472
Compost	31,943	33,404	59,235	22,405	26,627
Transit	711,421	607,816	429,219	348,808	572,169
Concessions	48,570	59,669	61,986	61,732	67,014
Total business-type activities	<u>\$ 6,561,740</u>	<u>\$ 6,593,171</u>	<u>\$ 5,893,939</u>	<u>\$ 5,046,833</u>	<u>\$ 4,878,394</u>

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2005	2004	2003
\$ 846,528	\$ 795,550	\$ 615,517
2,868,644	3,374,676	3,249,541
841,310	513,723	152,900
1,433,444	1,180,190	943,008
1,868,320	1,914,974	1,866,125
<u>101,851</u>	<u>100,040</u>	<u>160,335</u>
<u>\$ 7,960,097</u>	<u>\$ 7,879,153</u>	<u>\$ 6,987,426</u>

\$ 4,066,813	\$ 3,640,858	\$ 3,734,990
1,225,894	378,956	-
35,620	41,526	43,914
337,168	655,283	639,713
<u>59,149</u>	<u>71,121</u>	<u>25,764</u>
<u>\$ 5,724,644</u>	<u>\$ 4,787,744</u>	<u>\$ 4,444,381</u>

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

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Fund										
Reserved	\$ 233,410	\$ 266,493	\$ 254,813	\$ 260,504	\$ 254,337	\$ 270,400	\$ 317,580	\$ 325,475	\$ 284,565	\$ 256,815
Unreserved	<u>3,587,644</u>	<u>3,778,280</u>	<u>3,719,837</u>	<u>3,201,762</u>	<u>2,781,078</u>	<u>2,577,724</u>	<u>2,307,482</u>	<u>2,230,910</u>	<u>2,115,730</u>	<u>1,829,731</u>
Total general fund	<u>3,821,054</u>	<u>4,044,773</u>	<u>3,974,650</u>	<u>3,462,266</u>	<u>3,035,415</u>	<u>2,848,124</u>	<u>2,625,062</u>	<u>2,556,385</u>	<u>2,400,295</u>	<u>2,086,546</u>
All Other Governmental Funds										
Reserved	5,485,108	5,280,068	7,071,466	3,117,481	2,517,279	1,477,447	1,055,046	2,492,954	679,169	711,030
Unreserved reported in:										
Special revenue funds	1,003,450	1,692,822	2,376,891	3,256,828	2,923,224	3,371,161	4,580,157	4,327,815	4,379,485	4,390,771
Capital projects funds	<u>110,818</u>	<u>129,053</u>	-	<u>1,935,500</u>	<u>1,838,524</u>	<u>1,961,127</u>	<u>1,255,549</u>	<u>1,287,332</u>	<u>6,733,517</u>	<u>1,659,095</u>
Total all other governmental funds	<u>6,599,376</u>	<u>7,101,943</u>	<u>9,448,357</u>	<u>8,309,809</u>	<u>7,279,027</u>	<u>6,809,735</u>	<u>6,890,752</u>	<u>8,108,101</u>	<u>11,792,171</u>	<u>6,760,896</u>
Total fund balances of governmental funds	<u>\$ 10,420,430</u>	<u>\$ 11,146,716</u>	<u>\$ 13,423,007</u>	<u>\$ 11,772,075</u>	<u>\$ 10,314,442</u>	<u>\$ 9,657,859</u>	<u>\$ 9,515,814</u>	<u>\$ 10,664,486</u>	<u>\$ 14,192,466</u>	<u>\$ 8,847,442</u>

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

	<b>Fiscal Year Ended June 30,</b>				
	2010	2009	2008	2007	2006
<b>Revenues</b>					
Taxes	\$ 14,569,739	\$ 14,855,452	\$ 14,053,501	\$ 13,698,670	\$ 12,373,299
Use of money and property	206,909	343,980	617,026	688,991	508,604
Licenses and permits	212,918	294,196	365,034	303,126	289,329
Intergovernmental	7,168,913	6,031,273	7,587,326	6,106,617	6,744,295
Charges for service	845,703	820,780	874,706	909,103	863,341
Special assessments	51,581	83,043	28,083	206,510	210,278
Miscellaneous	<u>1,125,338</u>	<u>1,525,314</u>	<u>1,157,194</u>	<u>1,760,370</u>	<u>519,519</u>
Total revenues	<u>24,181,101</u>	<u>23,954,038</u>	<u>24,682,870</u>	<u>23,673,387</u>	<u>21,508,665</u>
<b>Expenditures</b>					
Public safety	7,492,213	7,143,869	7,588,682	7,165,536	6,898,394
Public works	3,787,116	3,498,289	3,913,315	2,922,597	2,438,572
Health and social services	1,318,373	718,526	1,284,767	1,421,014	1,340,728
Culture and recreation	3,081,402	2,176,451	2,552,969	2,145,963	2,526,524
Community and economic development	2,347,611	1,975,245	1,462,263	1,987,416	1,682,136
General government	1,990,657	1,023,774	1,082,742	1,122,209	1,227,899
Capital outlay	2,160,036	5,767,146	5,923,147	2,351,022	3,436,407
Debt service					
Principal	2,660,000	2,553,840	2,152,278	2,041,190	1,795,178
Interest and other fiscal charges	<u>651,854</u>	<u>1,286,096</u>	<u>1,190,984</u>	<u>932,281</u>	<u>928,425</u>
Total expenditures	<u>25,489,262</u>	<u>26,143,236</u>	<u>27,151,147</u>	<u>22,089,228</u>	<u>22,274,263</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,308,161)</u>	<u>(2,189,198)</u>	<u>(2,468,277)</u>	<u>1,584,159</u>	<u>(765,598)</u>
<b>Other Financing Sources (Uses)</b>					
Sale of governmental assets	224,484	14,015	20,465	13,299	67,416
Debt issued	700,000	3,500,000	15,455,000	-	1,500,000
Payment of refunded bonds	-	(3,445,000)	(11,205,000)	-	-
Premium (discount) and accrued interest on debt issued	-	-	-	-	-
Transfers in	5,825,922	6,496,136	7,506,477	7,596,884	6,266,978
Transfers out	<u>(6,017,979)</u>	<u>(6,652,244)</u>	<u>(7,657,733)</u>	<u>(7,736,709)</u>	<u>(6,412,213)</u>
Total other financing sources (uses)	<u>732,427</u>	<u>(87,093)</u>	<u>4,119,209</u>	<u>(126,526)</u>	<u>1,422,181</u>
Net change in fund balances	<u>\$ (575,734)</u>	<u>\$ (2,276,291)</u>	<u>\$ 1,650,932</u>	<u>\$ 1,457,633</u>	<u>\$ 656,583</u>
Debt service as a percentage of noncapital expenditures	14.2%	18.8%	15.7%	15.1%	14.5%

