

CITY OF MARSHALLTOWN, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2011

**Prepared by:
City Finance Department**

CITY OF MARSHALLTOWN, IOWA

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INTRODUCTORY SECTION



City of Marshalltown
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Randy Wetmore, City Administrator
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March 28, 2012

To the Honorable Mayor, City Council Members
And Citizens of the City of Marshalltown, Iowa:

The City of Marshalltown, Iowa, is required by various state and federal regulations to publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles or GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to these requirements, the Comprehensive Annual Financial Report (CAFR) of the City of Marshalltown, Iowa for the fiscal year ended June 30, 2011 as prepared by the Finance Department is hereby submitted in accordance with the provisions of Chapter 11.6 of the Code of Iowa.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The City's financial statements have been audited by Eide Bailly, L.L.P, a firm of licensed Certified Public Accountants, and they have issued an unqualified ("clean") opinion on the City's financial statements for the year ended June 30, 2011. The independent auditor's report is located at the front of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, 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*, Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program on Internal Control over Compliance in Accordance with OMB Circular A-133, and Schedule of Findings and Questioned Costs is included in the section entitled Compliance Section.

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.

Profile of the City

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 19.28 square miles and a population of 27,552 as of the 2010 census. The City is empowered to levy a property tax on real 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 city ordinance. The Mayor and Council are elected for 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 the following services as authorized by its charter: public safety, public works, culture, recreation, and community development. The City also provides additional services including sewage collection and disposal, compost facility, a transit system, and municipal parking lots.

The City's financial statements include all funds, departments, boards and commissions, and other government entities that do not have separate legal status as required by accounting principals generally accepted in the United State of America.

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 annual budget serves as the foundation for the City of Marshalltown's financial planning, development and control. The City Manager and Finance Director are responsible for developing a budget proposal to the City Council. The proposed budget is presented to the Council in January and February of each year. The Council is required to hold public hearings on the proposed budget and to adopt the final budget no later than March 15 for the fiscal year beginning the following July first. The appropriated budget is prepared by fund and function.

Local Economy

The 2010 census showed Marshalltown's population increasing 5.9% from 26,009 to 27,552. Unemployment in the City was at 7% which is below the national rate of 9%, but higher than the Iowa rate of 5.3%.

The City is experiencing new growth and renovations in both its commercial and industrial areas. The numbers of building permits were up overall mainly due to remodeling, repairs and additions in the current fiscal year. The new construction permits went down in the current fiscal year, but construction was very active from one end of town to the other.

Our largest employer, JBS Swift & Company, expanded their operations on the north part of town by building a new 100,000 – square –foot center that will be used to distribute fresh and frozen products. The center of town also saw new development with the construction of a Jimmy Johns restaurant which replaced a dilapidated old gas station that sat vacant on the main highway that goes through town.

On the South end of town, Menards is in the process of constructing a stand alone 162,340 square foot retail store and associated lumberyard. The store will have a minimum tax valuation of \$7.3 million. They expect to open the first part of April 2012, eight months ahead of schedule.

The Local Option Sales Tax (LOST) which began April 1, 2000 was voted on in November 2011 and approved for another 10 year extension which will end in 2025. The allocation remained the same with 75% being designated for property tax relief, 20% for street projects and 5% allocated for council discretion. For fiscal year ending June 30, 2011, the City collected approximately \$2.9 million.

Major Initiatives

The City continues to renovate the downtown area with two housing projects currently in progress. Cohen-Esrey Affordable Partners, a developer from Kansas is looking at developing one of downtown's historic buildings into 28 senior housing units for those 55 and over. They have currently received a \$1 million HOPE VI Main Street Grant to revitalize the three story building. On the other side of the street a downtown housing development is being explored with Common Bond who is working with the State of Iowa to secure financing and low income tax credits. This project would renovate the downtown's tallest building into a more energy efficient building while maintaining its historic features. The renovation would improve the floor plan and amenities. In addition, the building would provide services for their residents such as technology based learning centers, Advantage centers, employment programs, early childhood and tutorial programs, English classes, citizenship training and other new resident programs.

The Iowa Veteran's home (IVH) which opened in 1887 and employs approximately 1,000 people just completed their \$45 million facilities. The new facilities include the 60-bed Fox building and 120-bed Ulery Building. The facilities were built on one level incorporating 15-person households where each person has a private bedroom, private bath and shower around a shared central living/dining/kitchen area.

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 is funded by the issuance of general obligation bonds. The City continues to strive to be in compliance with the improvements required by the Department of Natural Resources. Over the span of several years approximately \$18 million will be spent to be in compliance with sanitary and storm sewer discharge.

The City has received several housing grants that are still 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 that will be completed in spring 2012.

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.

In late 2006 a steering committee was formed and a process known as "*Imagine*" began at a public forum which focused on Marshalltown's future. Hundreds of people gave 3,000 ideas to make Marshalltown a better place to live, work and raise a family. Out of these 3,000 ideas it was narrowed down to 7 big ideas the committee wanted to focus on and individual committees were formed. The project became known as *Imagine 2011* because the original goal was to have the 7 big ideas completed by 2011. Due to the recession, the goal was not attainable. One of the 7 big ideas "Target on Beautification" targeted specific areas for improvements around the community. An area that is coming to life and being beautified is "the revitalization of 13th Street area to serve as a proud community gateway to our Iowa Veterans Home".

A concept plan was developed by RDG Associates in 2008. During the current fiscal year, local business people in the community have purchased property and began the revitalization of the buildings. A pharmacy has become a dance studio and a bakery has opened. An old Laundromat is currently being developed into professional office space. Fundraisers and donations from local organizations have begun. The City has begun work to install a redesigned culvert in reference to the plan. Future projects include an outdoor terrace,

redesigned and improved parking, performance space, plaza, creek enhancements, new live/work townhomes and live/work units.

The conceptual plan can be found at http://www.imagine2011.com/doc/hsg_2008-11-20_13thstpres.pdf.

Inter-governmental Cooperation

A monthly meeting of the management of each of the governmental bodies continues in its 16th 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.

Long-Term Financial Planning

Maintenance and expansion of the City's infrastructure (such as streets, curbs, sidewalks, bridges and traffics signals) remain a major priority of the City. The City annually adopts a five-year Capital Improvement Program that provides a framework for the development and maintenance of infrastructure to meet current and future needs. In conjunction with this program, the City of Marshalltown, includes a five year equipment replacement plan.

Along with the use of LOST money for capital projects, the City Council has approved issuing \$12,380,000 in general obligation debt for new street construction and mil and overlay projects. Within the issuance of new bonds they have also committed themselves to keeping the debt service property tax levy at their self imposed \$3.50 per \$1,000 in valuation.

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.

Awards and Acknowledgements

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 from 1993 through 2010. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

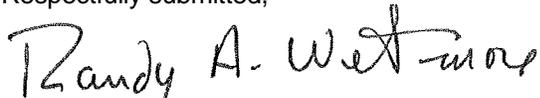
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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.

The City of Marshalltown was one of 26 finalists that competed in Kansas City, Missouri for the National Civic League's All-America City Award. This is an annual competition for civic activists and community problem-solvers. To become a finalist, each participant must complete an application describing three community projects that address local challenges. At least one community project must focus on the needs of young people. The All-America City Awards is an honor achieved by more than 600 neighborhoods, villages, towns, cities, counties, and regions across the country.

The preparation of this report could not be accomplished without the dedicated services of the entire Finance Department staff. 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,



Randy Wetmore
City Manager



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, 2010

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.



Linda C. Sandson

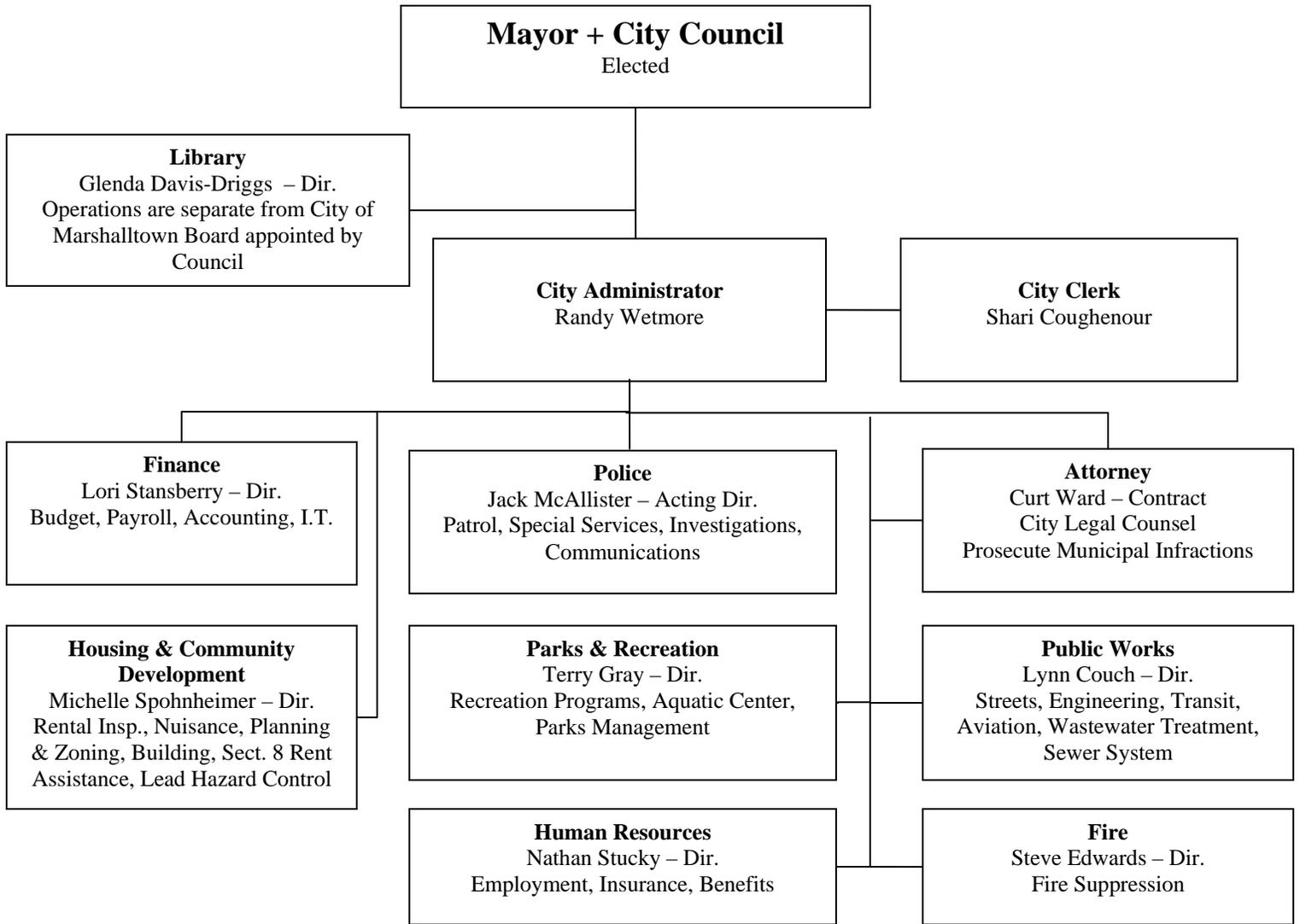
President

Jeffrey R. Egan

Executive Director



the City of Marshalltown Organization Chart



CITY OF MARSHALLTOWN, IOWA
OFFICIALS
JUNE 30, 2011

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
Patrick Stansberry	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:		
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
Lynn Couch	Public Works Director	Indefinite
Nathan Stucky	Technical Services Coordinator	Indefinite
John Larkin	Water Pollution Control Director	Indefinite

FINANCIAL SECTION



Independent Auditor's Report

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, 2011, 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, which represents 100 percent of the assets, net assets, and revenues of the aggregate discretely presented component units. 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, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. 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 a required part of the 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 financial statements. The combining nonmajor fund financial statements, Schedule of Bond Maturities, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on them.

Eide Bailly LLP

Dubuque, Iowa
March 28, 2012

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, 2011. 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 1-5 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 \$76,992,801 (net assets) as compared to \$74,272,162 in the prior year.
- The City's total net assets increased by \$2,270,639. This increase is attributable primarily to an increase in tax collections from local option sales tax, hotel/motel and tax increment financing, increase in grants (both 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 \$11,150,377 an increase of \$729,947 in comparison with the prior year.
- \$2,332,428 in unassigned fund balance is available for spending at the City's discretion. Prior year unreserved undesignated fund balance was 2,017,557. GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions changed how the City now reports fund balance.
- The City's total debt had a net increase of \$4,411,000 during the current fiscal year. This change reflects the retirement of existing bonds and the issuance of \$7,620,000 in new general obligation debt.

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.

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 and general government. 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.

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 15 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 seven 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.

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.

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 proprietary funds.

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

Other information. The City's budgetary comparison schedule and other postemployment benefit plan information is presented as required supplementary information immediately following the notes to basic financial statements. The combining statements referred to earlier in connection with non-major governmental, non-major enterprise funds, internal service funds, and agency funds are presented immediately following the required supplementary information (RSI).

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 \$76,992,801 at the close of the most recent fiscal year.

By far, the largest portion of the City of Marshalltown's net assets \$59,657,995 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, 2011

Governmental Activities

	<u>FY 2010-11</u>	<u>FY 2009-10</u>	<u>Increase (decrease)</u>
Current and other assets	\$ 28,147,055	\$ 24,391,019	\$ 3,756,036
Capital assets	43,202,193	44,124,498	(922,305)
Total Assets	71,349,248	68,515,517	2,833,731
Current and other liabilities	13,644,391	11,849,350	1,795,041
Non-current liabilities	18,925,986	19,190,861	(264,875)
Total Liabilities	32,570,377	31,040,211	1,530,166
Net assets:			
Invested in capital assets, net of related debt	27,720,521	26,650,049	1,070,472
Restricted	8,246,658	5,480,294	2,766,364
Unrestricted	2,811,692	5,344,963	(2,533,271)
Total Net assets	\$ 38,778,871	\$ 37,475,306	\$ 1,303,565

Business-type Activities

	<u>FY 2010-11</u>	<u>FY 2009-10</u>	<u>Increase (decrease)</u>
Current and other assets	\$ 13,049,590	\$ 7,663,388	\$ 5,386,202
Capital assets	37,510,223	34,438,212	3,072,011
	<hr/>	<hr/>	
Total Assets	50,559,813	42,101,600	8,458,213
Current and other liabilities	2,097,656	648,274	1,449,382
Non-current liabilities	10,248,227	4,656,470	5,591,757
	<hr/>	<hr/>	
Total Liabilities	12,345,883	5,304,744	7,041,139
Net assets:			
Invested in capital assets, net of related debt	31,937,474	30,006,298	1,931,176
Restricted	946,902	947,675	(773)
Unrestricted	5,329,554	5,842,883	513,329
	<hr/>	<hr/>	
Total Net assets \$	<u>38,213,930</u>	<u>36,796,856</u>	<u>\$ 1,417,074</u>

Total Net Assets

	<u>FY 2010-11</u>	<u>FY 2009-10</u>	<u>Increase (decrease)</u>
Current and other assets	\$ 41,196,645	\$ 32,054,407	\$ 9,142,238
Capital assets	80,712,416	78,562,710	2,149,706
	<hr/>	<hr/>	
Total Assets	121,909,061	110,617,117	11,291,944
Current and other liabilities	15,742,047	12,497,624	3,244,423
Non-current liabilities	29,174,213	23,847,331	5,326,882
	<hr/>	<hr/>	
Total Liabilities	44,916,260	36,344,955	8,571,305
Net assets:			
Invested in capital assets, net of related debt	59,657,995	56,656,347	3,001,648
Restricted	9,193,560	6,427,969	2,765,591
Unrestricted	8,141,246	11,187,846	(3,046,600)
	<hr/>	<hr/>	
Total Net assets \$	<u>76,992,801</u>	<u>74,272,162</u>	<u>\$ 2,720,639</u>

A portion of the City of Marshalltown's activities net assets \$9,193,560 represents resources that are subject to external restrictions. Prior year comparison shows \$6,427,969, an increase of \$2,765,591. The remaining balance of unrestricted net assets \$8,141,246 may be used to meet the government's ongoing obligations to citizens and creditors. This is a decrease in available net assets over 2010 by \$3,046,600. 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.