2005	2004	2003
\$ 12,974,773	\$ 11,876,045	\$ 11,943,200
342,424	228,610	271,522
341,082	321,265	352,363
6,089,537	6,076,477	6,108,639
892,894	1,050,035	768,745
317	317	34,074
<u>656,367</u>	<u>736,949</u>	<u>580,653</u>
<u>21,297,394</u>	<u>20,289,698</u>	<u>20,059,196</u>
6,568,961	7,121,973	6,341,434
3,706,520	1,732,511	1,174,940
1,340,928	784,624	449,028
2,012,136	2,293,991	2,196,006
1,727,405	2,487,721	1,664,266
1,158,880	2,429,108	2,639,542
1,581,034	4,928,180	7,053,729
2,101,062	1,983,850	1,515,000
<u>1,065,517</u>	<u>1,009,082</u>	<u>1,241,506</u>
<u>21,262,443</u>	<u>24,771,040</u>	<u>24,275,451</u>
<u>34,951</u>	<u>(4,481,342)</u>	<u>(4,216,255)</u>
489,574	105,050	-
1,932,441	3,300,000	3,957,038
(2,100,000)	-	(3,350,000)
-	19,073	2,139
6,535,905	6,579,422	5,551,670
<u>(6,656,285)</u>	<u>(6,670,875)</u>	<u>(5,652,715)</u>
<u>201,635</u>	<u>3,332,670</u>	<u>508,132</u>
<u>\$ 236,586</u>	<u>\$ (1,148,672)</u>	<u>\$ (3,708,123)</u>
16.1%	15.1%	16.0%

**CITY OF MARSHALLTOWN, IOWA**

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

	2002	2001
<b>Revenues</b>		
Taxes	\$ 10,399,173	\$ 9,680,281
Use of money and property	318,771	561,913
Licenses and permits	368,173	273,959
Intergovernmental	5,279,495	4,911,482
Charges for service	621,387	535,874
Special assessments	23,007	4,939
Miscellaneous	321,675	427,891
Total revenues	17,331,681	16,396,339
 <b>Expenditures</b>		
Community protection	6,669,862	6,233,200
Human development	236,778	1,734,570
Home and community environment	5,208,025	3,817,988
Policy and administration	1,024,559	993,940
Capital outlay	-	1,126,152
Debt service		
Principal	11,255,000	1,730,569
Interest and other fiscal charges	1,011,517	979,624
Total expenditures	25,405,741	16,616,043
 Excess (deficiency) of revenues over (under) expenditures	 (8,074,060)	 (219,704)
 <b>Other Financing Sources (Uses)</b>		
Transfers in	15,607,198	13,498,269
Transfers out	(5,170,867)	(4,952,762)
Total other financing sources (uses)	10,436,331	8,545,507
 Net change in fund balances	 \$ 2,362,271	 \$ 8,325,803
 Debt service as a percentage of noncapital expenditures	 48.3%	 17.5%

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

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

Fiscal year	Property Tax	Tax Increment Financing Tax	Utility Excise Tax	Utility Franchise Fee	Hotel/Motel Tax	Local Option Sales Tax	911 Surcharge	Mobile Home Tax	Total
2002-03	\$ 6,194,625	\$ 1,510,366	\$ 1,090,939	\$ 190,260	\$ 189,548	\$ 2,525,515	\$ 223,384	\$ 18,563	\$ 11,943,200
2003-04	6,415,158	1,597,111	890,749	189,286	168,290	2,392,555	204,609	18,287	11,876,045
2004-05	6,659,496	2,312,752	862,169	189,343	171,263	2,528,335	234,253	17,162	12,974,773
2005-06	7,005,288	1,482,011	829,047	195,360	212,989	2,387,873	244,697	16,034	12,373,299
2006-07	7,526,150	1,795,068	868,036	198,668	199,910	2,818,990	277,194	14,654	13,698,670
2007-08	7,820,995	1,935,170	844,407	229,721	290,531	2,657,617	260,185	14,875	14,053,501
2008-09	8,615,820	1,801,960	891,859	217,600	342,176	2,738,030	234,078	13,929	14,855,452
2009-10	8,954,147	1,312,611	868,422	221,034	393,823	2,618,645	188,530	12,527	14,569,739

**CITY OF MARSHALLTOWN, IOWA**  
**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE**  
**YEAR ENDED JUNE 30, 2010**  
**(MODIFIED ACCRUAL BASES OF ACCOUNTING)**

<u>Fund</u>	<u>Property Tax</u>	<u>Tax Increment Financing Tax</u>	<u>Utility Excise Tax</u>	<u>Utility Franchise Fee</u>	<u>Hotel/Motel Tax</u>	<u>Local Option Sales Tax</u>	<u>911 Surcharge</u>	<u>Mobile Home Tax</u>	<u>Total</u>
General	\$ 5,595,796	\$ -	\$ 550,168	\$ 221,034	\$ 393,823	\$ -	\$ -	\$ 8,193	\$ 6,769,014
Tax Increment									
Financing	-	1,312,611	-	-	-	-	-	-	1,312,611
E-911 Surcharge	-	-	-	-	-	-	188,530	-	188,530
Local Option									
Sales Tax	-	-	-	-	-	2,618,645	-	-	2,618,645
Property tax	561,917	-	55,335	-	-	-	-	735	617,987
Debt Service	2,364,164	-	220,342	-	-	-	-	3,016	2,587,522
Capital Projects	432,270	-	42,577	-	-	-	-	583	475,430
Total	<u>\$ 8,954,147</u>	<u>\$ 1,312,611</u>	<u>\$ 868,422</u>	<u>\$ 221,034</u>	<u>\$ 393,823</u>	<u>\$ 2,618,645</u>	<u>\$ 188,530</u>	<u>\$ 12,527</u>	<u>\$ 14,569,739</u>