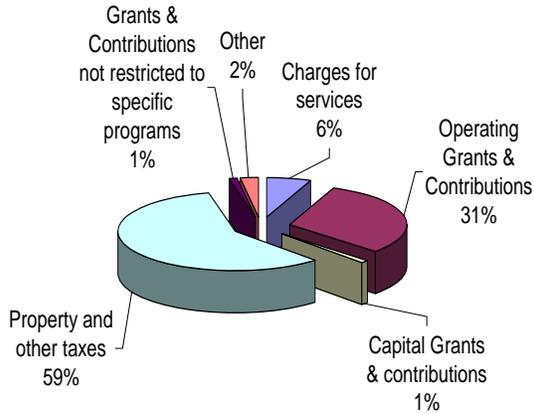
City of Marshalltown Changes in Net Assets

		Governmental Activities		Increase (decrease)
		<u>FY 2010-11</u>	<u>FY 2009-10</u>	<u></u>
Revenues:				
Program Revenues:				
Charges for services	\$	1,573,025	\$ 1,689,962	(116,937)
Operating Grants and Contributions		7,801,666	5,935,212	1,866,454
Capital Grants and contributions		304,891	2,106,963	(1,802,072)
General Revenues				
Property and other taxes		14,776,719	14,163,931	612,788
Grants & Contributions not restricted to specific programs		305,694	333,259	(27,565)
Other		602,801	803,407	(200,606)
Total Revenues		<u>25,364,796</u>	<u>25,032,734</u>	<u>332,062</u>
Expenses:				
Public safety		8,028,333	8,065,379	(37,046)
Public works		6,203,182	4,652,177	1,551,005
Health and social services		1,771,196	1,330,332	440,864
Culture and recreation		3,801,068	3,842,524	(41,456)
Community and economic development		2,346,822	2,343,854	2,968
General government		1,174,190	707,425	466,765
Interest on long term debt		578,629	659,449	(80,820)
Total expenses		<u>23,903,420</u>	<u>21,601,140</u>	<u>2,302,280</u>
Increase (decrease) in net assets before transfers		1,461,376	3,431,594	(1,970,218)
Transfers		<u>(157,811)</u>	<u>(192,057)</u>	<u>34,246</u>
Increase (decrease) in net assets		1,303,565	3,239,537	(1,935,972)
Net Assets - beginning of year		<u>37,475,306</u>	<u>34,235,769</u>	<u>3,239,537</u>
Net assets - end of year	\$	<u><u>38,778,871</u></u>	\$ <u><u>37,475,306</u></u>	\$ <u><u>1,303,565</u></u>

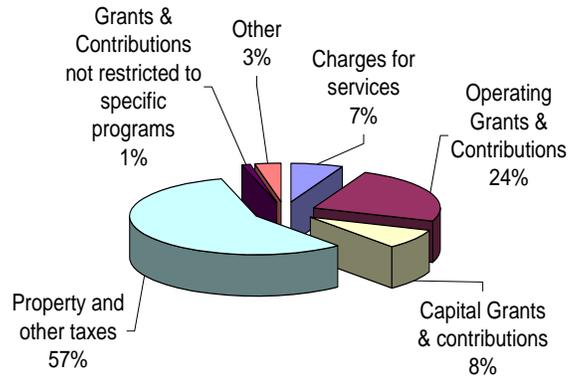
Operating grants and contributions increased by \$1,866,454 and health and social services expense increased by \$440,864 due to the City receiving the lead hazard control for low income homeowners and rental property owners with low income tenants in operation for the entire year. Capital grants decreased by \$1,802,072 due to the completion of the renovation of the Carnegie Building in 2010 which was funded in part by I-Jobs grant from the State of Iowa.

Governmental Revenues as a Percent - Two Year Comparison

2010-2011



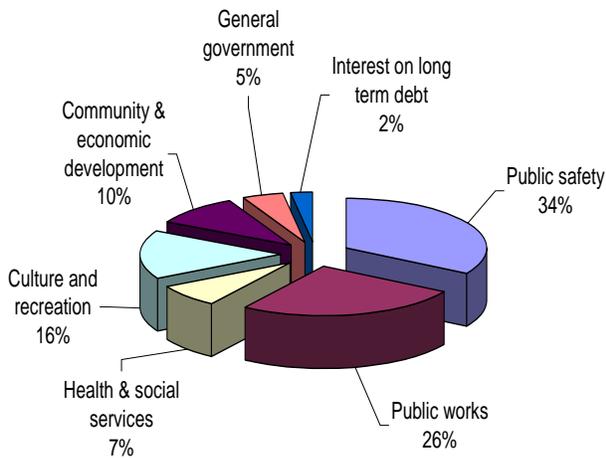
2009-2010



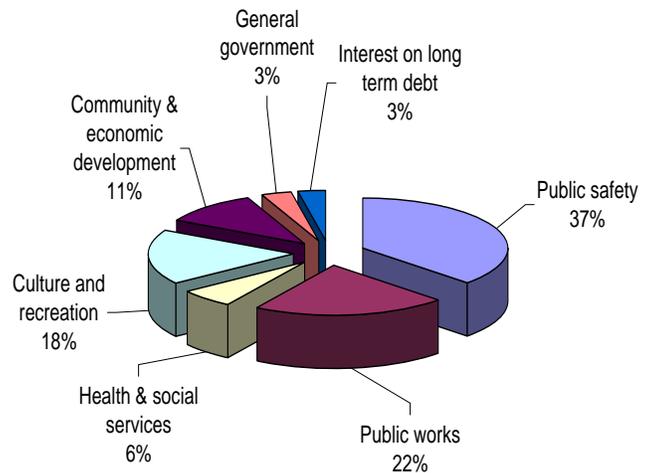
Public works expenses increased \$1,551,005 due to Council putting road construction and repairs as a priority of the City. Bonds were sold in the current year and this will be a multi year project.

Governmental Expenses as a Percent - Two Year Comparison

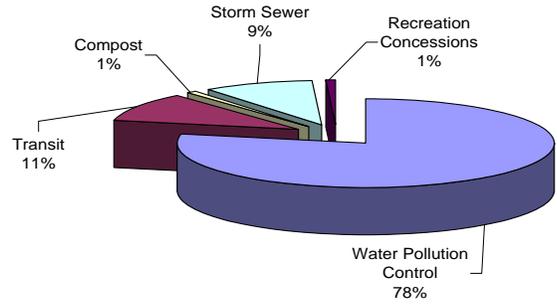
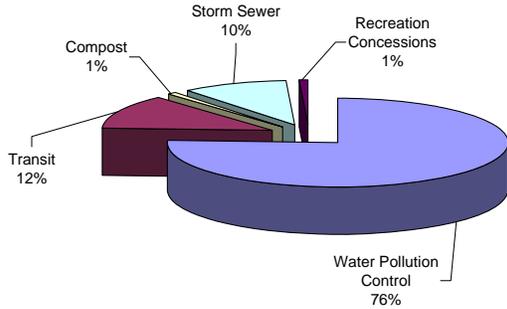
2010-2011



2009-2010



Business-type Expenses as a Percent – Two Year Comparison
2010-2011 **2009-2010**



Total Governmental & Business-type Activities

	<u>FY 2010-11</u>	<u>FY 2009-10</u>	<u>Increase (decrease)</u>
Revenues:			
Program Revenues:			
Charges for service	\$ 6,366,529	\$ 6,961,412	\$ (594,883)
Operating Grants and Contributions	8,041,317	6,604,279	1,437,038
Capital Grants and contributions	2,102,890	2,728,186	(625,296)
General Revenues			
Property and other taxes	14,776,719	14,163,931	612,788
Grants & Contributions not restricted to specific programs	305,694	333,259	(27,565)
Other	<u>660,160</u>	<u>859,182</u>	<u>(199,022)</u>
Total Revenues	<u>32,253,309</u>	<u>31,650,249</u>	<u>603,060</u>
Expenses:			
Public safety	8,028,333	8,065,379	(37,046)
Public works	6,203,182	4,652,177	1,551,005
Health and social services	1,771,196	1,330,332	440,864
Culture and recreation	3,801,068	3,842,524	(41,456)
Community and economic development	2,346,822	2,343,854	2,968
General government	1,174,190	707,425	466,765
Interest on long term debt	578,629	659,449	(80,820)
Business type	<u>5,629,250</u>	<u>5,672,409</u>	<u>(43,159)</u>
Total expenses	<u>29,532,670</u>	<u>27,273,549</u>	<u>2,259,121</u>
Increase (decrease) in net assets before transfers	2,720,639	4,376,700	(1,656,061)
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>2,720,639</u>	<u>4,376,700</u>	<u>(1,656,061)</u>
Net Assets - beginning of year	<u>74,272,162</u>	<u>69,895,462</u>	<u>4,376,700</u>
Net assets - end of year	<u>\$ 76,992,801</u>	<u>\$ 74,272,162</u>	<u>\$ 2,720,639</u>

Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the City of Marshalltown's governmental funds reported a combined ending fund balance of \$11,150,377, an increase of \$729,947 in comparison with the prior year. Of this total amount \$2,332,428 is unassigned fund balance, which is available to meet the future financial needs of the City. \$8,158,362 is restricted, \$250,000 is committed and \$409,587 is nonspendable.

The General fund is the chief operating fund of the City of Marshalltown. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,839,102, \$456,488 has been restricted and \$250,000 committed. The remaining \$230,633 is nonspendable.

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 \$680,243 is a decrease of \$145,913 compared to the prior year. This decrease is due to the council apportioning more funds toward street repairs, overlays and reconstruction.

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 \$1,287,095 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%) until 2025. Property tax relief dollars are transferred to other funds with the remaining funds going towards capital projects. The council has designated their 5% to go towards street repairs over the next two to three fiscal years. The entire balance is restricted for these two purposes. The decrease in the balance this year \$32,276 was due to increase in spending for street repairs.

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. During the last fiscal year the community and economic development expenses have increased due to rebating a local manufacturing fund their portion of taxes paid on their improvements.

A increase of \$175,654 in the Debt Service fund reflects additional funding to the debt service fund from the TIF fund. This increase was due to underfunding in the prior fiscal year.

Changes in the Public Works and Other Projects capital project fund is due to the selling of \$1,520,000 in general obligation bonds for overall street repairs throughout the City.

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 \$38,213,930, a net asset increase of \$1,417,074.

Budgetary Highlights

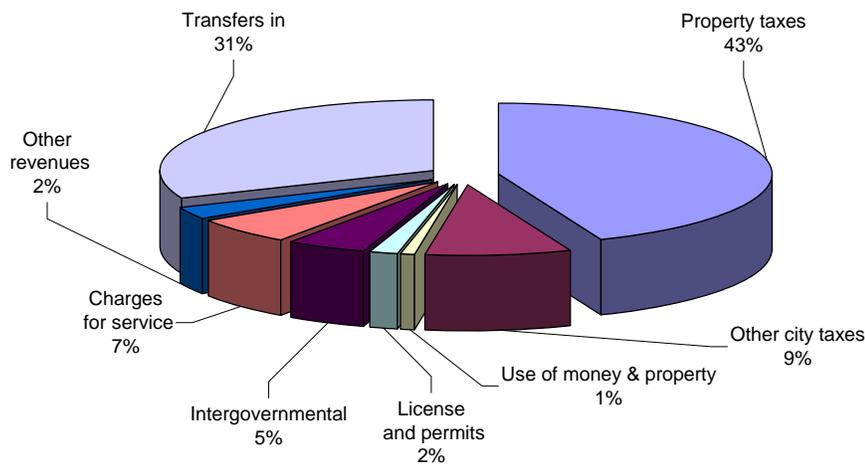
General Fund

Revenues and transfers in for the general fund operations, on the GAAP basis, were less than revenues estimates by \$649,749 and departmental expenditures and transfers out on the GAAP basis were \$44,831 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, 2011 and the amount and percentage of increases and decreases

Revenues	FY 2010-11	Percentage of Total	FY 2009-10	Percentage of Total	Change	Percentage of Change
Property taxes	\$ 5,670,426	43.8%	\$ 5,595,796	44.6%	\$ 74,630	19.06%
Other city taxes	1,106,466	8.5%	1,173,217	9.3%	(66,751)	(17.04%)
Use of money & property	108,677	0.8%	112,946	0.9%	(4,269)	(1.09%)
License and permits	232,542	1.8%	212,918	1.7%	19,624	5.01%
Intergovernmental	604,318	4.7%	728,065	5.8%	(123,747)	(31.59%)
Charges for service	808,925	6.3%	778,863	6.2%	30,062	7.67%
Other revenues	360,066	2.8%	282,964	2.3%	77,102	19.68%
Transfers in	4,050,210	31.3%	3,665,125	29.2%	385,085	98.3%
Total	\$ 12,941,630	100.0%	\$ 12,549,894	100.0%	\$ 391,736	100.0%

2011 General Fund Revenues and Transfers

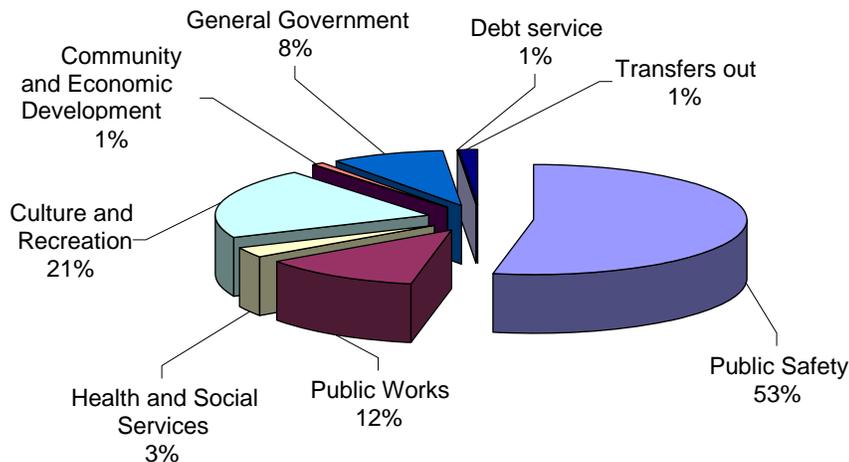


Current and prior year's property taxes continue to represent the largest revenue source, with \$5.7 million or 43.8% of all general fund revenues. The increase in property tax revenues from 2010 of \$74,630 is due to a very modest increase in the taxable value of real estate. The next largest revenue 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 increase in transfers reflects the increase in benefits such as retirement and group health insurance and retirement payouts to health savings account.

In the General Fund, the largest decrease was in the intergovernmental category which represents a decrease in federal/state grants and local government 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:

<u>Expenditures</u>	<u>FY 2010-11</u>	<u>Percentage of Total</u>	<u>FY 2009-10</u>	<u>Percentage of Total</u>	<u>Change</u>	<u>Percentage of Change</u>
Public Safety	\$ 6,896,049	53.1%	\$ 7,058,094	55.3%	\$ (162,045)	(76.1%)
Public Works	1,582,989	12.2%	1,573,575	12.3%	9,414	4.4%
Health and Social Services	407,812	3.1%	391,077	3.1%	16,735	7.9%
Culture and Recreation	2,709,936	20.9%	2,395,554	18.8%	314,382	147.7%
Community and Economic Development	106,579	0.8%	106,860	0.8%	(281)	(.1%)
General Government	1,085,965	8.4%	1,075,023	8.4%	10,942	5.1%
Debt Service	13,841	.1%	13,840	.1%	1	0.0%
Transfers out	183,290	1.4%	159,590	1.2%	23,700	11.1%
Total	\$ 12,986,461	100.0%	\$ 12,773,613	100.0%	\$ 212,848	100.0%

2011 General Fund Expenditures and Transfers Out



Even though negotiated wages increased an average of approximately 2%, which was part of multiyear union contracts; overall the general fund expenditures increased approximately \$200,000 from the prior year. Departments worked throughout the year to maintain 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.

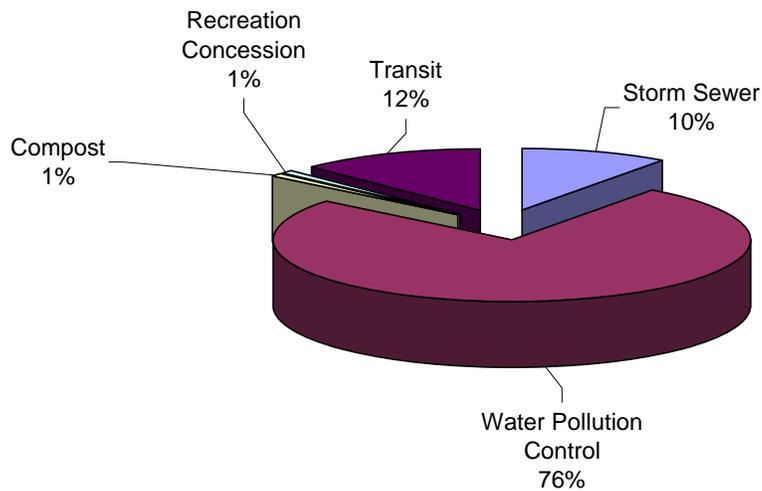
Enterprise Operations

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.

Revenues and transfers for the City's combined enterprise operations increased by \$236,752. This increase is primarily due to capital grant for sanitary and storm sewer projects. Transit capital grants increased due to bus purchase. Total operating expenses for the combined enterprise operations decreased by \$43,159. This was due to departments closely watching their operating costs.

Revenues	FY 2010-11	Percentage of Total	FY 2009-10	Percentage of Total	Change	Percentage of Total
Operating Revenues						
Charges for service	\$ 4,793,504	68.0%	\$ 5,271,450	77.5%	(477,946)	(201.9%)
Operating Grants and Contributions	239,651	3.4%	669,067	9.8%	(429,416)	(181.4%)
Capital Grants and contributions	1,797,999	25.6%	621,223	9.1%	1,176,776	497.1%
General Revenues						
Other	57,359	0.8%	55,775	0.8%	1,584	0.7%
Transfers	157,811	2.2%	192,057	2.8%	(34,246)	(14.5%)
Total Revenues and Transfers	\$ 7,046,324	100.0%	\$ 6,809,572	100.0%	236,752	100.0%
Business type Expenses						
Storm Sewer	558,572	9.8%	536,859	9.5%	21,713	(50.3%)
Water Pollution Control	4,275,726	76.0%	4,451,055	78.5%	(175,329)	406.2%
Compost	37,961	0.7%	39,067	0.6%	(1,106)	2.6%
Recreation Concession	54,447	12.5%	48,738	0.9%	5,709	(13.2%)
Transit	702,544	1.0%	596,690	10.5%	105,854	(245.3%)
Total Expenditures and Transfers	\$ 5,629,250	100.0%	\$ 5,672,409	100.0%	(43,159)	100.0%

Enterprise Expenses 2011



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, 2011 amount to \$133,422,490. 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 \$5,688,848. Additional information on the City's capital assets can be found in Note 5 to the financial statements.

City of Marshalltown's 2011 Capital Assets

Governmental Activities			
	FY 2010-11	FY 2009-10	Increase (decrease)
Land and Improvements	\$ 6,119,194	\$ 5,880,481	\$ 238,713
Buildings and Structures	17,680,447	17,727,838	(47,391)
Equipment and vehicles	13,699,029	13,485,991	213,038
Infrastructure	32,875,483	30,932,887	1,942,596
Construction in Progress	521,251	1,664,884	(1,143,633)
Total	\$ 70,895,404	\$ 69,692,081	\$ 1,203,323

Business Type Activities			
	FY 2010-11	FY 2009-10	Increase (decrease)
Land and Improvements	\$ 2,869,873	\$ 2,869,873	-
Buildings and Structures	11,301,487	11,186,023	115,464
Machinery and Equipment	14,732,061	14,428,784	303,277
Infrastructure, sewers & lift stations	30,459,937	29,267,664	1,192,273
Construction in Progress	3,163,728	289,217	2,874,511
Total	\$ 62,527,086	\$ 58,041,561	\$ 4,485,525

Total Governmental and Business Type Activities			
	FY 2010-11	FY 2009-10	Increase (decrease)
Land and Improvements	\$ 8,989,067	\$ 8,750,354	\$ 238,713
Buildings and Structures	28,981,934	28,913,861	68,073
Machinery and Equipment	28,431,090	27,914,775	516,315
Infrastructure, sewers & lift stations	63,335,420	60,200,551	3,134,869
Construction in Progress	3,684,979	1,954,101	1,730,878
Total	\$ 133,422,490	\$ 127,733,642	\$ 5,688,848

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

- The City completed multiple street projects
- Sanitary sewer projects required by Department of Natural Resources

Long-term debt. At the end of the current fiscal year, the City of Marshalltown had total bonded debt outstanding of \$26,315,363. Of this amount, \$22,475,363 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. Additional information on the City's long-term debt can be found in Note 6 to the financial statements.

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

Governmental Activities			
	FY 2010-11	FY 2009-10	Increase (decrease)
General obligation bonds and notes payable	\$ 16,375	\$ 17,469	\$ (1,094)
Revenue bonds and notes payable	-	-	-
Total	\$ 16,375	\$ 17,469	\$ (1,094)

Business Type Activities			
	FY 2010-11	FY 2009-10	Increase (decrease)
General obligation bonds and notes payable	\$ 6,100	\$ -	\$ 6,100
Revenue bonds and notes payable	3,840	4,435	(595)
Total	\$ 9,940	\$ 4,435	\$ 5,505

Total Governmental and Business Type Activities			
	FY 2010-11	FY 2009-10	Increase (decrease)
General obligation bonds and notes payable	\$ 22,475	\$ 17,469	\$ 5,006
Revenue bonds and notes payable	3,840	4,435	(595)
Total	\$ 26,315	\$ 21,904	\$ 4,411

The City of Marshalltown's total bonded debt increased by \$4,411,000 during the current fiscal year due to:

- The issuance of \$7,620,000 less normal retirement of debt in the amount of \$3,209,000.

Moody's Investors Service rated the City on September 22, 2011. The City maintained their Aa2 rating.

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 \$64,034,123, significantly in excess of the City of Marshalltown's outstanding general obligation debt.

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. The renovations of Emerson Processing/Fisher Controls, a local manufacturing company, have been completed. The total estimated investment in this project is approximately \$19 million. A development agreement was drawn up to rebate up to \$1.8 million paid in taxes by the company. The City's obligation will end in fiscal year 2014 allowing the increment to go back into the general fund.

Menards is currently constructing a retail store on Iowa Avenue. This property will have minimum tax improvements of \$7.3 million. They hope to have their doors open by April 1, 2012, eight months ahead of schedule. A new Jimmy Johns sub shop replaced a dilapidated abandoned gas station on our main corridor going through town. This property will be assessed at approximately \$340,000.

The budget for the ensuing fiscal year 2012 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 Department of Natural Resources has mandated many changes to cities. The City of Marshalltown is currently in the process of meeting their obligation. Over the next fiscal years, the City will issue approximately \$10 million in revenue bonds. The City Council has also committed to improving the streets within the City. This is being done by issuing general obligation bonds in amount not to exceed \$12,380,000 over a three year period. Within this commitment the bonds were structured to stay within the self-imposed \$3.50 debt service levy per \$1,000 of taxable valuation. The bond proceeds will go toward street rebuilds and mil and overlays not normal routine street maintenance. Annual maintenance will continue to be funded with road use tax and local option sales tax money.

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

- The City's contribution rate for Police and Fire retirement system and IPERS is projected to increase over the next few years.
- Compliance with sanitary and storm water regulations will be implemented over the next several years. The WPCP Peak Flow Holding and Pumping Improvements project should be completed in construction year 2012.
- 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

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, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Marshalltown Water Works	Marshalltown Convention and Visitors Bureau
Assets					
Cash and cash equivalents	\$ 13,823,993	\$ 9,969,464	\$ 23,793,457	\$ 1,496,695	\$ 167,959
Receivables					
Property taxes					
Delinquent	220,801	-	220,801	-	-
Succeeding year	11,022,661	-	11,022,661	-	-
Accounts and unbilled usage	296,595	647,309	943,904	301,294	-
Special assessments	126,534	-	126,534	-	-
Interest	-	-	-	816	-
Due from component unit	12,227	241,904	254,131	-	-
Due from other governments	2,189,007	1,104,996	3,294,003	-	-
Inventories	125,597	20,381	145,978	-	-
Prepaid items	306,415	57,479	363,894	34,982	10,652
Deferred charges					
Bond issuance costs	23,225	61,155	84,380	-	-
Restricted assets					
Cash and cash equivalents	-	946,902	946,902	120,570	-
Capital assets					
Land	3,930,612	658,888	4,589,500	1,112,721	-
Land improvements	2,188,582	2,210,985	4,399,567	-	-
Buildings and structures	17,680,447	11,301,487	28,981,934	10,034,902	-
Equipment and vehicles	13,699,029	14,732,061	28,431,090	2,250,536	101,262
Sanitary sewers and lift stations	-	17,976,365	17,976,365	-	-
Infrastructure	32,875,483	12,483,572	45,359,055	10,634,002	-
Construction in progress	521,251	3,163,728	3,684,979	-	-
Accumulated depreciation	(27,693,211)	(25,016,863)	(52,710,074)	(11,963,587)	(43,931)
Total assets	<u>71,349,248</u>	<u>50,559,813</u>	<u>121,909,061</u>	<u>14,022,931</u>	<u>235,942</u>

(continued)

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF NET ASSETS (continued)
JUNE 30, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Marshalltown Water Works	Marshalltown Convention and Visitors Bureau
Liabilities					
Accounts payable	\$ 1,915,661	\$ 1,842,852	\$ 3,758,513	\$ 56,501	\$ 29,680
Accrued payroll and payroll benefits	366,359	64,813	431,172	35,073	742
Retainage payable	69,762	131,050	200,812	-	-
Unearned revenue					
Succeeding year property tax	11,022,661	-	11,022,661	-	-
Other	147,850	-	147,850	-	-
Due to other governments	75,044	11,335	86,379	-	-
Accrued interest payable	47,054	47,606	94,660	-	-
Due to primary government	-	-	-	254,131	-
Liabilities payable from restricted assets					
Customer deposits	-	-	-	120,570	-
Noncurrent liabilities					
Due within one year					
Bonds and notes payable	2,928,840	915,000	3,843,840	205,000	-
Compensated absences payable	399,115	27,164	426,279	81,567	-
Due in more than one year					
Bonds and notes payable	13,451,181	8,975,931	22,427,112	440,000	-
Compensated absences payable	329,817	115,144	444,961	-	-
Net OPEB liability	1,817,033	214,988	2,032,021	33,205	-
Total liabilities	<u>32,570,377</u>	<u>12,345,883</u>	<u>44,916,260</u>	<u>1,226,047</u>	<u>30,422</u>
Net assets					
Invested in capital assets, net of related debt	27,720,521	31,937,474	59,657,995	11,423,574	57,331
Restricted for					
Capital improvements	4,953,799	250,000	5,203,799	-	-
Community development	1,086,320	-	1,086,320	-	-
Debt service	421,722	696,902	1,118,624	225,963	-
Other purposes	1,784,817	-	1,784,817	-	-
Unrestricted	<u>2,811,692</u>	<u>5,329,554</u>	<u>8,141,246</u>	<u>1,147,347</u>	<u>148,189</u>
Total net assets	<u>\$ 38,778,871</u>	<u>\$ 38,213,930</u>	<u>\$ 76,992,801</u>	<u>\$ 12,796,884</u>	<u>\$ 205,520</u>

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
Public safety	\$ 8,028,333	\$ 223,311	\$ 756,905	\$ -
Public works	6,203,182	428,841	3,211,465	96,904
Health and social services	1,771,196	48,134	1,483,147	-
Culture and recreation	3,801,068	490,057	754,456	154,955
Community and economic development	2,346,822	227,024	1,595,693	-
General government	1,174,190	155,658	-	53,032
Interest on long-term debt	578,629	-	-	-
Total governmental activities	<u>23,903,420</u>	<u>1,573,025</u>	<u>7,801,666</u>	<u>304,891</u>
Business-type activities				
Water pollution control	4,275,726	4,280,970	-	849,787
Storm sewer	558,572	301,235	-	895,775
Compost	37,961	45,860	-	-
Transit	702,544	117,259	239,651	52,437
Concessions	54,447	48,180	-	-
Total business-type activities	<u>5,629,250</u>	<u>4,793,504</u>	<u>239,651</u>	<u>1,797,999</u>
Total primary government	<u>\$ 29,532,670</u>	<u>\$ 6,366,529</u>	<u>\$ 8,041,317</u>	<u>\$ 2,102,890</u>
Component units				
Water works	\$ 2,893,329	\$ 3,034,696	\$ -	\$ -
Convention and visitors bureau	247,773	246,317	-	-
Total component units	<u>\$ 3,141,102</u>	<u>\$ 3,281,013</u>	<u>\$ -</u>	<u>\$ -</u>
General Revenues				
Taxes				
Property				
Tax increment financing				
Local option sales				
Utility excise				
Hotel/motel				
Mobile homes				
Unrestricted				
State generated revenues				
Investment earnings				
Miscellaneous revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See notes to financial statements.

Net (Expense) Revenue and
Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Marshalltown Water Works	Marshalltown Convention and Visitors Bureau
\$ (7,048,117)	\$ -	\$ (7,048,117)	\$ -	\$ -
(2,465,972)	-	(2,465,972)	-	-
(239,915)	-	(239,915)	-	-
(2,401,600)	-	(2,401,600)	-	-
(524,105)	-	(524,105)	-	-
(965,500)	-	(965,500)	-	-
(578,629)	-	(578,629)	-	-
<u>(14,223,838)</u>	<u>-</u>	<u>(14,223,838)</u>	<u>-</u>	<u>-</u>
-	855,031	855,031	-	-
-	638,438	638,438	-	-
-	7,899	7,899	-	-
-	(293,197)	(293,197)	-	-
-	(6,267)	(6,267)	-	-
-	1,201,904	1,201,904	-	-
<u>\$ (14,223,838)</u>	<u>\$ 1,201,904</u>	<u>\$ (13,021,934)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 141,367	\$ -
-	-	-	-	(1,456)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,367</u>	<u>\$ (1,456)</u>
\$ 9,210,796	\$ -	\$ 9,210,796	\$ -	\$ -
1,402,010	-	1,402,010	-	-
2,939,704	-	2,939,704	-	-
797,989	-	797,989	-	-
413,054	-	413,054	-	-
13,166	-	13,166	-	-
305,694	-	305,694	-	-
167,610	57,359	224,969	10,709	422
435,191	-	435,191	-	1,741
(157,811)	157,811	-	-	-
<u>15,527,403</u>	<u>215,170</u>	<u>15,742,573</u>	<u>10,709</u>	<u>2,163</u>
1,303,565	1,417,074	2,720,639	152,076	707
<u>37,475,306</u>	<u>36,796,856</u>	<u>74,272,162</u>	<u>12,644,808</u>	<u>204,813</u>
<u>\$ 38,778,871</u>	<u>\$ 38,213,930</u>	<u>\$ 76,992,801</u>	<u>\$ 12,796,884</u>	<u>\$ 205,520</u>

CITY OF MARSHALLTOWN, IOWA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue Funds			
	General	Road Use Tax	HUD Programs	Local Option Sales Tax
Assets				
Cash and cash equivalents	\$ 3,185,834	\$ 844,444	\$ 509,037	\$ 3,067,031
Receivables				
Property taxes				
Delinquent	107,952	-	-	-
Succeeding year	6,516,315	-	-	-
Accounts and unbilled usage	268,107	-	28,488	-
Special assessments	-	-	-	-
Due from other funds	507,359	-	-	-
Due from component unit	12,227	-	-	-
Due from other governments	441,459	214,105	793,782	437,820
Advance to other funds	50,000	-	-	-
Inventory	-	125,597	-	-
Prepaid items	230,633	6,964	12,905	-
Total assets	<u>\$ 11,319,886</u>	<u>\$ 1,191,110</u>	<u>\$ 1,344,212</u>	<u>\$ 3,504,851</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 154,121	\$ 482,099	\$ 245,588	\$ 61,098
Accrued payroll and payroll benefits	345,556	-	12,304	-
Retainage payable	-	28,768	-	15,654
Deferred revenue				
Succeeding year property tax	6,516,315	-	-	-
Other	452,627	-	732,546	-
Due to other governments	75,044	-	-	-
Due to other funds	-	-	-	-
Advance from other funds	-	-	-	-
Total liabilities	<u>7,543,663</u>	<u>510,867</u>	<u>990,438</u>	<u>76,752</u>
Fund balances				
Nonspendable	230,633	132,561	12,905	-
Restricted	456,488	547,682	340,869	3,428,099
Committed	250,000	-	-	-
Unassigned	2,839,102	-	-	-
Total fund balances	<u>3,776,223</u>	<u>680,243</u>	<u>353,774</u>	<u>3,428,099</u>
Total liabilities and fund balances	<u>\$ 11,319,886</u>	<u>\$ 1,191,110</u>	<u>\$ 1,344,212</u>	<u>\$ 3,504,851</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			
\$ 370,124	\$ 113,985	\$ -	\$ 2,505,133		\$ 992,065	\$ 11,587,653
43,798	13,138	47,547	8,366		-	220,801
-	1,281,007	2,719,970	505,369		-	11,022,661
-	-	-	-		-	296,595
-	-	-	126,534		-	126,534
61,883	-	-	-		-	569,242
-	-	-	-		-	12,227
1,759	1,316	4,507	-		294,259	2,189,007
-	-	-	-		-	50,000
-	-	-	-		-	125,597
-	-	-	-		33,488	283,990
<u>\$ 477,564</u>	<u>\$ 1,409,446</u>	<u>\$ 2,772,024</u>	<u>\$ 3,145,402</u>		<u>\$ 1,319,812</u>	<u>\$ 26,484,307</u>
\$ 5,842	\$ -	\$ -	\$ 616,935		\$ 178,884	\$ 1,744,567
-	-	-	-		8,499	366,359
-	-	-	24,095		1,245	69,762
-	1,281,007	2,719,970	505,369		-	11,022,661
3,910	600	2,358	126,916		117,338	1,436,295
-	-	-	-		-	75,044
-	-	61,883	-		507,359	569,242
50,000	-	-	-		-	50,000
<u>59,752</u>	<u>1,281,607</u>	<u>2,784,211</u>	<u>1,273,315</u>		<u>813,325</u>	<u>15,333,930</u>
-	-	-	-		33,488	409,587
417,812	127,839	-	1,872,087		967,486	8,158,362
-	-	-	-		-	250,000
-	-	(12,187)	-		(494,487)	2,332,428
<u>417,812</u>	<u>127,839</u>	<u>(12,187)</u>	<u>1,872,087</u>		<u>506,487</u>	<u>11,150,377</u>
<u>\$ 477,564</u>	<u>\$ 1,409,446</u>	<u>\$ 2,772,024</u>	<u>\$ 3,145,402</u>		<u>\$ 1,319,812</u>	<u>\$ 26,484,307</u>

CITY OF MARSHALLTOWN, IOWA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total governmental fund balances \$ 11,150,377

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	\$ 70,895,404	
Accumulated depreciation is	<u>(27,693,211)</u>	
		43,202,193

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	11,486	
Mobile home taxes	701	
Intergovernmental revenue	1,075,671	
Charges for service	<u>343,167</u>	
		1,431,025

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.