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

Levy Year	Fiscal Year	Residential Property	Commercial Property	Industrial Property	Total Regular Realty	TIF	Agland Realty	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Gross Value	Taxable Assessed Value as a Percentage of Actual Gross Value
1999	2000-01				475,219,315	46,453,635	3,207,378	524,880,328	12.60867	767,305,731	68.406%
2000	2001-02				482,730,476	44,573,485	3,310,601	530,614,562	12.96936	764,667,955	69.391%
2001	2002-03				494,310,987	61,244,207	3,230,403	558,785,597	12.96979	858,407,782	65.096%
2002	2003-04	\$302,312,215	\$ 157,828,361	\$41,051,206	501,191,782	55,196,316	3,218,650	559,606,748	13.08945	859,393,224	65.116%
2003	2004-05	310,460,051	160,487,151	36,753,595	507,700,797	71,047,100	2,502,624	581,250,521	13.37877	941,222,235	61.755%
2004	2005-06	318,918,021	172,425,422	46,225,042	537,568,485	44,482,642	2,464,569	584,515,696	13.37878	1,040,972,285	56.151%
2005	2006-07	333,119,910	210,662,117	50,595,114	594,377,141	51,716,709	2,469,617	648,563,467	12.94049	1,051,707,358	61.668%
2006	2007-08	341,564,905	270,177,904	57,589,054	669,331,863	54,807,718	2,534,103	726,673,684	12.93500	1,186,917,748	61.224%
2007	2008-09	354,114,382	234,223,608	49,224,985	637,562,975	50,679,345	3,533,390	691,775,710	13.68652	1,255,060,705	55.119%
2008	2009-10	380,636,723	225,880,427	56,224,469	662,741,619	36,639,623	3,804,309	703,185,551	13.76759	1,262,319,793	55.706%

**Rollback Factors by Class**

Fiscal Year	Gas & Electric Property	Tax Exempt Property	Residential	Agricultural	Commercial	Railroad
2000-01	\$ 82,272,233	79,424,978	51.66760	96.33800	98.77320	98.77320
2001-02	82,653,397	82,264,656	51.38740	100.00000	100.00000	
2002-03	84,141,000	88,347,820	48.45580	100.00000	97.77010	97.77010
2003-04	86,485,422	89,988,114	47.96420	100.00000	100.00000	
2004-05	90,789,115	92,101,046	45.99600	100.00000	99.25740	99.25700
2005-06	67,936,113	116,039,112	47.96420	100.00000	100.00000	
2006-07	67,247,692	116,058,327	45.99600	100.00000	99.15090	99.15090
2007-08	64,804,167	117,919,100	45.55960	100.00000	100.00000	100.00000
2008-09	99,127,772	109,139,073	44.08030	90.10230	99.73120	99.73120
2009-10	101,313,932	89,188,699	45.58930	93.85680	100.00000	100.00000

Source: Marshall County Auditor's Office

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

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

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

Marshall County does not perform valuations for tax exempt property as regularly as they perform them for taxable property.

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

Levy year Jan 1,	Collection Year	Marshall County	Community Schools	Marshalltown	City Assessor	Community College	County Extension	State of Iowa	Total
1999	2000-01	5.98332	16.42885	12.60867	0.37346	0.82674	0.08256	0.00500	36.30860
2000	2001-02	6.15739	16.25058	12.96936	0.36356	0.83104	0.08044	0.00500	36.65737
2001	2002-03	6.01644	16.21217	12.96979	0.35227	0.85117	0.07832	0.00400	36.48416
2002	2003-04	6.08852	16.19581	13.08945	0.34538	0.92000	0.07677	0.00400	36.71993
2003	2004-05	6.56545	17.30327	13.37877	0.35723	0.98700	0.08143	0.00400	38.67715
2004	2005-06	6.73583	18.28730	13.37878	0.34571	0.93175	0.07992	0.00400	39.76329
2005	2006-07	6.60870	18.13123	12.94049	0.32273	0.98001	0.07509	0.00400	39.06225
2006	2007-08	7.60000	18.07061	12.93500	0.31708	1.81770	0.10587	0.00350	40.84976
2007	2008-09	7.59349	18.01415	13.68652	0.32982	2.19223	0.11859	0.00350	41.93830
2008	2009-10	7.73919	18.00985	13.76759	0.29308	2.15454	0.11078	0.00300	42.07803

Source: Marshall County Auditor's Office

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

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

Taxpayer	Jan 1, 2008		Percentage of Total City		Jan 1, 1998		Percentage of Total City	
	Taxable Assessed Value Payable 09- 10	Rank	Taxable Assessed Value	%	Taxable Assessed Value Payable 00- 01	Rank	Taxable Assessed Value	%
IES Utilities	\$ 121,852,811	1	17.5%		\$ 82,653,397	1	11.2%	
MMSC, Ventures Inc	19,551,127	2	2.8%					
Lennox Industries Inc	14,684,500	3	2.1%		17,867,892	3	2.4%	
Emerson Process Mgt/Fisher Controls	14,490,970	4	2.1%		16,707,486	4	2.3%	
Walmart, Real Estate Business	11,041,130	5	1.6%					
Marshall Town Center Partners	10,250,343	6	1.5%		8,105,596	5	1.1%	
Swift & Company (SIPC0 in 96-97)	9,565,564	7	1.4%		18,916,749	2	2.6%	
Trilogy/Embers of Marshalltown	6,128,054	8	0.9%					
Inns of Iowa Ltd	6,116,082	9	0.9%		4,627,800	6	0.6%	
Southern Hills Cooperative	4,605,546	10	0.7%					
Embers of Marshalltown					4,425,000	7	0.6%	
FHS Marshalltown LP					4,372,725	8	0.6%	
Packaging Corporation of America					3,960,874	9	0.5%	
U.S. West Communications (Quest)					3,687,124	10	0.5%	
	<u>\$ 218,286,127</u>		<u>31.4%</u>		<u>\$ 165,324,643</u>		<u>22.4%</u>	

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

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

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<u>CalendarYear</u>	<u>Taxable Retail Sales</u>	<u>No. of Businesses</u>
2000	309,653,376	3,282
2001	333,741,450	3,189
2002	326,679,780	3,017
2003	315,705,482	2,923
2004	317,256,826	2,902
2005	320,099,470	2,896
2006	334,897,482	3,982
2007	349,978,209	3,937
2008	348,367,544	4,084
2009	324,325,683	4,031

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

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

Collection year	Levy year	Current levy	Collections & State		State Credits Shown in Intergovernmental
			Credits in the Current Year	Percent of levy collected*	
2000-01	1999	6,151,536	6,309,799	102.57%	599,799
2001-02	2000	6,395,110	6,384,130	99.83%	428,580
2002-03	2001	6,588,225	6,596,381	100.12%	401,756
2003-04	2002	6,767,269	6,802,125	100.52%	386,967
2004-05	2003	7,013,159	7,059,320	100.66%	399,824
2005-06	2004	7,363,490	7,382,393	100.26%	377,105
2006-07	2005	7,690,645	7,894,457	102.65%	368,307
2007-08	2006	8,143,010	8,161,520	100.23%	340,525
2008-09	2007	8,945,150	8,956,565	100.13%	339,243
2009-10	2008	9,293,081	9,285,812	99.92%	331,665

Note:

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

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

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

Source: General Purpose Financial Statements

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

State credits	Cash basis	Less prior year accrual	Add current year accrual	Adjusted balance
2000-01	608,869	(20,793)	11,723	599,799
2001-02	427,299	(11,723)	13,004	428,580
2002-03	407,362	(13,004)	7,398	401,756
2003-04	386,672	(7,398)	7,693	386,967
2004-05	388,392	(7,693)	19,125	399,824
2005-06	375,228	(19,125)	21,002	377,105
2006-07	368,453	(19,125)	20,856	370,184
2007-08	341,202	(20,856)	20,179	340,525
2008-09	350,119	(20,179)	9,303	339,243
2009-10	332,255	(19,769)	19,179	331,665

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

Fiscal Year Ended June 30,	Governmental Activities			Business-type Activities			Personal Income	Percentage of Personal Income	Population	Per Capita
	General Obligation Bonds	Notes Payable	Urban Renewal Tax Increment Revenue Bonds and Notes	Revenue Bonds	Sewer Revenue Capital Loan Note Payable	Total Primary Government				
2001	14,185,000	50,000	4,330,000	6,790,000	-	25,355,000	17,823	1,423	26,019	974
2002	19,745,000	-	4,290,000	6,210,000	-	30,245,000	18,643	1,622	26,030	1,162
2003	18,435,000	-	4,692,038	5,435,000	621,705	29,183,743	19,463	1,499	26,040	1,121
2004	18,995,000	-	5,448,188	4,020,000	4,122,638	32,585,826	20,283	1,607	26,051	1,251
2005	17,405,000	138,404	4,637,129	3,330,000	4,348,000	29,858,533	21,103	1,415	26,060	1,146
2006	17,465,000	124,564	4,295,788	2,585,000	4,347,000	28,817,352	21,926	1,314	26,068	1,105
2007	15,810,000	110,724	3,923,438	1,815,000	4,346,000	26,005,162	22,855	1,138	26,073	997
2008	21,845,000	96,884	-	1,555,000	4,040,000	27,536,884	22,919	1,201	26,073	1,056
2009	19,360,000	83,044	-	1,295,000	3,725,000	24,463,044	22,894	1,069	26,073	938
2010	17,400,000	69,204	-	1,035,000	3,400,000	21,904,204	22,436	976	26,073	840

Source: DemographicsNow

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Estimated Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Notes Payable	Total		
2001	14,185,000	50,000	14,235,000	1.86	798.69
2002	19,745,000	-	19,745,000	2.58	1,059.11
2003	18,435,000	-	18,435,000	2.15	947.18
2004	18,995,000	-	18,995,000	2.21	936.50
2005	17,405,000	138,404	17,543,404	1.79	831.32
2006	17,465,000	124,564	17,589,564	1.87	802.22
2007	15,810,000	110,724	15,920,724	1.34	610.62
2008	21,845,000	96,884	21,941,884	1.85	841.56
2009	19,360,000	83,044	19,443,044	1.55	745.72
2010	17,400,000	69,204	17,469,204	1.25	670.01

**CITY OF MARSHALLTOWN, IOWA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF JUNE 30, 2010**

Name of Governmental Unit	Debt Outstanding	Percentage Applicable to Marshalltown	City of Marshalltown Share of Debt
Iowa Valley Schools	\$ 40,259,661	20.99%	\$ 8,450,503
Marshalltown Community School District	24,070,000	81.60%	19,641,120
Marshall County	<u>2,855,000</u>	54.59%	<u>1,558,545</u>
	67,184,661		29,650,167
City of Marshalltown	<u>17,469,204</u>	100.00%	<u>17,469,204</u>
	<u>\$ 84,653,865</u>		<u>\$ 47,119,371</u>

Source:

- 1) State of Iowa Treasurer's Office
- 2) IA Valley School District

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

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

	Fiscal Year Ending June 30,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Gross assessed valuations:										
Regular realty	\$ 1,124,366,238	\$ 1,105,253,588	\$ 1,027,939,554	\$ 1,001,496,418	\$ 898,088,147	\$ 867,672,511	\$ 804,677,548	\$ 793,933,172	\$ 716,783,869	\$ 717,519,561
Utility	101,313,932	99,127,772	107,436,245	104,349,219	98,401,496	90,789,115	86,485,422	84,141,000	82,653,397	82,272,233
Incremental	36,639,623	50,679,345	54,807,718	51,716,709	44,485,642	71,047,100	55,196,316	61,244,207	44,573,485	46,453,635
Total actual valuations applicable to debt	<u>1,262,319,793</u>	<u>1,255,060,705</u>	<u>1,190,183,517</u>	<u>1,157,562,346</u>	<u>1,040,975,285</u>	<u>1,029,508,726</u>	<u>946,359,286</u>	<u>939,318,379</u>	<u>844,010,751</u>	<u>846,245,429</u>
Debt limit - 5% of total actual valuations applicable to debt	<u>63,115,990</u>	<u>62,753,035</u>	<u>59,509,176</u>	<u>57,878,117</u>	<u>52,048,764</u>	<u>51,475,436</u>	<u>47,317,964</u>	<u>46,965,919</u>	<u>42,200,538</u>	<u>42,312,271</u>
Amount of debt applicable to limitation:										
General obligation bonds and notes	17,469,204	19,443,044	21,941,884	15,920,724	17,589,564	17,543,404	18,995,000	18,435,000	19,745,000	14,235,000
Urban renewal tax increment revenue bonds	-	-	-	3,923,438	4,295,788	4,637,126	5,448,188	4,692,038	4,290,000	4,330,000
Total debt applicable to limitation	<u>17,469,204</u>	<u>19,443,044</u>	<u>21,941,884</u>	<u>19,844,162</u>	<u>21,885,352</u>	<u>22,180,530</u>	<u>24,443,188</u>	<u>23,127,038</u>	<u>24,035,000</u>	<u>18,565,000</u>
Less:										
Funds available from:										
Debt service	-	262,165	232,719	281,555	238,506	217,083	542,533	568,175	596,133	670,450
Special revenue	348,685	413,834	438,585	632,232	998,446	615,975	187,331	713,951	270,840	213,563
Total debt applicable to debt margin	<u>17,120,519</u>	<u>18,767,045</u>	<u>21,270,580</u>	<u>18,930,375</u>	<u>20,648,400</u>	<u>21,347,472</u>	<u>23,713,324</u>	<u>21,844,912</u>	<u>23,168,027</u>	<u>17,680,987</u>
Legal debt margin	<u>\$ 45,995,471</u>	<u>\$ 43,985,990</u>	<u>\$ 38,238,596</u>	<u>\$ 38,947,742</u>	<u>\$ 31,400,364</u>	<u>\$ 30,127,964</u>	<u>\$ 23,604,640</u>	<u>\$ 25,121,007</u>	<u>\$ 19,032,511</u>	<u>\$ 24,631,284</u>

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

<b>Water Pollution Control</b>				<b>Debt Service Requirements</b>			
<u>Year</u>	<u>Gross Revenue</u>	<u>Expenses (1)</u>	<u>Available For Debt Service</u>	<u>Principal</u>	<u>Interest &amp; other debt expense</u>	<u>Total</u>	<u>Coverage</u>
1999-00	3,452,591	1,872,024	1,580,567	625,000	330,152	955,152	1.65
2000-01	3,693,270	1,994,830	1,698,440	660,000	376,281	1,036,281	1.64
2001-02	3,768,757	2,123,166	1,645,591	690,000	356,418	1,046,418	1.57
2002-03	3,755,193	2,279,904	1,475,289	775,000	314,179	1,089,179	1.35
2003-04	3,693,877	2,323,665	1,370,212	1,415,000	333,572	1,748,572	0.78
2004-05	3,802,434	2,581,717	1,220,717	2,823,483	331,773	3,155,256	0.39
2005-06	3,831,282	2,612,861	1,218,421	746,000	274,290	1,020,290	1.19
2006-07	4,279,994	2,484,430	1,795,564	771,000	246,351	1,017,351	1.76
2007-08	5,128,279	2,746,362	2,381,917	566,000	197,189	763,189	3.12
2008-09	5,330,410	2,828,873	2,501,537	575,000	196,155	771,155	3.24
2009-10	5,214,302	3,154,596	2,059,706	585,000	165,650	750,650	2.74

(1) Total operating expenses, less depreciation.

Sources: City Financial Records and Water Works Financial Records

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

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Calendar Year	Median Age (Zip 50158)	School Enrollment		Unemployment Percent
		Public	Private	
	(1)	(2)	(3)	(4)
2001	39.0	4,964	248	2.90
2002	39.0	4,939	235	3.80
2003	39.0	4,913	234	5.40
2004	39.2	4,895	194	5.80
2005	39.4	4,913	182	5.10
2006	39.5	5,030	187	3.80
2007	40.4	5,035	185	4.00
2008	40.2	5,065	235	4.80
2009	40.8	4,938	181	6.70
2010	38.0	5,123	170	6.70

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

Sources:

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

NA: Information was not available at time of printing

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

Employer	Industry	2010- Employees	2001- Employees
(JBS) Swift & Company	Pork processors	2,300	2,000
Lennox Industries, Inc	Furnace and air conditioning manufacturer	1,000	1,300
Emerson Process Mgt/Fisher Controls	Valves and regulators manufactuer	1,200	1,100
Iowa Veteran's Home	Hospital care facility	1,000	945
Marshalltown Community School District	Education	1,002	850
Marshalltown Medical and Surgical Center	Hospital	715	700
Wal-Mart*	Retail	325	
Marshalltown Community College	Education	245	
HyVee Food Stores *	Grocery store	340	350
McFarland Clinic PC	Medical clinic	223	
City of Marshalltown*	Municipal government	203	176
Marshall County	County government		285
Kiowa Corporation	Aluminum and zinc die casting		170

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

Source: Marshalltown Chamber of Commerce

\* Includes full time, part time and seasonal employees

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

Function/Program	Full-time-Equivalent Employees as of June 30									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Public Safety	86.00	98.91	101.94	100.13	98.13	103.63	96.46	100.42	100.90	101.66
Public Works	21.00	20.06	19.88	18.31	18.69	18.87	20.13	22.80	22.95	22.78
Health and Social Services	6.50	6.26	7.14	7.78	7.33	8.11	7.68	5.78	5.10	4.36
Culture and Recreation	29.00	25.95	26.17	25.28	25.08	28.85	34.13	36.55	33.87	25.09
Community and Economic Development	5.50	3.55	3.09	3.15	2.92	2.94	3.75	3.88	3.69	4.99
General Government	18.00	17.55	18.16	17.89	17.85	18.55	18.47	19.71	19.00	19.45
Business-Type	36.00	31.95	30.70	30.34	29.75	30.70	30.87	29.19	27.97	27.71
Capital Projects	1.00	0.13	0.02	0.45	0.19	0.15	0.65	0.08	-	-
Total	<u>203.00</u>	<u>204.36</u>	<u>207.10</u>	<u>203.33</u>	<u>199.94</u>	<u>211.80</u>	<u>212.14</u>	<u>218.41</u>	<u>213.48</u>	<u>206.04</u>