1,945,091

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	(16,356,796)	
Accrued interest on the bonds	(47,054)	
Compensated absences	(728,932)	
Net OPEB liability	<u>(1,817,033)</u>	
		<u>(18,949,815)</u>

Net assets of governmental activities \$ 38,778,871

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(DEFICIT)
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Special Revenue Funds			
	General	Road Use Tax	HUD Programs	Local Option Sales Tax
Revenues				
Property taxes	\$ 5,670,426	\$ -	\$ -	\$ -
TIF revenues	-	-	-	-
Other city taxes	1,106,466	-	-	2,939,704
Use of money and property	108,677	-	6,922	33,513
Licenses and permits	232,542	-	-	-
Intergovernmental	604,318	2,478,150	2,776,225	1,428
Charges for service	808,925	-	16	-
Special assessments	-	-	-	-
Miscellaneous	357,914	-	22,858	-
Total revenues	<u>8,889,268</u>	<u>2,478,150</u>	<u>2,806,021</u>	<u>2,974,645</u>
Expenditures				
Current				
Public safety	6,896,049	-	-	101,024
Public works	1,582,989	1,824,063	-	634,663
Health and social services	407,812	-	1,287,095	-
Culture and recreation	2,709,936	-	-	-
Community and economic development	106,579	-	1,709,297	-
General government	1,085,965	-	-	-
Debt service				
Principal	13,841	-	-	-
Interest and other fiscal charges	-	-	-	-
Total expenditures	<u>12,803,171</u>	<u>1,824,063</u>	<u>2,996,392</u>	<u>735,687</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,913,903)</u>	<u>654,087</u>	<u>(190,371)</u>	<u>2,238,958</u>
Other financing sources (uses)				
Sale of governmental assets	2,152	-	-	-
General obligation bonds issued	-	-	-	-
Transfers in	4,050,210	-	36,313	-
Transfers out	(183,290)	(800,000)	(4,731)	(2,271,234)
Total other financing sources (uses)	<u>3,869,072</u>	<u>(800,000)</u>	<u>31,582</u>	<u>(2,271,234)</u>
Net change in fund balances	(44,831)	(145,913)	(158,789)	(32,276)
Fund balances (deficit) - beginning	<u>3,821,054</u>	<u>826,156</u>	<u>512,563</u>	<u>3,460,375</u>
Fund balances (deficit) - ending	<u>\$ 3,776,223</u>	<u>\$ 680,243</u>	<u>\$ 353,774</u>	<u>\$ 3,428,099</u>

See notes to financial statements.

Tax Increment Financing	Property Tax	Debt Service	Capital Projects Funds		Total
			Public Works and Other Projects	Nonmajor Governmental Funds	
\$ -	\$ 690,060	\$ 2,405,320	\$ 438,578	\$ -	\$ 9,204,384
1,402,010	-	-	-	-	1,402,010
-	61,736	203,482	39,319	234,195	4,584,902
5,909	2,498	7,090	22,505	10,983	198,097
-	-	-	-	-	232,542
6,760	21,409	76,027	13,633	1,300,860	7,278,810
-	-	-	13,620	44,019	866,580
-	-	-	31,019	-	31,019
551	-	-	125,286	235,139	741,748
<u>1,415,230</u>	<u>775,703</u>	<u>2,691,919</u>	<u>683,960</u>	<u>1,825,196</u>	<u>24,540,092</u>
-	9,545	-	-	482,030	7,488,648
351,957	-	-	802,347	625,357	5,821,376
-	-	-	-	59,060	1,753,967
-	-	-	-	686,708	3,396,644
328,907	-	-	-	282,366	2,427,149
-	-	-	-	5,392	1,091,357
-	-	2,600,000	-	-	2,613,841
-	-	581,504	-	-	581,504
<u>680,864</u>	<u>9,545</u>	<u>3,181,504</u>	<u>802,347</u>	<u>2,140,913</u>	<u>25,174,486</u>
<u>734,366</u>	<u>766,158</u>	<u>(489,585)</u>	<u>(118,387)</u>	<u>(315,717)</u>	<u>(634,394)</u>
-	-	-	-	-	2,152
-	-	-	1,520,000	-	1,520,000
-	2,271,234	665,239	-	62,567	7,085,563
<u>(665,239)</u>	<u>(2,667,877)</u>	<u>-</u>	<u>(426,003)</u>	<u>(225,000)</u>	<u>(7,243,374)</u>
<u>(665,239)</u>	<u>(396,643)</u>	<u>665,239</u>	<u>1,093,997</u>	<u>(162,433)</u>	<u>1,364,341</u>
69,127	369,515	175,654	975,610	(478,150)	729,947
<u>348,685</u>	<u>(241,676)</u>	<u>(187,841)</u>	<u>896,477</u>	<u>984,637</u>	<u>10,420,430</u>
<u>\$ 417,812</u>	<u>\$ 127,839</u>	<u>\$ (12,187)</u>	<u>\$ 1,872,087</u>	<u>\$ 506,487</u>	<u>\$ 11,150,377</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, 2011

Net change in fund balances – total governmental funds \$ 729,947

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	\$ 1,601,447	
Book value of disposals	(110,383)	
Depreciation expense	<u>(2,413,369)</u>	
Net change in capital assets		(922,305)

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	6,412	
Mobile home taxes	(16)	
Intergovernmental	1,011,403	
Charges for service	<u>(102,546)</u>	
Net effect		915,253

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	2,613,841	
Debt proceeds	<u>(1,520,000)</u>	
Net effect		1,093,841

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

Increase in accrued interest and bond issuance costs amortized	(21,247)	
Increase in compensated absences	(165,266)	
Increase in net OPEB liability	<u>(664,287)</u>	
Total additional expenses		(850,800)

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.

337,629

Change in net assets of governmental activities \$ 1,303,565

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	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	\$ 9,484,711	\$ 11,387	\$ 473,366	\$ 9,969,464	\$ 2,236,340
Receivables					
Accounts and unbilled usage	618,385	23,170	5,754	647,309	-
Due from other funds	-	-	-	-	3,681
Due from component unit	216,566	25,338	-	241,904	-
Due from other governments	1,055,605	-	49,391	1,104,996	-
Inventories	12,279	-	8,102	20,381	-
Prepaid items	35,447	9,020	13,012	57,479	22,425
Deferred charges					
Bond issuance costs	61,155	-	-	61,155	-
Total current assets	<u>11,484,148</u>	<u>68,915</u>	<u>549,625</u>	<u>12,102,688</u>	<u>2,262,446</u>
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	946,902	-	-	946,902	-
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	10,591,439	6,000	704,048	11,301,487	-
Equipment and vehicles	13,104,227	280,837	1,346,997	14,732,061	-
Sanitary sewers and lift stations	17,900,374	75,991	-	17,976,365	-
Infrastructure	-	12,483,572	-	12,483,572	-
Construction in progress	3,080,728	83,000	-	3,163,728	-
Accumulated depreciation	(20,568,400)	(3,487,527)	(960,936)	(25,016,863)	-
Total noncurrent assets	<u>27,358,079</u>	<u>9,755,404</u>	<u>1,343,642</u>	<u>38,457,125</u>	<u>-</u>
Total assets	<u>38,842,227</u>	<u>9,824,319</u>	<u>1,893,267</u>	<u>50,559,813</u>	<u>2,262,446</u>

(continued)

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF NET ASSETS (continued)
PROPRIETARY FUNDS
JUNE 30, 2011

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewer	Nonmajor Enterprise	Total	Activities - Internal Service Funds
Liabilities					
Current liabilities					
Accounts payable	\$ 1,820,354	\$ 3,477	\$ 19,021	\$ 1,842,852	\$ 171,094
Accrued payroll and payroll benefits	41,480	8,869	14,464	64,813	-
Unearned revenue	-	-	-	-	142,580
Retainage payable	131,050	-	-	131,050	-
Due to other governments	11,335	-	-	11,335	-
Due to other funds	-	-	-	-	3,681
Accrued interest payable	47,606	-	-	47,606	-
Compensated absences	19,729	2,629	4,806	27,164	-
General obligation bonds	310,000	-	-	310,000	-
Sewer revenue capital loan note	345,000	-	-	345,000	-
Revenue bonds	260,000	-	-	260,000	-
Total current liabilities	<u>2,986,554</u>	<u>14,975</u>	<u>38,291</u>	<u>3,039,820</u>	<u>317,355</u>
Noncurrent liabilities					
Compensated absences	82,873	17,740	14,531	115,144	-
General obligation bonds	5,743,230	-	-	5,743,230	-
Sewer revenue capital loan note	2,717,701	-	-	2,717,701	-
Revenue bonds	515,000	-	-	515,000	-
Net OPEB liability	140,819	59,335	14,834	214,988	-
Total noncurrent liabilities	<u>9,199,623</u>	<u>77,075</u>	<u>29,365</u>	<u>9,306,063</u>	<u>-</u>
Total liabilities	<u>12,186,177</u>	<u>92,050</u>	<u>67,656</u>	<u>12,345,883</u>	<u>317,355</u>
Net assets					
Invested in capital assets, net of related debt	20,838,428	9,755,404	1,343,642	31,937,474	-
Restricted for					
Bond and interest payments	696,902	-	-	696,902	-
Improvements	250,000	-	-	250,000	-
Unrestricted	4,870,720	(23,135)	481,969	5,329,554	1,945,091
Total net assets	<u>\$ 26,656,050</u>	<u>\$ 9,732,269</u>	<u>\$ 1,825,611</u>	<u>\$ 38,213,930</u>	<u>\$ 1,945,091</u>

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds				Governmental
	Water Pollution Control	Storm Sewer	Nonmajor Enterprise	Total	Activities - Internal Service Funds
Operating revenues					
Charges for service	\$ 4,152,904	\$ 288,812	\$ 211,299	\$ 4,653,015	\$ 2,020,176
Miscellaneous	91,030	12,423	-	103,453	570,379
Total operating revenues	<u>4,243,934</u>	<u>301,235</u>	<u>211,299</u>	<u>4,756,468</u>	<u>2,590,555</u>
Operating expenses					
Salaries and benefits	1,388,380	257,185	429,589	2,075,154	-
Services and supplies	1,552,465	51,899	247,042	1,851,406	14,158
Claims paid	-	-	-	-	1,906,488
Health insurance premiums	-	-	-	-	234,380
Depreciation	1,134,959	249,373	118,321	1,502,653	-
Miscellaneous	2,383	115	-	2,498	115,582
Total operating expenses	<u>4,078,187</u>	<u>558,572</u>	<u>794,952</u>	<u>5,431,711</u>	<u>2,270,608</u>
Operating income (loss)	<u>165,747</u>	<u>(257,337)</u>	<u>(583,653)</u>	<u>(675,243)</u>	<u>319,947</u>
Nonoperating revenues (expenses)					
Federal and state grants	849,787	-	292,088	1,141,875	-
Interest income	53,312	330	3,717	57,359	17,682
Miscellaneous income	37,036	-	-	37,036	-
Interest and other debt expense	(192,539)	-	-	(192,539)	-
Loss on disposal of fixed assets	(5,000)	-	-	(5,000)	-
Net nonoperating revenues (expenses)	<u>742,596</u>	<u>330</u>	<u>295,805</u>	<u>1,038,731</u>	<u>17,682</u>
Income (loss) before capital contributions and transfers	908,343	(257,007)	(287,848)	363,488	337,629
Capital contributions	-	895,775	-	895,775	-
Transfers in	-	-	157,811	157,811	-
Change in net assets	908,343	638,768	(130,037)	1,417,074	337,629
Net assets - beginning	<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>
Net assets - ending	<u>\$ 26,656,050</u>	<u>\$ 9,732,269</u>	<u>\$ 1,825,611</u>	<u>\$ 38,213,930</u>	<u>\$ 1,945,091</u>

See notes to financial statements.

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	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	\$ 4,418,909	\$ 305,006	\$ 218,581	\$ 4,942,496	\$ 2,060,893
Cash payments to suppliers for goods and services	(2,246,511)	(183,832)	(254,795)	(2,685,138)	(2,510,702)
Cash payments to employees for services	(1,285,599)	(226,702)	(424,008)	(1,936,309)	-
Other operating revenue	<u>128,066</u>	<u>12,423</u>	<u>-</u>	<u>140,489</u>	<u>570,379</u>
Net cash provided by (used for) operating activities	<u>1,014,865</u>	<u>(93,105)</u>	<u>(460,222)</u>	<u>461,538</u>	<u>120,570</u>
Cash flows from noncapital financing activities					
Transfers from other funds	-	-	157,811	157,811	-
Grants received	849,787	-	292,088	1,141,875	-
Decrease in due from other funds	-	38,796	2,497	41,293	5,644
Decrease in due to other funds	<u>(38,796)</u>	<u>-</u>	<u>-</u>	<u>(38,796)</u>	<u>(5,644)</u>
Net cash provided by noncapital financing activities	<u>810,991</u>	<u>38,796</u>	<u>452,396</u>	<u>1,302,183</u>	<u>-</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(1,738,783)	(127,511)	(7,725)	(1,874,019)	-
Proceeds from issuance of debt	6,100,000	-	-	6,100,000	-
Payment of debt	(595,000)	-	-	(595,000)	-
Interest and fiscal charges paid	<u>(243,622)</u>	<u>-</u>	<u>-</u>	<u>(243,622)</u>	<u>-</u>
Net cash provided by (used for) capital and related financing activities	<u>3,522,595</u>	<u>(127,511)</u>	<u>(7,725)</u>	<u>3,387,359</u>	<u>-</u>
Cash flows from investing activities					
Interest received on investment securities	<u>54,189</u>	<u>330</u>	<u>3,717</u>	<u>58,236</u>	<u>17,682</u>
Net increase (decrease) in cash and cash equivalents	5,402,640	(181,490)	(11,834)	5,209,316	138,252
Cash and cash equivalents, beginning	<u>5,028,973</u>	<u>192,877</u>	<u>485,200</u>	<u>5,707,050</u>	<u>2,098,088</u>
Cash and cash equivalents, ending	<u>\$ 10,431,613</u>	<u>\$ 11,387</u>	<u>\$ 473,366</u>	<u>\$ 10,916,366</u>	<u>\$ 2,236,340</u>

(continued)

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	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 by (used for)					
operating activities					
Operating income (loss)	<u>\$ 165,747</u>	<u>\$ (257,337)</u>	<u>\$ (583,653)</u>	<u>\$ (675,243)</u>	<u>\$ 319,947</u>
Adjustments to reconcile operating income					
(loss) to net cash provided by (used for)					
operating activities					
Depreciation	1,134,959	249,373	118,321	1,502,653	-
Miscellaneous income	37,036	-	-	37,036	-
Changes in assets and liabilities					
Decrease (increase) in receivables	(182,103)	16,194	1,474	(164,435)	37,606
Decrease (increase) in inventories					
and prepaid items	28,777	1,230	(4,817)	25,190	(3,528)
Increase (decrease) in accounts payable	(271,987)	(133,048)	2,872	(402,163)	(236,566)
Increase in accrued liabilities	51,299	8,791	158	60,248	-
Decrease in due to other governments	(345)	-	-	(345)	-
Increase in unearned revenue	-	-	-	-	3,111
Increase in net OPEB liability	<u>51,482</u>	<u>21,692</u>	<u>5,423</u>	<u>78,597</u>	<u>-</u>
Total	<u>849,118</u>	<u>164,232</u>	<u>123,431</u>	<u>1,136,781</u>	<u>(199,377)</u>
Net cash provided by (used for)					
operating activities	<u>\$ 1,014,865</u>	<u>\$ (93,105)</u>	<u>\$ (460,222)</u>	<u>\$ 461,538</u>	<u>\$ 120,570</u>
Noncash capital activities					
Contributions of capital assets from other					
funds	<u>\$ -</u>	<u>\$ 895,775</u>	<u>\$ -</u>	<u>\$ 895,775</u>	<u>\$ -</u>

See notes to financial statements.