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

Function/Program	Fiscal Year				
	2010	2009	2008	2007	2006
General Government					
Building Permits:					
New Construction:					
Number of permits	37	51	39	49	40
Value of permits	17,798,500	12,191,800	22,522,000	11,058,000	9,260,000
Remodeling, repairs and additions:					
Number of permits	74	103	149	131	131
Value of permits	3,951,800	14,757,000	25,418,400	17,893,700	11,758,000
Police					
Physical arrests	N/A	N/A	3,045	3,833	2,415
Violations:					
Parking	N/A	N/A	6,802	7,073	7,858
Traffic	N/A	N/A	4,793	6,005	6,585
Drunk driving	N/A	N/A	234	240	220
Narcotics	N/A	N/A	512	130	274
Fire					
Emergency responses	N/A	N/A	2,274	2,052	1,996
Fires extinguished	N/A	N/A	51	61	49
Inspections	N/A	N/A	380	412	461
Parks and recreation					
Adult team sports					
Leagues	10	10	4	4	16
Participation	6,105	5,373	2,201	2,312	2,711
Youth activities					
Programs	27	40	35	35	N/A
Participation	3,780	3,478	7,268	7,625	N/A
Library					
Volumes in collection	101,194	93,755	91,914	90,561	88,362
Total volumes borrowed	327,106	262,755	253,855	231,420	215,953
Sewage system					
Per million					
Daily average treatment in gallons	7.51	6.82	7.38	5.89	4.92
Maximum daily capacity of treatment plant in thousands of gallons	17,440	17,440	17,440	17,440	13,040
Sewer customers served	10,248	9,397	9,435	9,448	9,426
* computer software was counting sewer credit meters					
Sewer rates in effect					
Base charge per month	\$10.27	\$9.51	\$9.51	\$9.51	\$9.51
Flow charge per 100 cubic feet	\$1.76	\$1.76	\$1.63	\$1.55	\$1.47
Transit					
Total route miles	107,157	105,282	105,435	102,109	96,458
# of passengers	111,586	113,934	111,849	88,431	112,885
General Elections - November of each year					
Registered voters	16,860	17,015	17,015	17,015	29,795
Number of votes cast	1,335	N/A	N/A	8,296	19,447
Percentage of registered voters voting	7.92%	N/A	N/A	48.76%	65.27%

Ending June 30,				
2005	2004	2003	2002	2001
50	55	87	59	51
11,054,000	13,441,000	19,684,000	28,425,000	11,574,000
126	120	139	191	179
20,799,600	7,489,900	15,805,900	13,421,600	7,467,600
2,681	2,705	2,466	3,011	2,710
8,570	8,433	11,901	8,680	10,401
6,245	6,660	4,486	4,647	7,486
228	148	151	148	158
291	290	260	253	239
1,879	1,862	1,887	1,966	2,072
44	59	75	62	56
555	386	226	324	269
15	14	14	13	13
2,434	2,854	2,854	2,607	2,591
32	25	25	21	23
8189	5413	5344	3807	4514
82,269	83,931	79,264	77,201	74,312
200,652	190,749	192,004	174,292	168,084
4.57	5.60	4.66	N/A	N/A
13,040	13,040	13,040	13,040	13,040
9,723	10,774	10,774	9,264	9,261
	*	*		
\$9.51	\$9.51	\$9.51	\$9.51	\$8.36
\$1.31	\$1.31	\$1.31	\$1.31	\$1.12
113,037	122,256	141,955	134,446	131,743
115,158	127,139	131,807	134,784	136,920
28,549	27,333	N/A	26,078	N/A
19,340	19,233	2,493	14,186	3,254
67.74%	70.37%	N/A	54.40%	N/A

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

Function/Program	Fiscal Year				
	2010	2009	2008	2007	2006
<b>Police</b>					
# of stations	1	1	1	1	1
# of employees	59	58	58	59	59
Non- dispatch	46	45	45	46	46
Dispatch	13	13	13	13	13
<b>Fire</b>					
# of stations	1	1	1	1	1
# of employees	26	29	29	30	30
<b>Parks and recreation</b>					
Park areas					
# parks	26	26	26	26	26
# acres	325	328	328	328	207
Athletics					
# Baseball/softball fields	6	6	6	6	5
# Soccer/football fields	6	6	6	6	6
# Tennis courts	12	12	4	4	6
Other					
# playgrounds	17	17	17	17	22
Miles of bike trails	8	8	8	8	8
# Swimming pools	1	1	1	1	1
<b>Public works</b>					
Streets:					
Paved	157.5	157.5	157.4	157.4	157.4
Unpaved	5.8	5.8	5.8	5.8	5.8
<b>Sewage system</b>					
Number of treatment plants	1	1	1	1	1
Miles of sewers					
Storm	58.5	57.1	57.1	56.4	56.1
Sanitary	146.5	145.7	145.7	145.3	144.6
<b>Transit</b>					
# of buses	10	9	10	10	10
<b>Education - Public and private</b>					
Number of elementary schools	7	7	7	7	7
Number of elementary school instructors	225	225	203	137	179
Number of secondary schools	2	2	2	3	3
Number of secondary school instructors	156	150	147	240	172
<b>Cemeteries</b>					
Number of facilities	2	2	2	2	2
Number of acres					
Developed	135	135	135	135	135
Undeveloped	80	80	80	80	80
<b>Hospitals</b>					
Number of hospitals	1	1	1	1	1
Number of beds	125	125	125	125	125