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Police Pension Trust	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 1,693	\$ 195,205
Prepaid items	-	30,084
	<u> </u>	<u> </u>
Total assets	<u>1,693</u>	<u>225,289</u>
Liabilities		
Accounts payable	-	6,367
Accrued payroll and payroll benefits	-	143,927
Due to City	-	59,111
Due to Sleuth User Group	-	14,399
Due to other governments	-	1,485
	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>\$ 225,289</u>
Net assets		
Held in trust for pension benefits	<u>\$ 1,693</u>	

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2011

	Police Pension Trust
Additions	
Contributions, employer	\$ 9,545
Deductions	
Benefits	<u>7,852</u>
Change in net assets	1,693
Net assets - beginning	<u>-</u>
Net assets - ending	<u>\$ 1,693</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011

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 services. 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, 2011

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 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.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011

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, 2011

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, 2011, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2010 and March 31, 2011. Any County collections on the 2010-2011 tax levy remitted to the City within sixty days subsequent to June 30, 2011, are recorded as property tax revenues. Taxes not collected and remitted to the City within sixty days subsequent to June 30, 2011, 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."

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
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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. The costs of governmental fund inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The costs of governmental fund prepaid items are recorded as expenditures when consumed rather than when purchased.

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 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, 2011.

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, 2011.

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, 2011

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.

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

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

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

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

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

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

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

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

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Fund Equity. Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balances cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

Restricted fund balances are restricted for specific purposes when constraints placed on the use of the resources are either externally imposed by their providers, such as creditors, grantors, or other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances can be used only for specific purposes determined pursuant to constraints formally imposed by the City Council through resolution approved prior to year end.

Assigned fund balances are amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

Unassigned fund balances are amounts not included in the other spendable classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assigned actions.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

As of June 30, 2011, fund balances consisted of the following:

	<u>General</u>	<u>Road Use Tax</u>	<u>HUD Programs</u>	<u>Local Option Sales Tax</u>	<u>Tax Increment Financing</u>
Nonspendable					
Inventory and prepaid items	\$ 230,633	\$ 132,561	\$ 12,905	\$ -	\$ -
Restricted for					
Capital improvements	15,272	547,682	-	3,025,369	-
Property tax relief	-	-	-	402,730	-
Community development	-	-	340,869	-	-
Debt service	-	-	-	-	417,812
Employee benefits	-	-	-	-	-
Emergency communication	-	-	-	-	-
Other purposes	441,216	-	-	-	-
Total restricted	<u>456,488</u>	<u>547,682</u>	<u>340,869</u>	<u>3,428,099</u>	<u>417,812</u>
Committed					
Capital improvements	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned					
	<u>2,839,102</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>\$ 3,776,223</u>	<u>\$ 680,243</u>	<u>\$ 353,774</u>	<u>\$ 3,428,099</u>	<u>\$ 417,812</u>
	<u>Property Tax</u>	<u>Debt Service</u>	<u>Public Works and Other Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable					
Inventory and prepaid items	\$ -	\$ -	\$ -	\$ 33,488	\$ 409,587
Restricted for					
Capital improvements	-	-	1,872,087	229,614	5,690,024
Property tax relief	-	-	-	-	402,730
Community development	-	-	-	-	340,869
Debt service	-	-	-	-	417,812
Employee benefits	127,839	-	-	-	127,839
Emergency communication	-	-	-	281,747	281,747
Other purposes	-	-	-	456,125	897,341
Total restricted	<u>127,839</u>	<u>-</u>	<u>1,872,087</u>	<u>967,486</u>	<u>8,158,362</u>
Committed					
Capital improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
Unassigned					
	<u>-</u>	<u>(12,187)</u>	<u>-</u>	<u>(494,487)</u>	<u>2,332,428</u>
Total fund balance	<u>\$ 127,839</u>	<u>\$ (12,187)</u>	<u>\$ 1,872,087</u>	<u>\$ 506,487</u>	<u>\$ 11,150,377</u>

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CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements did not exceed the amount budgeted.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits. On June 30, 2011, the carrying amount of the City’s deposits was \$18,021,566 and the bank balances were \$18,693,443. The City’s deposits in banks at June 30, 2011, 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, 2011, 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	\$ 3,518,600	\$ 3,518,600
Demand deposits	9,498,645	10,173,097
Certificates of deposits	5,001,746	5,001,746
Petty cash	<u>2,575</u>	<u>-</u>
Total	<u>\$ 18,021,566</u>	<u>\$ 18,693,443</u>

The City invests in the Diversified portfolio of the Iowa Public Agency Investment Trust (IPAIT). IPAIT was created pursuant to Iowa Code Chapter 28E in 1987 to enable eligible Iowa public agencies to safely and effectively invest their available operating and reserve funds. The Diversified portfolio has followed established money market mutual fund investment parameters designed to maintain a \$1 per unit net asset value since inception and was registered with the Securities and Exchange Commission (SEC) in accordance with 17 C.F.R. Section 270,2a-7 in May 1993. The Diversified Fund was among the first local government investment pools in the country to do so and has been formally regulated by the SEC since that time. The fair value of the City's position in the IPAIT pool is the same as the value of the pool. The City's investment in the Diversified portfolio at June 30, 2011 was \$6,915,691.

The Marshalltown Water Works’ carrying amount of deposits was \$1,617,265 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 \$167,959 all of which was covered by federal depository insurance.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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.

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, 2011, consisted of the following:

Due to general fund from Nonmajor governmental funds	\$ <u>507,359</u>
Due to tax increment financing fund from Debt service fund	\$ <u>61,883</u>
Due to internal service funds from Internal service funds	\$ <u>3,681</u>

The interfund balances result from negative cash balances.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

The advance to/from other funds as of June 30, 2011, consisted of the following:

Due to general fund from	
Tax increment financing fund	\$ <u>50,000</u>

The advance to/from other funds represent an interfund loan to fund grants and improvements.

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	\$ 12,227
Enterprise Fund, Water Pollution Control	Water Works	216,566
Enterprise Fund, Storm Sewer	Water Works	25,338

Interfund transfers for the year ended June 30, 2011, consisted of the following:

Transfers to general fund from	
Road use tax	\$ 800,000
HUD programs	4,731
Property tax	2,620,400
Public works and other projects	400,079
Nonmajor governmental	<u>225,000</u>
Total transfers to general fund	<u>\$ 4,050,210</u>

Transfers to HUD programs fund from	
Property tax	\$ <u>36,313</u>

Transfers to property tax fund from	
Local option sales tax	\$ <u>2,271,234</u>

Transfers to debt service fund from	
Tax increment financing	\$ <u>665,239</u>

Transfers to nonmajor governmental funds from	
General	\$ 25,479
Property tax	11,164
Public works and other projects	<u>25,924</u>
Total transfers to nonmajor governmental funds	<u>\$ 62,567</u>

Transfers to nonmajor enterprise funds from	
General	\$ <u>157,811</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.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Primary Government				
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 3,918,462	\$ 12,150	\$ -	\$ 3,930,612
Construction in progress	1,664,884	522,171	(1,665,804)	521,251
Total capital assets, not being depreciated	<u>5,583,346</u>	<u>534,321</u>	<u>(1,665,804)</u>	<u>4,451,863</u>
Capital assets, being depreciated				
Buildings and structures	17,727,838	-	(47,391)	17,680,447
Land improvements	1,962,019	226,563	-	2,188,582
Equipment and vehicles	13,485,991	506,484	(293,446)	13,699,029
Infrastructure	30,932,887	1,999,883	(57,287)	32,875,483
Total capital assets, being depreciated	<u>64,108,735</u>	<u>2,732,930</u>	<u>(398,124)</u>	<u>66,443,541</u>
Less accumulated depreciation for				
Buildings and structures	(4,015,992)	(527,603)	47,310	(4,496,285)
Land improvements	(564,720)	(132,508)	-	(697,228)
Equipment and vehicles	(6,515,271)	(713,089)	210,352	(7,018,008)
Infrastructure	(14,471,600)	(1,040,169)	30,079	(15,481,690)
Total accumulated depreciation	<u>(25,567,583)</u>	<u>(2,413,369)</u>	<u>287,741</u>	<u>(27,693,211)</u>
Total capital assets, being depreciated, net	<u>38,541,152</u>	<u>319,561</u>	<u>(110,383)</u>	<u>38,750,330</u>
Governmental activities capital assets, net	<u>\$ 44,124,498</u>	<u>\$ 853,882</u>	<u>\$ (1,776,187)</u>	<u>\$ 43,202,193</u>

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Business-type activities

Capital assets, not being depreciated

Land	\$ 658,888	\$ -	\$ -	\$ 658,888
Construction in progress	289,217	3,039,047	(164,536)	3,163,728
Total capital assets, not being depreciated	948,105	3,039,047	(164,536)	3,822,616

Capital assets, being depreciated

Buildings and structures	11,186,023	115,464	-	11,301,487
Land improvements	2,210,985	-	-	2,210,985
Equipment and vehicles	14,428,784	397,416	(94,139)	14,732,061
Sanitary sewers and lift stations	17,720,826	255,539	-	17,976,365
Infrastructure	11,546,838	936,734	-	12,483,572
Total capital assets, being depreciated	57,093,456	1,705,153	(94,139)	58,704,470

Less accumulated depreciation for

Buildings and structures	(4,861,244)	(327,138)	-	(5,188,382)
Land improvements	(1,369,662)	(66,199)	-	(1,435,861)
Equipment and vehicles	(9,438,680)	(494,953)	89,139	(9,844,494)
Sanitary sewers and lift stations	(4,805,264)	(377,048)	-	(5,182,312)
Infrastructure	(3,128,499)	(237,315)	-	(3,365,814)
Total accumulated depreciation	(23,603,349)	(1,502,653)	89,139	(25,016,863)

Total capital assets, being depreciated, net 33,490,107 202,500 (5,000) 33,687,607

Business-type activities capital assets, net \$ 34,438,212 \$ 3,241,547 \$ (169,536) \$ 37,510,223

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

Governmental activities	
Public safety	\$ 234,183
Public works	1,357,316
Health and social services	2,859
Culture and recreation	737,220
Community and economic development	1,433
General government	<u>80,358</u>
Total depreciation expense – governmental activities	<u>\$ 2,413,369</u>
Business-type activities	
Water pollution control	\$ 1,134,959
Storm sewer	249,373
Compost facility	12,566
Bus transit	<u>105,755</u>
Total depreciation expense – business-type activities	<u>\$ 1,502,653</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, 2011:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
Governmental activities					
General obligation bonds and notes payable	\$ 17,469,204	\$ 1,520,000	\$ 2,613,841	\$ 16,375,363	\$ 2,928,840
Unamortized discounts	(2,116)	-	(555)	(1,561)	-
Unamortized premiums	<u>7,361</u>	<u>-</u>	<u>1,142</u>	<u>6,219</u>	<u>-</u>
Total general obligation bonds	17,474,449	1,520,000	2,614,428	16,380,021	2,928,840
Compensated absences payable	563,666	385,239	219,973	728,932	399,115
Net OPEB liability	<u>1,152,746</u>	<u>737,908</u>	<u>73,621</u>	<u>1,817,033</u>	<u>-</u>
	<u>19,190,861</u>	<u>2,643,147</u>	<u>2,908,022</u>	<u>18,925,986</u>	<u>3,327,955</u>

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
Business-type activities					
General obligation bonds	\$ -	\$ 6,100,000	\$ -	\$ 6,100,000	\$ 310,000
Unamortized discounts	-	(47,549)	(779)	(46,770)	-
Total general obligation bonds	-	6,052,451	(779)	6,053,230	310,000
Revenue bonds payable	1,035,000	-	260,000	775,000	260,000
Sewer revenue capital loan note payable	3,400,000	-	335,000	3,065,000	345,000
Deferred amount on refunding	(6,123)	-	(1,563)	(4,560)	-
Unamortized premiums	3,037	-	776	2,261	-
Total sewer revenue capital loan note payable	3,396,914	-	334,213	3,062,701	345,000
Compensated absences payable	88,165	78,978	24,835	142,308	27,164
Net OPEB liability	136,391	87,308	8,711	214,988	-
	<u>4,656,470</u>	<u>6,218,737</u>	<u>626,980</u>	<u>10,248,227</u>	<u>942,164</u>
Total	<u>\$ 23,847,331</u>	<u>\$ 8,861,884</u>	<u>\$ 3,535,002</u>	<u>\$ 29,174,213</u>	<u>\$ 4,270,119</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, 2011, are as follows:

	Interest Rates	Govern- mental Activities	Business- type Activities	Total
General obligation bonds and notes				
Equipment loan note, issued February 1, 2005	0%	\$ 55,363	\$ -	\$ 55,363
2005B Essential corporate purpose refunding bonds, issued April 1, 2005	3.65	300,000	-	300,000
2006A Capital loan notes, issued June 1, 2006	4.35-4.38	740,000	-	740,000
2008A Essential corporate purpose refunding bonds, issued April 1, 2008	3.50	6,905,000	-	6,905,000
2008B Essential corporate purpose, issued April 1, 2008	3.50-4.00	3,995,000	-	3,995,000

(continued on next page)

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

	Interest Rates	Govern- mental Activities	Business- type Activities	Total
2009A Essential corporate purpose refunding bonds, issued May 1, 2009	2.10-3.90%	\$ 2,620,000	\$ -	\$ 2,620,000
2009B Essential corporate purpose refunding bonds, issued August 13, 2009	1.70	240,000	-	240,000
2011 Essential corporate purpose, issued April 1, 2011	1.25-3.45	<u>1,520,000</u>	<u>6,100,000</u>	<u>7,620,000</u>
Total general obligation bonds and notes		<u>16,375,363</u>	<u>6,100,000</u>	<u>22,475,363</u>
Revenue bonds and notes				
Water Pollution Control, capital loan notes, Series 2003, issued May 15, 2003	3.00	-	3,065,000	3,065,000
Water Pollution Control, refunding bonds, Series 2005A, issued April 1, 2005	3.65-3.85	<u>-</u>	<u>775,000</u>	<u>775,000</u>
Total revenue bonds and notes		<u>-</u>	<u>3,840,000</u>	<u>3,840,000</u>
Total long-term debt		<u>\$ 16,375,363</u>	<u>\$ 9,940,000</u>	<u>\$ 26,315,363</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.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Future Requirements to Maturity. Principal and interest requirements to maturity for the City's bonds and notes outstanding as of June 30, 2011, are as follows:

Years Ending June 30,	Governmental Activities General Obligation Bonds and Notes		Business-type Activities General Obligation Bonds and Notes	
	Principal	Interest	Principal	Interest
2012	\$ 2,928,840	\$ 524,227	\$ 310,000	\$ 175,102
2013	2,553,841	434,845	345,000	146,212
2014	2,358,841	359,647	350,000	141,900
2015	2,328,841	286,866	355,000	137,526
2016	2,135,000	216,297	365,000	132,556
2017-2021	3,425,000	396,300	1,980,000	545,370
2022-2026	645,000	38,200	2,395,000	244,020
Total	<u>\$ 16,375,363</u>	<u>\$ 2,256,382</u>	<u>\$ 6,100,000</u>	<u>\$ 1,522,686</u>

Years Ending June 30,	Water Pollution Control Revenue Bonds		Water Pollution Control Capital Loan Note	
	Principal	Interest	Principal	Interest
2012	\$ 260,000	\$ 29,063	\$ 345,000	\$ 91,950
2013	255,000	19,573	355,000	81,600
2014	260,000	10,010	366,000	70,950
2015	-	-	377,000	59,970
2016	-	-	388,000	48,660
2017-2019	-	-	1,234,000	74,790
Total	<u>\$ 775,000</u>	<u>\$ 58,646</u>	<u>\$ 3,065,000</u>	<u>\$ 427,920</u>

Years Ending June 30,	Total Business-type Activities	
	Principal	Interest
2012	\$ 915,000	\$ 296,115
2013	955,000	247,385
2014	976,000	222,860
2015	732,000	197,496
2016	753,000	181,216
2017-2021	3,214,000	620,160
2022-2026	2,395,000	244,020
Total	<u>\$ 9,940,000</u>	<u>\$ 2,009,252</u>

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Legal Debt Margin. The City's legal debt margin as of June 30, 2011, is as follows:

Regular realty valuations	\$1,123,958,153
Utility valuations	117,499,581
Incremental valuations	<u>39,224,720</u>
Total actual valuations applicable to debt	<u>\$1,280,682,454</u>
Debt limit - 5% of total actual valuations applicable to debt	<u>\$ 64,034,123</u>
Amount of debt applicable to limitation	
General obligation bonds and notes	22,475,363
Less funds available from	
Debt service fund	-
Tax increment financing	<u>417,812</u>
Total debt applicable to debt margin	<u>22,057,551</u>
Legal debt margin	<u>\$ 41,976,572</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 19.90% for the year ended June 30, 2011, 17.00% for 2010, and 18.75% for 2009, of earnable compensation. Contribution requirements are established by state statute. The City's contributions to the Plan for the years ended June 30, 2011, 2010, and 2009, were \$746,120, \$631,097, and \$680,344, respectively, which met the required minimum contribution for each year.

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

CITY OF MARSHALLTOWN, IOWA
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JUNE 30, 2011

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, 2011, 2010, and 2009, were \$7,852, \$7,852, and \$7,614, 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 4.50% of their annual covered salary and the City is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009, were \$359,623, \$336,665, and \$305,532, 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 7.25% 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	\$	111,885
Annual pension cost		111,885
Contributions made		111,885
Increase in net pension obligation		-
Net pension obligations, beginning of year		-
Net pension obligations, end of year		-

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

The annual required contribution for the current year was estimated based on the April 1, 2011, 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, 2011	\$ 111,885	100.0%	\$ -
June 30, 2010	114,091	100.0%	-
June 30, 2009	91,232	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 4.50% of their annual covered salary and the Water Works is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The Water Works' contributions to IPERS for the years ended June 30, 2011, 2010, and 2009, were \$30,686, \$28,064, and \$25,865, 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.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011 and 2010, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

	<u>2011</u>	<u>2010</u>
Normal Cost	\$ 311,770	\$ 298,500
Amortization of UAAL	<u>459,387</u>	<u>467,320</u>
Annual required contribution	771,157	765,820
Interest on net OPEB obligation	20,203	22,975
Adjustment to annual required contribution	<u>33,856</u>	<u>-</u>
Annual OPEB cost	825,216	788,795
Contributions made	<u>(82,332)</u>	<u>(265,478)</u>
Increase in net OPEB obligation	742,884	523,317
Net OPEB obligation, beginning of year	<u>1,289,137</u>	<u>765,820</u>
Net OPEB obligation, end of year	<u><u>\$ 2,032,021</u></u>	<u><u>\$ 1,289,137</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

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, 2011, 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, 2011	\$ 825,216	9.98%	\$ 2,032,021
June 30, 2010	788,795	33.66%	1,289,137
June 30, 2009	765,820	0.00%	765,820

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$9,137,264, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,137,264. The covered payroll (annual payroll of active employees covered by the plan) was \$8,671,182 and the ratio of the UAAL to covered payroll was 105.4%. As of June 30, 2011, 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, 2010 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 5%. The ultimate medical trend rates is 5%.

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.

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 645 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, 2011

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, 2011, no liability has been recorded in the City's financial statements. As of June 30, 2011, 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 \$46,588,603 blanket limit for premises and \$995,505 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, 2011

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 2011. 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, 2011, 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, 2011, 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 \$167,956 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, 2011 and 2010, are summarized as follows:

	Group Insurance Benefits Fund	Occupational Insurance Benefits Fund
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>
Liabilities as of June 30, 2010	407,660	-
Claims and changes in estimates during fiscal year 2011	1,728,925	93,197
Claim payments	<u>(1,968,629)</u>	<u>(90,059)</u>
	<u>\$ 167,956</u>	<u>\$ 3,138</u>

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011, there was one issue of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$467,123.

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.

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, 2011. The City has additional commitments for signed construction contracts of approximately \$6,990,090 as of June 30, 2011, 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 \$1,447,738 and \$106,427, respectively.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011, funds with deficit balances were as follows:

Special Revenue Funds – Grant Fund	\$	480,382
Debt Service Fund		12,187
Capital Projects Funds – Airport Projects Fund		12,664
Internal Service Funds – Flexible Benefits		3,681

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 – SUBSEQUENT EVENTS

In October 2011, the City issued \$2,380,000 in general obligation corporate purpose bonds to be used primarily for street repairs and replacements. The interest rates on the bonds range from 1.00% to 2.85%, with a maturity date of June 1, 2027.

In March 2012, the City authorized \$5,000,000 in general obligation corporate purpose bonds to be used primarily for street repairs and replacements. The interest rates on the bonds range from 1.00% to 2.50%, with a maturity date of June 1, 2027.

In March 2012, the City authorized \$3,080,000 in general obligation refunding bonds to advance refund portions of the 2008B general obligation bonds. The interest rates on the bonds range from 1.50% to 2.05%, with a maturity date of June 1, 2023.

NOTE 17 – NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS

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

Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, issued December 2009, will be effective for the fiscal year ending June 30, 2012. This Statement permits an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements.

Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; issued November 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; issued December 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011, will be effective for the fiscal year ending June 30, 2013. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provision – an amendment to GASB Statement No. 53*, issued June 2011, will be effective for the fiscal year ending June 30, 2012. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider.

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MARSHALLTOWN, IOWA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE BENEFIT PLAN

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]
2011	July 1, 2010	\$ -	\$ 9,137,264	\$ 9,137,264	0.00%	\$ 8,671,182	105.4%
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, 2011	\$ 1,229,982	\$ 2,605,945	\$ 1,375,963	47.20%	\$ 470,579	292.4%
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%

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, 2011 and April 1, 2009. Estimated values have been calculated as of April 1, 2010.

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, 2011

	Actual			Budgeted Amounts		Final to Actual Variance
	Governmental Funds	Enterprise Funds	Total	Original Budget	Final Budget	
Receipts						
Property taxes	\$ 9,202,333	\$ -	\$ 9,202,333	\$ 9,505,825	\$ 9,505,825	\$ (303,492)
TIF revenues	1,392,115	-	1,392,115	1,415,000	1,415,000	(22,885)
Other city taxes	4,551,223	-	4,551,223	4,118,608	4,218,608	332,615
Licenses and permits	234,800	7,281	242,081	253,845	255,845	(13,764)
Use of money and property	200,530	89,936	290,466	349,454	343,507	(53,041)
Intergovernmental	7,262,606	650,920	7,913,526	10,481,131	10,742,393	(2,828,867)
Charges for service	886,527	4,894,352	5,780,879	5,839,434	5,882,397	(101,518)
Special assessments	68,182	-	68,182	57,044	60,212	7,970
Miscellaneous	743,271	125,588	868,859	510,560	734,171	134,688
Other financing sources	1,513,254	6,053,015	7,566,269	200,000	7,799,099	(232,830)
Total receipts	26,054,841	11,821,092	37,875,933	32,730,901	40,957,057	(3,081,124)
Disbursements						
Public safety	7,503,330	-	7,503,330	7,819,702	8,005,176	501,846
Public works	4,340,590	-	4,340,590	5,126,272	5,603,486	1,262,896
Health and social services	1,583,308	-	1,583,308	1,371,492	1,674,333	91,025
Culture and recreation	3,053,672	-	3,053,672	2,940,586	3,494,429	440,757
Community and economic development	2,349,584	-	2,349,584	2,761,166	3,278,299	928,715
General government	1,064,350	-	1,064,350	1,364,730	1,319,862	255,512
Debt service	3,195,346	-	3,195,346	3,195,619	3,218,644	23,298
Capital projects	1,238,921	-	1,238,921	1,215,314	1,840,308	601,387
Business-type activities	-	6,772,341	6,772,341	8,518,793	8,615,846	1,843,505
Total disbursements	24,329,101	6,772,341	31,101,442	34,313,674	37,050,383	5,948,941
Excess (deficiency) of receipts over (under) disbursements	1,725,740	5,048,751	6,774,491	(1,582,773)	3,906,674	2,867,817
Transfers						
Transfers in	7,590,775	160,308	7,751,083	7,672,545	8,135,180	384,097
Transfers out	(7,751,083)	-	(7,751,083)	(7,672,545)	(8,135,180)	(384,097)
Total transfers	(160,308)	160,308	-	-	-	-
Net change in fund balances	1,565,432	5,209,059	6,774,491	(1,582,773)	3,906,674	2,867,817
Fund balances, beginning	10,022,221	5,707,307	15,729,528	13,550,473	13,550,473	(2,179,055)
Fund balances, ending	\$ 11,587,653	\$ 10,916,366	\$ 22,504,019	\$ 11,967,700	\$ 17,457,147	\$ 688,762

CITY OF MARSHALLTOWN, IOWA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – BUDGET TO GAAP RECONCILIATION
YEAR ENDED JUNE 30, 2011

	Governmental Funds			Proprietary Funds Enterprise		
	Cash Basis	Accrual	Modified	Cash Basis	Accrual	Accrual Basis
		Adjustments	Accrual Basis		Adjustments	
Revenues	\$ 26,054,841	\$ 7,403	\$ 26,062,244	\$ 11,821,092	\$ (4,937,579)	\$ 6,883,513
Expenditures/expenses	<u>24,329,101</u>	<u>845,385</u>	<u>25,174,486</u>	<u>6,772,341</u>	<u>(1,148,091)</u>	<u>5,624,250</u>
Net	1,725,740	(837,982)	887,758	5,048,751	(3,789,488)	1,259,263
Transfers	(160,308)	2,497	(157,811)	160,308	(2,497)	157,811
Beginning 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>
Ending fund balances/ net assets	<u>\$ 11,587,653</u>	<u>\$ (437,276)</u>	<u>\$ 11,150,377</u>	<u>\$ 10,916,366</u>	<u>\$ 27,297,564</u>	<u>\$ 38,213,930</u>

CITY OF MARSHALLTOWN, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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, one budget amendment was prepared with the required public hearing. The amendments increased budgeted disbursements by \$2,736,709.

During the year ended June 30, 2011, function disbursements did not exceed the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

Culture and Recreation Projects – 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.

PERMANENT FUND

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

CITY OF MARSHALLTOWN, IOWA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>Special</u>	
	E-911	
	<u>Surcharge</u>	<u>Grant Fund</u>
Assets		
Cash and cash equivalents	\$ 271,048	\$ -
Due from other governments	53,920	123,677
Prepaid items	<u>31,996</u>	<u>1,441</u>
Total assets	<u>\$ 356,964</u>	<u>\$ 125,118</u>
Liabilities and fund balances		
Liabilities		
Accounts payable	\$ 708	\$ 52,342
Accrued payroll and payroll benefits	-	8,499
Retainage payable	-	-
Deferred revenue		
Other	42,513	45,644
Due to other funds	<u>-</u>	<u>499,015</u>
Total liabilities	<u>43,221</u>	<u>605,500</u>
Fund balances		
Nonspendable	31,996	1,441
Restricted	281,747	-
Unassigned	<u>-</u>	<u>(481,823)</u>
Total fund balances	<u>313,743</u>	<u>(480,382)</u>
Total liabilities and fund balances	<u>\$ 356,964</u>	<u>\$ 125,118</u>

Revenue Funds		Capital Projects Funds		Permanent Fund	Total Nonmajor Governmental Funds
Special Contributions	Other	Airport Projects	Culture and Recreation Projects	Campground Foundation	
\$ 298,996	\$ 192,407	\$ -	\$ 229,614	\$ -	\$ 992,065
-	-	29,181	87,481	-	294,259
51	-	-	-	-	33,488
<u>\$ 299,047</u>	<u>\$ 192,407</u>	<u>\$ 29,181</u>	<u>\$ 317,095</u>	<u>\$ -</u>	<u>\$ 1,319,812</u>
\$ 33,652	\$ 381	\$ 4,320	\$ 87,481	\$ -	\$ 178,884
-	-	-	-	-	8,499
1,245	-	-	-	-	1,245
-	-	29,181	-	-	117,338
-	-	8,344	-	-	507,359
<u>34,897</u>	<u>381</u>	<u>41,845</u>	<u>87,481</u>	<u>-</u>	<u>813,325</u>
51	-	-	-	-	33,488
264,099	192,026	-	229,614	-	967,486
-	-	(12,664)	-	-	(494,487)
<u>264,150</u>	<u>192,026</u>	<u>(12,664)</u>	<u>229,614</u>	<u>-</u>	<u>506,487</u>
<u>\$ 299,047</u>	<u>\$ 192,407</u>	<u>\$ 29,181</u>	<u>\$ 317,095</u>	<u>\$ -</u>	<u>\$ 1,319,812</u>

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (DEFICIT)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Special</u>	
	E-911	
	<u>Surcharge</u>	<u>Grant Fund</u>
Revenues		
Other city taxes	\$ 234,195	\$ -
Use of money and property	2,523	1,237
Intergovernmental	-	639,641
Charges for services	-	-
Miscellaneous	<u>1,510</u>	<u>-</u>
Total revenues	<u>238,228</u>	<u>640,878</u>
Expenditures		
Current		
Public safety	187,187	242,884
Public works	-	251,821
Health and social services	-	59,060
Culture and recreation	-	114,469
Community and economic development	-	282,283
General government	<u>-</u>	<u>5,392</u>
Total expenditures	<u>187,187</u>	<u>955,909</u>
Excess (deficiency) of revenues over (under) expenditures	<u>51,041</u>	<u>(315,031)</u>
Other financing sources (uses)		
Transfers in	-	36,642
Transfers out	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>36,642</u>
Net change in fund balances	51,041	(278,389)
Fund balances (deficit) - beginning	<u>262,702</u>	<u>(201,993)</u>
Fund balances (deficit) - ending	<u>\$ 313,743</u>	<u>\$ (480,382)</u>

Revenue Funds		Capital Projects Funds		Permanent Fund	Total Nonmajor Governmental Funds
Special Contributions	Other	Airport Projects	Culture and Recreation Projects	Campground Foundation	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 234,195
2,831	942	-	3,426	24	10,983
-	-	446,338	214,881	-	1,300,860
44,019	-	-	-	-	44,019
<u>131,333</u>	<u>62,309</u>	<u>-</u>	<u>39,987</u>	<u>-</u>	<u>235,139</u>
<u>178,183</u>	<u>63,251</u>	<u>446,338</u>	<u>258,294</u>	<u>24</u>	<u>1,825,196</u>
18,775	33,184	-	-	-	482,030
-	-	373,536	-	-	625,357
-	-	-	-	-	59,060
260,056	18,689	-	290,707	2,787	686,708
-	-	-	83	-	282,366
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,392</u>
<u>278,831</u>	<u>51,873</u>	<u>373,536</u>	<u>290,790</u>	<u>2,787</u>	<u>2,140,913</u>
<u>(100,648)</u>	<u>11,378</u>	<u>72,802</u>	<u>(32,496)</u>	<u>(2,763)</u>	<u>(315,717)</u>
-	-	25,925	-	-	62,567
<u>-</u>	<u>-</u>	<u>-</u>	<u>(225,000)</u>	<u>-</u>	<u>(225,000)</u>
-	-	25,925	(225,000)	-	(162,433)
<u>(100,648)</u>	<u>11,378</u>	<u>98,727</u>	<u>(257,496)</u>	<u>(2,763)</u>	<u>(478,150)</u>
<u>364,798</u>	<u>180,648</u>	<u>(111,391)</u>	<u>487,110</u>	<u>2,763</u>	<u>984,637</u>
<u>\$ 264,150</u>	<u>\$ 192,026</u>	<u>\$ (12,664)</u>	<u>\$ 229,614</u>	<u>\$ -</u>	<u>\$ 506,487</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, 2011