Ending June 30,				
2005	2004	2003	2002	2001
1	1	1	1	1
59	59	59	57	60
46	46	n/a	n/a	n/a
13	13	n/a	n/a	n/a
1	1	1	1	1
29	31	31	33	32
26	24	24	24	24
207	207	207	207	207
5	5	5	5	5
6	6	6	6	6
6	6	6	6	6
18	18	18	18	18
8	8	8	8	8
1	1	1	1	2
157.2	156.8	156.5	155.6	155
5.8	5.8	5.8	5.8	5.8
1	1	1	1	1
54.6	54.6	54.5	54	37
144.4	143.2	142.9	142.3	142
10	10	10	10	10
7	7	6	n/a	n/a
189	156	140	n/a	n/a
3	3	3	n/a	n/a
175	205	210	n/a	n/a
2	2	2	2	2
135	135	135	135	135
80	80	80	80	80
1	1	n/a	n/a	n/a
125	125	n/a	n/a	n/a

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

	2010	2009	2008	2007	2006
Revenues:					
Sewer Rental	\$ 4,558,315	\$ 4,868,033	\$ 4,584,414	\$ 3,923,869	\$ 3,535,609
Interest Income	50,336	116,922	212,420	228,888	173,820
Grants	391,132	292,060	73	96	96
Miscellaneous	214,519	53,395	331,372	127,141	121,757
Total revenues	<u>5,214,302</u>	<u>5,330,410</u>	<u>5,128,279</u>	<u>4,279,994</u>	<u>3,831,282</u>
Expenses:					
Costs of Service	3,142,187	2,828,873	2,746,362	2,484,430	2,612,861
Depreciation	1,119,009	1,079,643	1,184,012	1,188,396	1,198,715
Debt Service	749,863	771,155	763,189	1,021,961	1,031,273
Total expenses	<u>5,011,059</u>	<u>4,679,671</u>	<u>4,693,563</u>	<u>4,694,787</u>	<u>4,842,849</u>
Net Income (Loss)	<u>\$ 203,243</u>	<u>\$ 650,739</u>	<u>\$ 434,716</u>	<u>\$ (414,793)</u>	<u>\$ (1,011,567)</u>

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

	2010	2009	2008	2007	2006
Net Income (Loss)	\$ 203,243	\$ 650,739	\$ 434,716	\$ (414,793)	\$ (1,011,567)
Add depreciation	1,119,009	1,079,643	1,184,012	1,188,396	1,198,715
Add debt retirement	749,863	771,155	763,189	1,021,961	1,031,273
Net income available for debt service	<u>\$ 2,072,115</u>	<u>\$ 2,501,537</u>	<u>\$ 2,381,917</u>	<u>\$ 1,795,564</u>	<u>\$ 1,218,421</u>
Historic debt service	\$ 749,863	\$ 771,155	\$ 763,189	\$ 1,021,961	\$ 1,031,273
Historic coverage	2.76	3.24	3.12	1.80	1.18
Projected max future debt	\$ 735,293	\$ 744,273	\$ 752,953	\$ 762,363	\$ 995,769
Projected coverage	2.82	3.36	3.16	2.42	1.22

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<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 3,488,658	\$ 3,445,984	\$ 3,499,800
108,425	86,945	142,074
44,499	13,660	96
<u>160,852</u>	<u>147,288</u>	<u>113,223</u>
<u>3,802,434</u>	<u>3,693,877</u>	<u>3,755,193</u>
2,673,383	2,341,278	2,279,904
1,147,899	979,579	959,963
<u>1,042,773</u>	<u>1,772,014</u>	<u>1,098,533</u>
<u>4,864,055</u>	<u>5,092,871</u>	<u>4,338,400</u>
<u>\$ (1,061,621)</u>	<u>\$ (1,398,994)</u>	<u>\$ (583,207)</u>

<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ (1,061,621)	\$ (1,398,994)	\$ (583,207)
1,147,899	979,579	959,963
<u>1,042,773</u>	<u>1,772,014</u>	<u>1,098,533</u>
<u>\$ 1,129,051</u>	<u>\$ 1,352,599</u>	<u>\$ 1,475,289</u>
\$ 1,042,773	\$ 1,772,014	\$ 1,098,533
1.08	0.76	1.34
\$ 1,008,089	\$ 998,726	\$ 1,009,166
1.12	1.35	1.46

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

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Year	Residential	Multi-Family	Commercial	Industrial	Total	Incr (Decr)
2001	8,051	422	744	44	9,261	93
2002	8,040	419	757	48	9,264	3
2003	7,794	469	815	46	9,124	(140)
2004	8,149	486	851	45	9,531	407
2005	8,487	436	758	42	9,723	192
2006	8,221	420	739	46	9,426	(297)
2007	8,243	416	743	46	9,448	22
2008	8,229	418	741	47	9,435	(13)
2009	8,206	412	735	44	9,397	(38)
2010	8,247	421	732	33	9,433	36

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

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

Source: Marshalltown Water Works

**CITY OF MARSHALLTOWN, IOWA**  
**WATER POLLUTION CONTROL**  
**PRESENT NET ASSETS**  
**AS OF JUNE 30, 2010**

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Sewer Revenue Operating and Maintenance Accounts	\$	237,058
Sewer Revenue Sinking Reserve Fund Account		61,275
Sewer Revenue Improvement Fund Account		250,000
Additional Capital Replacement Fund Account		1,569,854
Sewer Revenue Reserve Fund Account		636,400
Undesignated		<u>3,422,550</u>
Total Water Pollution Control Net Assets	\$	<u>6,177,137</u>

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

	2010			2009		
	Avg Gallons Per Month	Monthly Bill	2009 Ranking	Avg Gallons Per Month	Monthly Bill	2009 Ranking
JBS Swift & Company	52,115,667	\$ 141,394	1	51,778,500	\$ 137,700	1
IA Veterans Home	3,168,029	7,464	2	2,967,939	6,563	2
Emerson Processing/Fisher Controls	1,346,712	3,179	3	1,256,827	2,785	3
Marshalltown Medical & Surgical Center	784,527	1,856	4	842,684	1,870	4
Packaging Corporation	673,013	1,594	5	671,953	1,493	5
Marshalltown Community School District	631,437	1,496	6	650,947	1,447	6
Rainbow Carwash I & III	623,520	1,477	7	634,553	1,410	7
Sunset Village Mobile Home Park	605,568	1,435	8	587,990	1,308	8
Wes Inc.	518,676	1,231	9	454,722	1,014	9
Lennox Manufacturing Inc	422,682	1,005	10	451,917	1,008	10

Source: City Financial Records and Marshalltown Water Works

## **COMPLIANCE SECTION**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshalltown, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 17, 2010. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Cost, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control 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 and correct 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 that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

### Compliance and Other Matters

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

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 of the financial statements of the City of Marshalltown, Iowa, and are reported in Part III of the accompanying Schedule of Findings and Questioned Costs. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's response, and accordingly, we express no opinion on it.

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

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

Dubuque, Iowa  
December 17, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE  
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Marshalltown, Iowa, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of the independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. 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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Marshalltown, Iowa, complied, in all material respects, with the compliance requirements referred to above that that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

Management of the City of Marshalltown, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance 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 a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned to the left of a vertical yellow line.

Dubuque, Iowa  
December 17, 2010

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2010**

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Pass-Through Program From			
Iowa Department of Economic Development			
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	08-HSG-057	\$ 283,453
HOME Investment Partnerships Program	14.239	05-HM-120-41	20,265
Direct Program			
Section 8 Housing Choice Vouchers	14.871		1,484,151
ARRA - Lead-Based Paint Hazard Control in Privately-Owned Housing (Recovery Act Funded)	14.907		<u>761,625</u>
Total U.S. Department of Housing and Urban Development			<u>2,549,494</u>
U.S. Department of Justice			
Pass-Through Program From			
Iowa Department of Justice			
Violence Against Women Act Court Training and Improvement Grants	16.013	AGKE0116090: VW-09	64
Part E - Developing, Testing and Demonstrating Promising New Programs	16.541	06-OJJDP07	5,595
Direct Program			
Edward Byrne Memorial Formula Grant Program	16.579		1,222
Pass-Through Program From			
Iowa Department of Justice			
Crime Victim Assistance Division			
Violence Against Women Formula Grants	16.588	VW-10-43	30,612
Direct Program			
Bulletproof Vest Partnership Program	16.607		3,217
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.736		2,151
Edward Byrne Memorial Justice Assistance Grant Program	16.738		105
Edward Byrne Memorial Justice Assistance Grant Program	16.738		4,171
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803		42,794
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804		<u>141,655</u>
Total U.S. Department of Justice			<u>231,586</u>

(continued)

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**  
**YEAR ENDED JUNE 30, 2010**

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Transportation			
Direct Program			
Airport Improvement Program	20.106		\$ 19,176
Airport Improvement Program	20.106		36,154
Pass-Through Program From			
Iowa Department of Transportation			
ARRA - Highway Planning and Construction	20.205	PW#9141	449,377
ARRA - Federal Transit - Capital Investment Grants	20.500	86-0001-479-09	315,156
Formula Grants for Other Than Urbanized Areas	20.509	18-0028-479-10	149,466
Iowa Department of Public Safety			
State and Community Highway Safety	20.600	PAP 10-04, Task 18	5,274
State and Community Highway Safety	20.600	PAP 09-04, Task 18	<u>2,343</u>
Total U.S. Department of Transportation			<u>976,946</u>
Environmental Protection Agency			
Direct Program			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		87,304
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		<u>13,988</u>
Total Environmental Protection Agency			<u>101,292</u>
U.S. Department of Health and Human Services			
Pass-Through Program From			
Iowa Department of Public Health			
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	58879LP06	5,243
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	5889LP02	3,846
Marshall County Coalition for Youth Drug-Free Communities Support Program Grants	93.276	1H79SP11427-10	<u>73,936</u>
Total U.S. Department of Health and Human Services			<u>83,025</u>
U.S. Department of Homeland Security			
Pass-Through Program From			
Iowa Department of Homeland Security			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-IA DR-1763	<u>380,712</u>
Total			<u>\$ 4,323,055</u>

**CITY OF MARSHALLTOWN, IOWA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2010**

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**NOTE 1 – BASIS OF PRESENTATION**

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

**NOTE 2 – SUBRECIPIENTS**

Of the federal expenditures presented in the schedule, the City of Marshalltown, Iowa, provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
ARRA – Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units of Local Government	16.804	\$ 59,121

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2010**

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

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiency	None reported
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs:	
Material weakness identified	No
Significant deficiency	None reported
Type of auditor's report issued on compliance for the major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant/ State's Program and Non-Entitlement Grants in Hawaii
14.907	ARRA - Lead-based Paint Hazard Control in Privately-Owned Housing (Recovery Act Funded)
16.804	ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government
20.205	ARRA – Highway Planning and Construction
20.500	ARRA - Federal Transit – Capital Investment Grants
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee	No

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2010**

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

**MATERIAL WEAKNESS**

II-A-10      Material Audit Adjustments

Criteria – A properly designed system of internal control over financial reporting allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Condition – During the course of our engagement, we proposed material audit adjustments to the financial statements that were not identified as a result of the City’s existing internal controls and, therefore, could have resulted in a material misstatement of the City’s financial statements for the current year, and did result in a material misstatement of the previous year’s financial statements.

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

Effect – The effect of this condition was that prior to posting audit adjustments financial data was not in accordance with generally accepted accounting principles.

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

Response – In the future, management will review all journal entries, financial reports, and supporting documentation.

Conclusion – Response accepted.

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

III-A-10      Certified Budget – Disbursements during the year ended June 30, 2010, did not exceed the amounts budgeted.

III-B-10      Questionable Expenditures – We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

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

III-D-10      Business Transactions – No business transactions between the City and City officials or employees were noted.

**CITY OF MARSHALLTOWN, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2010**

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

- III-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 ensure that the coverage is adequate for current operations.
- III-F-10      Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-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.
- III-H-10      Revenue Bonds – No instances of non-compliance with the provisions of the City’s revenue bond resolutions were noted.