	Compost Facility	Bus Transit	Recreation Concessions	Total Nonmajor Enterprise Funds
Assets				
Current assets				
Cash and cash equivalents	\$ 32,395	\$ 359,547	\$ 81,424	\$ 473,366
Receivables				
Accounts and unbilled usage	1,568	4,186	-	5,754
Due from other governments	-	49,391	-	49,391
Inventories	8,102	-	-	8,102
Prepaid items	96	12,816	100	13,012
Total current assets	<u>42,161</u>	<u>425,940</u>	<u>81,524</u>	<u>549,625</u>
Noncurrent assets				
Capital assets				
Land	10,437	-	-	10,437
Land improvements	235,361	7,735	-	243,096
Buildings and structures	26,919	677,129	-	704,048
Equipment and vehicles	99,931	1,247,066	-	1,346,997
Accumulated depreciation	<u>(252,219)</u>	<u>(708,717)</u>	<u>-</u>	<u>(960,936)</u>
Total noncurrent assets	<u>120,429</u>	<u>1,223,213</u>	<u>-</u>	<u>1,343,642</u>
Total assets	<u>162,590</u>	<u>1,649,153</u>	<u>81,524</u>	<u>1,893,267</u>
Liabilities				
Current liabilities				
Accounts payable	382	13,811	4,828	19,021
Accrued payroll and payroll benefits	925	11,308	2,231	14,464
Compensated absences	-	4,806	-	4,806
Total current liabilities	<u>1,307</u>	<u>29,925</u>	<u>7,059</u>	<u>38,291</u>
Noncurrent liabilities				
Compensated absences	-	14,531	-	14,531
Net OPEB liability	-	14,834	-	14,834
Total noncurrent liabilities	<u>-</u>	<u>29,365</u>	<u>-</u>	<u>29,365</u>
Total liabilities	<u>1,307</u>	<u>59,290</u>	<u>7,059</u>	<u>67,656</u>
Net assets				
Invested in capital assets	120,429	1,223,213	-	1,343,642
Unrestricted	<u>40,854</u>	<u>366,650</u>	<u>74,465</u>	<u>481,969</u>
Total net assets	<u>\$ 161,283</u>	<u>\$ 1,589,863</u>	<u>\$ 74,465</u>	<u>\$ 1,825,611</u>

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2011

	Compost Facility	Bus Transit	Recreation Concessions	Total Nonmajor Enterprise Funds
Operating revenues				
Charges for service	\$ 45,860	\$ 117,259	\$ 48,180	\$ 211,299
Operating expenses				
Salaries and benefits	18,896	393,237	17,456	429,589
Services and supplies	6,499	203,552	36,991	247,042
Depreciation	12,566	105,755	-	118,321
Total operating expenses	37,961	702,544	54,447	794,952
Operating income (loss)	7,899	(585,285)	(6,267)	(583,653)
Nonoperating revenues				
Federal and state grants	-	292,088	-	292,088
Interest income	212	2,786	719	3,717
Net nonoperating revenues	212	294,874	719	295,805
Income (loss) before transfers	8,111	(290,411)	(5,548)	(287,848)
Transfers in	-	157,811	-	157,811
Change in net assets	8,111	(132,600)	(5,548)	(130,037)
Total net assets - beginning	153,172	1,722,463	80,013	1,955,648
Total net assets - ending	\$ 161,283	\$ 1,589,863	\$ 74,465	\$ 1,825,611

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2011

	<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	\$ 45,114	\$ 125,007	\$ 48,460	\$ 218,581
Cash payments to suppliers for goods and services	(8,655)	(209,232)	(36,908)	(254,795)
Cash payments to employees for services	<u>(18,808)</u>	<u>(387,512)</u>	<u>(17,688)</u>	<u>(424,008)</u>
Net cash provided by (used for) operating activities	<u>17,651</u>	<u>(471,737)</u>	<u>(6,136)</u>	<u>(460,222)</u>
Cash flows from noncapital financing activities				
Transfers from other funds	-	157,811	-	157,811
Grants received	-	292,088	-	292,088
Decrease in due from other funds	<u>-</u>	<u>2,497</u>	<u>-</u>	<u>2,497</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>452,396</u>	<u>-</u>	<u>452,396</u>
Cash flows from capital and related financing activities				
Acquisition and construction of property and equipment	<u>-</u>	<u>(7,725)</u>	<u>-</u>	<u>(7,725)</u>
Cash flows from investing activities				
Interest received on investment securities	<u>212</u>	<u>2,786</u>	<u>719</u>	<u>3,717</u>
Net increase (decrease) in cash and cash equivalents	17,863	(24,280)	(5,417)	(11,834)
Cash and cash equivalents, beginning	<u>14,532</u>	<u>383,827</u>	<u>86,841</u>	<u>485,200</u>
Cash and cash equivalents, ending	<u>\$ 32,395</u>	<u>\$ 359,547</u>	<u>\$ 81,424</u>	<u>\$ 473,366</u>

(continued)

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF CASH FLOWS (continued)
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Compost Facility</u>	<u>Bus Transit</u>	<u>Recreation Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ 7,899	\$ (585,285)	\$ (6,267)	\$ (583,653)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities				
Depreciation	12,566	105,755	-	118,321
Changes in assets and liabilities				
(Increase) decrease in receivables	(746)	1,940	280	1,474
(Increase) decrease in inventories and prepaid items	(1,390)	(3,454)	27	(4,817)
Increase (decrease) in accounts payable	(766)	3,582	56	2,872
Increase (decrease) in accrued liabilities	88	302	(232)	158
Increase in net OPEB liability	<u>-</u>	<u>5,423</u>	<u>-</u>	<u>5,423</u>
Total adjustments	<u>9,752</u>	<u>113,548</u>	<u>131</u>	<u>123,431</u>
Net cash provided by (used for) operating activities	<u>\$ 17,651</u>	<u>\$ (471,737)</u>	<u>\$ (6,136)</u>	<u>\$ (460,222)</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, 2011

	Group Insurance Benefits	Occupational Insurance Benefits	Flexible Benefits	Workmen's Compensation Deductible	Total
Assets					
Current assets					
Cash and cash equivalents	\$ 1,762,302	\$ 433,944	\$ -	\$ 40,094	\$ 2,236,340
Due from other funds	3,681	-	-	-	3,681
Prepaid items	22,425	-	-	-	22,425
Total current assets	1,788,408	433,944	-	40,094	2,262,446
Liabilities					
Current liabilities					
Accounts payable	167,956	3,138	-	-	171,094
Unearned revenue	142,580	-	-	-	142,580
Due to other funds	-	-	3,681	-	3,681
Total current liabilities	310,536	3,138	3,681	-	317,355
Total net assets (deficit) - unrestricted	\$ 1,477,872	\$ 430,806	\$ (3,681)	\$ 40,094	\$ 1,945,091

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS (DEFICIT)
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2011

	Group Insurance Benefits	Occupational Insurance Benefits	Flexible Benefits	Workmen's Compensation Deductible	Total
Operating revenues					
Charges for service	\$ 1,930,766	\$ -	\$ 89,410	\$ -	\$ 2,020,176
Miscellaneous	570,379	-	-	-	570,379
Total operating revenues	<u>2,501,145</u>	<u>-</u>	<u>89,410</u>	<u>-</u>	<u>2,590,555</u>
Operating expenses					
Services and supplies	14,158	-	-	-	14,158
Claims paid	1,728,925	93,197	83,766	600	1,906,488
Health insurance premiums	234,380	-	-	-	234,380
Miscellaneous	114,442	1,140	-	-	115,582
Total operating expenses	<u>2,091,905</u>	<u>94,337</u>	<u>83,766</u>	<u>600</u>	<u>2,270,608</u>
Operating income (loss)	409,240	(94,337)	5,644	(600)	319,947
Nonoperating revenues					
Interest income	13,628	3,706	-	348	17,682
Change in net assets	422,868	(90,631)	5,644	(252)	337,629
Total net assets (deficit) - beginning	<u>1,055,004</u>	<u>521,437</u>	<u>(9,325)</u>	<u>40,346</u>	<u>1,607,462</u>
Total net assets (deficit) - ending	<u>\$ 1,477,872</u>	<u>\$ 430,806</u>	<u>\$ (3,681)</u>	<u>\$ 40,094</u>	<u>\$ 1,945,091</u>

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2011

	Group Insurance Benefits	Occupational Insurance Benefits	Flexible Benefits	Workmen's Compensation Deductible	Total
Cash flows from operating activities					
Cash received from customers	\$ 1,971,483	\$ -	\$ 89,410	\$ -	\$ 2,060,893
Cash payments to suppliers for goods and services	(2,335,137)	(91,199)	(83,766)	(600)	(2,510,702)
Other operating revenue	570,379	-	-	-	570,379
Net cash provided by (used for) operating activities	<u>206,725</u>	<u>(91,199)</u>	<u>5,644</u>	<u>(600)</u>	<u>120,570</u>
Cash flows from noncapital financing activities					
Decrease in due from other funds	5,644	-	-	-	5,644
Decrease in due to other funds	-	-	(5,644)	-	(5,644)
Net cash provided by (used for) noncapital financing activities	<u>5,644</u>	<u>-</u>	<u>(5,644)</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities					
Interest received on investment securities	<u>13,628</u>	<u>3,706</u>	<u>-</u>	<u>348</u>	<u>17,682</u>
Net increase (decrease) in cash and cash equivalents	225,997	(87,493)	-	(252)	138,252
Cash and cash equivalents, beginning	<u>1,536,305</u>	<u>521,437</u>	<u>-</u>	<u>40,346</u>	<u>2,098,088</u>
Cash and cash equivalents, ending	<u>\$ 1,762,302</u>	<u>\$ 433,944</u>	<u>\$ -</u>	<u>\$ 40,094</u>	<u>\$ 2,236,340</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	\$ 409,240	\$ (94,337)	\$ 5,644	\$ (600)	\$ 319,947
Changes in assets and liabilities					
Decrease in receivables	37,606	-	-	-	37,606
Increase in prepaid items	(3,528)	-	-	-	(3,528)
Increase (decrease) in accounts payable	(239,704)	3,138	-	-	(236,566)
Increase in unearned revenue	3,111	-	-	-	3,111
Total	<u>(202,515)</u>	<u>3,138</u>	<u>-</u>	<u>-</u>	<u>(199,377)</u>
Net cash provided by (used for) operating activities	<u>\$ 206,725</u>	<u>\$ (91,199)</u>	<u>\$ 5,644</u>	<u>\$ (600)</u>	<u>\$ 120,570</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, 2011

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
PAYROLL FUND				
ASSETS				
Cash and cash equivalents	\$ 202,526	\$ 32,117,496	\$ 32,147,927	\$ 172,095
Prepaid items	-	30,084	-	30,084
Total assets	<u>\$ 202,526</u>	<u>\$ 32,147,580</u>	<u>\$ 32,147,927</u>	<u>\$ 202,179</u>
LIABILITIES				
Accrued payroll and payroll benefits	\$ 146,877	\$ 32,144,977	\$ 32,147,927	\$ 143,927
Due to City	55,649	2,603	-	58,252
Total liabilities	<u>\$ 202,526</u>	<u>\$ 32,147,580</u>	<u>\$ 32,147,927</u>	<u>\$ 202,179</u>
FRIENDS OF THE LIBRARY				
ASSETS				
Cash and cash equivalents	\$ 57,410	\$ 316	\$ 57,726	\$ -
LIABILITIES				
Due to Friends of the Library	\$ 57,410	\$ 316	\$ 57,726	\$ -
SLEUTH USER GROUP				
ASSETS				
Cash and cash equivalents	\$ 14,270	\$ 129	\$ -	\$ 14,399
LIABILITIES				
Due to Sleuth User Group	\$ 14,270	\$ 129	\$ -	\$ 14,399
SURETY BONDS/DEPOSITS				
ASSETS				
Cash and cash equivalents	\$ 170	\$ 85,084	\$ 78,028	\$ 7,226
LIABILITIES				
Accounts payable	\$ -	\$ 6,367	\$ -	\$ 6,367
Due to City	170	78,717	78,028	859
Total liabilities	<u>\$ 170</u>	<u>\$ 85,084</u>	<u>\$ 78,028</u>	<u>\$ 7,226</u>

(continued)

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (continued)
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2011

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
OTHER				
ASSETS				
Cash and cash equivalents	\$ 1,590	\$ 10,638	\$ 10,743	\$ 1,485
LIABILITIES				
Due to other governments	\$ 1,590	\$ 10,638	\$ 10,743	\$ 1,485
ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 275,966	\$ 32,213,663	\$ 32,294,424	\$ 195,205
Prepaid items	-	30,084	-	30,084
Total assets	<u>\$ 275,966</u>	<u>\$ 32,243,747</u>	<u>\$ 32,294,424</u>	<u>\$ 225,289</u>
LIABILITIES				
Accounts payable	\$ -	\$ 6,367	\$ -	\$ 6,367
Accrued payroll and payroll benefits	146,877	32,144,977	32,147,927	143,927
Due to Friends of the Library	57,410	316	57,726	-
Due to Sleuth User Group	14,270	129	-	14,399
Due to City	55,819	81,320	78,028	59,111
Due to other governments	1,590	10,638	10,743	1,485
Total liabilities	<u>\$ 275,966</u>	<u>\$ 32,243,747</u>	<u>\$ 32,294,424</u>	<u>\$ 225,289</u>

LONG-TERM DEBT

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF BOND MATURITIES
JUNE 30, 2011

Issue	Year Ending June 30,	Interest Rates	Interest	Principal
Governmental Activities				
General Obligation				
Equipment loan note, issued February 1, 2005	2012	0.00%	\$ -	\$ 13,840
	2013	0.00%	-	13,841
	2014	0.00%	-	13,841
	2015	0.00%	-	13,841
			<u>-</u>	<u>55,363</u>
2005B Essential corporate purpose refunding bonds, issued April 1, 2005	2012	3.65%	<u>10,950</u>	<u>300,000</u>
2006A Capital loan notes, issued June 1, 2006	2012	4.35%	30,460	175,000
	2013	4.38%	22,739	180,000
	2014	4.38%	14,766	190,000
	2015	4.38%	6,454	195,000
			<u>74,419</u>	<u>740,000</u>
2008A Essential corporate purpose refunding bonds, issued April 1, 2008	2012	3.50%	241,675	1,155,000
	2013	3.50%	201,250	1,150,000
	2014	3.50%	161,000	1,200,000
	2015	3.50%	119,000	1,150,000
	2016	3.50%	78,750	1,150,000
	2017	3.50%	38,500	1,100,000
			<u>840,175</u>	<u>6,905,000</u>
2008B Essential corporate purpose, issued April 1, 2008	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
			<u>1,008,075</u>	<u>3,995,000</u>

(continued)

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF BOND MATURITIES (continued)
JUNE 30, 2011

Issue	Year Ending June 30,	Interest Rates	Interest	Principal
Governmental Activities (continued)				
General Obligation (continued)				
2009A Essential corporate purpose refunding bonds, issued May 1, 2009	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
			247,690	2,620,000
2009B Essential corporate purpose refunding bonds, issued August 13, 2009	2012	1.70%	4,080	240,000
2011 Essential corporate purpose, issued April 1, 2011	2012	1.25%	24,547	290,000
	2013	1.25%	17,416	300,000
	2014	1.25%	13,666	305,000
	2015	1.40%	9,852	310,000
	2016	1.75%	5,512	315,000
			70,993	1,520,000
Total governmental activities	2012		524,227	2,928,840
	2013		434,845	2,553,841
	2014		359,647	2,358,841
	2015		286,866	2,328,841
	2016		216,297	2,135,000
	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
			\$ 2,256,382	\$ 16,375,363

(continued)

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF BOND MATURITIES (continued)
JUNE 30, 2011

Issue	Year Ending June 30,	Interest Rates	Interest	Principal
Business-type Activities				
General Obligation				
2011 Essential corporate purpose, issued April 1, 2011	2012	1.25%	\$ 175,102	\$ 310,000
	2013	1.25%	146,212	345,000
	2014	1.25%	141,900	350,000
	2015	1.40%	137,526	355,000
	2016	1.75%	132,556	365,000
	2017	2.00%	126,168	370,000
	2018	2.25%	118,768	380,000
	2019	2.45%	110,218	395,000
	2020	2.65%	100,540	410,000
	2021	2.90%	89,676	425,000
	2022	3.00%	77,350	440,000
	2023	3.10%	64,150	460,000
	2024	3.20%	49,890	475,000
	2025	3.35%	34,690	500,000
	2026	3.45%	17,940	520,000
			1,522,686	6,100,000
Revenue Capital Loan Notes				
Water Pollution Control, capital loan notes, Series 2003, issued May 15, 2003	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
			427,920	3,065,000
Revenue Bonds				
Water Pollution Control, refunding bonds, Series 2005A, issued April 1, 2005	2012	3.65%	29,063	260,000
	2013	3.75%	19,573	255,000
	2014	3.85%	10,010	260,000
			58,646	775,000
Total business-type activities	2012		296,115	915,000
	2013		247,385	955,000
	2014		222,860	976,000
	2015		197,496	732,000
	2016		181,216	753,000
	2017		163,188	769,000
	2018		143,818	791,000
	2019		122,938	819,000
	2020		100,540	410,000
	2021		89,676	425,000
	2022		77,350	440,000
	2023		64,150	460,000
	2024		49,890	475,000
	2025		34,690	500,000
	2026		17,940	520,000
			\$ 2,009,252	\$ 9,940,000

STATISTICAL SECTION (UNAUDITED)

CITY OF MARSHALLTOWN, IOWA
STATISTICAL SECTION – CONTENTS

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>
Financial Trends These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	89
Revenue Capacity These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	98
Debt Capacity These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	102
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	108
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	110

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 NINE FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year				
	2011	2010	2009	2008	2007
Governmental activities					
Invested in capital assets, net of related debt	\$27,720,521	\$26,650,049	\$23,043,549	\$19,020,002	\$14,837,533
Restricted	8,246,658	5,480,294	4,092,324	3,466,011	3,093,281
Unrestricted	<u>2,811,692</u>	<u>5,344,963</u>	<u>7,751,144</u>	<u>8,744,229</u>	<u>9,609,800</u>
Total governmental activities net assets	<u>\$38,778,871</u>	<u>\$37,475,306</u>	<u>\$34,887,017</u>	<u>\$31,230,242</u>	<u>\$27,540,614</u>
Business-type activities					
Invested in capital assets, net of related debt	\$31,937,474	\$30,006,298	\$29,462,000	\$28,057,883	\$27,975,107
Restricted	946,902	947,675	948,423	949,146	949,930
Unrestricted	<u>5,329,554</u>	<u>5,842,883</u>	<u>5,736,915</u>	<u>5,564,413</u>	<u>4,708,652</u>
Total business-type activities net assets	<u>\$38,213,930</u>	<u>\$36,796,856</u>	<u>\$36,147,338</u>	<u>\$34,571,442</u>	<u>\$33,633,689</u>
Primary Government					
Invested in capital assets, net of related debt	\$59,657,995	\$56,656,347	\$52,505,549	\$47,077,885	\$42,812,640
Restricted	9,193,560	6,427,969	5,040,747	4,415,157	4,043,211
Unrestricted	<u>8,141,246</u>	<u>11,187,846</u>	<u>13,488,059</u>	<u>14,308,642</u>	<u>14,318,452</u>
Total primary government net assets	<u>\$76,992,801</u>	<u>\$74,272,162</u>	<u>\$71,034,355</u>	<u>\$65,801,684</u>	<u>\$61,174,303</u>

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

2006	2005	2004	2003
\$10,902,193	\$ 9,538,473	\$ 7,585,973	\$14,182,084
2,465,406	1,401,272	976,110	2,408,818
<u>8,572,318</u>	<u>8,412,821</u>	<u>8,036,183</u>	<u>7,318,392</u>
<u>\$21,939,917</u>	<u>\$19,352,566</u>	<u>\$16,598,266</u>	<u>\$23,909,294</u>

\$28,081,324	\$28,091,451	\$27,579,870	\$18,870,233
1,382,713	1,285,042	1,424,373	1,625,224
<u>3,531,327</u>	<u>3,462,591</u>	<u>2,862,230</u>	<u>2,811,086</u>
<u>\$32,995,364</u>	<u>\$32,839,084</u>	<u>\$31,866,473</u>	<u>\$23,306,543</u>

\$38,983,517	\$37,629,924	\$35,165,843	\$33,052,317
3,848,119	2,686,314	2,400,483	4,034,042
<u>12,103,645</u>	<u>11,875,412</u>	<u>10,898,413</u>	<u>10,129,478</u>
<u>\$54,935,281</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 NINE FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year				
	2011	2010	2009	2008	2007
Expenses					
Governmental activities:					
Public safety	\$ 8,028,333	\$ 8,065,379	\$ 7,633,307	\$ 7,542,266	\$ 7,221,486
Public works	6,203,182	4,652,177	4,783,710	5,083,392	4,002,011
Health and social services	1,771,196	1,330,332	710,361	1,273,679	1,404,277
Culture and recreation	3,801,068	3,842,524	2,744,793	2,900,972	2,477,842
Community and economic development	2,346,822	2,343,854	2,369,887	1,795,613	1,992,572
General government	1,174,190	707,425	1,073,832	1,120,708	1,271,344
Interest on long term debt	578,629	659,449	846,296	841,587	910,061
Total governmental activities expenses	<u>23,903,420</u>	<u>21,601,140</u>	<u>20,162,186</u>	<u>20,558,217</u>	<u>19,279,593</u>
Business-type activities:					
Water pollution control	4,275,726	4,451,055	4,104,671	4,127,563	3,935,556
Storm sewer	558,572	536,859	484,772	516,213	451,013
Compost	37,961	39,067	45,822	89,164	37,472
Transit	702,544	596,690	569,665	562,279	501,321
Concessions	54,447	48,738	107,677	59,936	53,291
Total business-type activities expenses	<u>5,629,250</u>	<u>5,672,409</u>	<u>5,312,607</u>	<u>5,355,155</u>	<u>4,978,653</u>
Total primary government expenses	<u>\$ 29,532,670</u>	<u>\$ 27,273,549</u>	<u>\$ 25,474,793</u>	<u>\$ 25,913,372</u>	<u>\$ 24,258,246</u>
Program Revenues					
Governmental activities					
Charges for service:					
Public safety	\$ 223,311	\$ 194,712	\$ 79,976	\$ 186,932	\$ 550,576
Public works	428,841	717,658	720,300	446,564	663,753
Health and social services	48,134	78,181	41,585	66,515	68,541
Culture and recreation	490,057	443,268	436,038	469,169	488,282
Community and economic development	227,024	157,415	287,548	312,835	184,928
Other activities	155,658	98,728	153,242	159,155	83,055
Operating grants and contributions	7,801,666	5,935,212	4,952,094	6,006,627	5,739,079
Capital grants and contributions	304,891	2,106,963	1,766,302	1,570,148	2,898,828
Total governmental activities program revenues	<u>9,679,582</u>	<u>9,732,137</u>	<u>8,437,085</u>	<u>9,217,945</u>	<u>10,677,042</u>
Business-type activities					
Charges for service:					
Water pollution control	4,280,970	4,772,834	4,921,428	4,915,786	4,051,010
Storm sewer	301,235	299,772	279,142	303,621	334,058
Compost	45,860	31,943	33,404	26,155	22,405
Transit	117,259	118,331	115,486	129,841	85,433
Concessions	48,180	48,570	59,669	61,986	61,732
Operating grants and contributions	239,651	669,067	572,393	290,701	253,130
Capital grants and contributions	1,797,999	621,223	611,649	165,849	239,065
Total business-type activities program revenues	<u>6,831,154</u>	<u>6,561,740</u>	<u>6,593,171</u>	<u>5,893,939</u>	<u>5,046,833</u>
Total primary government program revenues	<u>\$ 16,510,736</u>	<u>\$ 16,293,877</u>	<u>\$ 15,030,256</u>	<u>\$ 15,111,884</u>	<u>\$ 15,723,875</u>

	2006	2005	2004	2003
\$	7,343,575	\$ 6,718,838	\$ 7,334,477	\$ 6,704,841
	3,938,080	4,975,532	4,132,829	4,067,481
	1,361,077	1,336,175	783,075	455,506
	2,893,559	2,356,111	2,669,207	2,462,897
	1,694,889	1,743,784	2,495,685	1,744,724
	1,028,482	975,510	1,038,353	1,083,663
	921,460	1,037,688	984,214	1,137,323
	<u>19,181,122</u>	<u>19,143,638</u>	<u>19,437,840</u>	<u>17,656,435</u>
	4,096,849	4,153,055	3,677,871	3,563,400
	423,426	472,913	408,532	-
	44,066	47,634	35,357	40,971
	438,430	419,640	492,115	531,734
	54,725	44,416	58,824	14,900
	<u>5,057,496</u>	<u>5,137,658</u>	<u>4,672,699</u>	<u>4,151,005</u>
\$	<u>24,238,618</u>	<u>24,281,296</u>	<u>24,110,539</u>	<u>21,807,440</u>
\$	104,082	\$ 257,712	\$ 172,460	\$ 104,795
	636,645	401,644	643,004	483,067
	-	-	-	-
	687,079	632,892	651,286	350,488
	230,674	307,867	272,422	301,441
	171,517	122,900	112,633	163,010
	5,440,505	5,265,563	5,510,052	4,887,463
	1,461,418	971,519	517,296	697,162
	<u>8,731,920</u>	<u>7,960,097</u>	<u>7,879,153</u>	<u>6,987,426</u>
	3,657,366	3,649,510	3,593,272	3,613,023
	327,807	306,892	274,397	-
	26,627	35,620	41,526	43,914
	118,473	123,760	136,637	102,802
	67,014	59,149	71,121	25,764
	453,792	273,126	198,530	185,399
	227,315	1,276,587	472,261	473,479
	<u>4,878,394</u>	<u>5,724,644</u>	<u>4,787,744</u>	<u>4,444,381</u>
\$	<u>13,610,314</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 NINE FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year				
	2011	2010	2009	2008	2007
Net (Expense)/Revenue					
Governmental activities	\$ (14,223,838)	\$ (11,869,003)	\$ (11,725,101)	\$ (11,340,272)	\$ (8,602,551)
Business-type activities	1,201,904	889,331	1,280,564	538,784	68,180
Total primary government net expense	<u>\$ (13,021,934)</u>	<u>\$ (10,979,672)</u>	<u>\$ (10,444,537)</u>	<u>\$ (10,801,488)</u>	<u>\$ (8,534,371)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property	\$ 9,210,796	\$ 8,957,392	\$ 8,617,322	\$ 7,821,311	\$ 7,523,858
Other	5,565,923	5,206,539	5,787,467	5,735,724	5,697,114
Unrestricted					
State generated revenues	305,694	333,259	339,243	368,341	343,333
Investment earnings	167,610	162,173	325,699	602,711	655,348
Miscellaneous revenues	435,191	641,234	468,253	653,069	297,817
Transfers	<u>(157,811)</u>	<u>(192,057)</u>	<u>(156,108)</u>	<u>(151,256)</u>	<u>(314,222)</u>
Total governmental activities	<u>15,527,403</u>	<u>15,108,540</u>	<u>15,381,876</u>	<u>15,029,900</u>	<u>14,203,248</u>
Business-type activities:					
Investment earnings	57,359	55,775	139,224	245,262	255,923
Miscellaneous revenues	-	-	-	2,151	-
Transfers	<u>157,811</u>	<u>192,057</u>	<u>156,108</u>	<u>151,256</u>	<u>314,222</u>
Total business-type activities	<u>215,170</u>	<u>247,832</u>	<u>295,332</u>	<u>398,669</u>	<u>570,145</u>
Total primary government	<u>\$ 15,742,573</u>	<u>\$ 15,356,372</u>	<u>\$ 15,677,208</u>	<u>\$ 15,428,569</u>	<u>\$ 14,773,393</u>
Change in Net Assets					
Governmental activities	\$ 1,303,565	\$ 3,239,537	\$ 3,656,775	\$ 3,689,628	\$ 5,600,697
Business-type activities	<u>1,417,074</u>	<u>1,137,163</u>	<u>1,575,896</u>	<u>937,453</u>	<u>638,325</u>
Total primary government	<u>\$ 2,720,639</u>	<u>\$ 4,376,700</u>	<u>\$ 5,232,671</u>	<u>\$ 4,627,081</u>	<u>\$ 6,239,022</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.

2006	2005	2004	2003
\$ (10,449,202)	\$ (11,183,541)	\$ (11,558,687)	\$ (10,669,009)
<u>(179,102)</u>	<u>586,986</u>	<u>115,045</u>	<u>293,376</u>
<u>\$ (10,628,304)</u>	<u>\$ (10,596,555)</u>	<u>\$ (11,443,642)</u>	<u>\$ (10,375,633)</u>

\$ 7,006,898	\$ 6,660,061	\$ 6,413,043	\$ 6,179,720
4,928,051	5,891,242	5,067,338	5,335,391
383,643	401,992	415,760	925,838
477,315	288,581	167,696	217,902
385,881	726,918	540,411	624,720
<u>(145,235)</u>	<u>(120,380)</u>	<u>(8,356,589)</u>	<u>(101,045)</u>
<u>13,036,553</u>	<u>13,848,414</u>	<u>4,247,659</u>	<u>13,182,526</u>

190,147	113,190	88,296	142,525
-	-	-	-
<u>145,235</u>	<u>120,380</u>	<u>8,356,589</u>	<u>101,045</u>
<u>335,382</u>	<u>233,570</u>	<u>8,444,885</u>	<u>243,570</u>
<u>\$ 13,371,935</u>	<u>\$ 14,081,984</u>	<u>\$ 12,692,544</u>	<u>\$ 13,426,096</u>

\$ 2,587,351	\$ 2,664,873	\$ (7,311,028)	\$ 2,513,517
<u>156,280</u>	<u>820,556</u>	<u>8,559,930</u>	<u>536,946</u>
<u>\$ 2,743,631</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 NINE FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)

Function/Program	Program Revenues by Fiscal Year				
	2011	2010	2009	2008	2007
Governmental activities					
Public safety	\$ 980,216	\$ 960,979	\$ 854,028	\$ 969,752	\$ 1,198,228
Public works	3,737,210	4,029,975	3,260,842	3,342,003	4,322,473
Health and social services	1,531,281	1,300,200	321,478	975,487	1,021,964
Culture and recreation	1,399,468	925,422	2,010,582	1,862,073	2,068,851
Community and economic development	1,822,717	1,651,247	1,836,913	1,909,475	1,982,471
General government	<u>208,690</u>	<u>864,314</u>	<u>153,242</u>	<u>159,155</u>	<u>83,055</u>
Total governmental activities	<u>\$ 9,679,582</u>	<u>\$ 9,732,137</u>	<u>\$ 8,437,085</u>	<u>\$ 9,217,945</u>	<u>\$ 10,677,042</u>
Business-type activities					
Water pollution control	\$ 5,130,757	\$ 5,315,535	\$ 5,426,868	\$ 4,915,859	\$ 4,196,643
Storm sewer	1,197,010	454,271	465,414	427,640	417,245
Compost	45,860	31,943	33,404	59,235	22,405
Transit	409,347	711,421	607,816	429,219	348,808
Concessions	<u>48,180</u>	<u>48,570</u>	<u>59,669</u>	<u>61,986</u>	<u>61,732</u>
Total business-type activities	<u>\$ 6,831,154</u>	<u>\$ 6,561,740</u>	<u>\$ 6,593,171</u>	<u>\$ 5,893,939</u>	<u>\$ 5,046,833</u>

2006	2005	2004	2003
\$ 764,806	\$ 846,528	\$ 795,550	\$ 615,517
4,009,030	2,868,644	3,374,676	3,249,541
1,088,238	841,310	513,723	152,900
949,630	1,433,444	1,180,190	943,008
1,823,109	1,868,320	1,914,974	1,866,125
<u>97,107</u>	<u>101,851</u>	<u>100,040</u>	<u>160,335</u>
<u>\$ 8,731,920</u>	<u>\$ 7,960,097</u>	<u>\$ 7,879,153</u>	<u>\$ 6,987,426</u>

\$ 3,689,112	\$ 4,066,813	\$ 3,640,858	\$ 3,734,990
523,472	1,225,894	378,956	-
26,627	35,620	41,526	43,914
572,169	337,168	655,283	639,713
<u>67,014</u>	<u>59,149</u>	<u>71,121</u>	<u>25,764</u>
<u>\$ 4,878,394</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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Fund										
Nonspendable	\$ 230,633	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Restricted	456,488	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Committed	250,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unassigned	2,839,102	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Reserved	N/A	\$ 233,410	\$ 266,493	\$ 254,813	\$ 260,504	\$ 254,337	\$ 270,400	\$ 317,580	\$ 325,475	\$ 284,565
Unreserved	N/A	3,587,644	3,778,280	3,719,837	3,201,762	2,781,078	2,577,724	2,307,482	2,230,910	2,115,730
Total general fund	<u>3,776,223</u>	<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>
All Other Governmental Funds										
Nonspendable	178,954	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Restricted	7,701,874	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unassigned	(506,674)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Reserved	N/A	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
Unreserved reported in:										
Special revenue funds	N/A	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
Capital projects funds	N/A	110,818	129,053	-	1,935,500	1,838,524	1,961,127	1,255,549	1,287,332	6,733,517
Total all other governmental funds	<u>7,374,154</u>	<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>
Total fund balances of governmental funds	<u>\$ 11,150,377</u>	<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>

Note:

In 2011, the City implemented new accounting presentations under GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", which requires a new presentation of fund balances.

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

	Fiscal Year Ended June 30,				
	2011	2010	2009	2008	2007
Revenues					
Taxes	\$ 15,191,296	\$ 14,569,739	\$ 14,855,452	\$ 14,053,501	\$ 13,698,670
Use of money and property	198,097	206,909	343,980	617,026	688,991
Licenses and permits	232,542	212,918	294,196	365,034	303,126
Intergovernmental	7,278,810	7,168,913	6,031,273	7,587,326	6,106,617
Charges for service	866,580	845,703	820,780	874,706	909,103
Special assessments	31,019	51,581	83,043	28,083	206,510
Miscellaneous	741,748	1,125,338	1,525,314	1,157,194	1,760,370
Total revenues	<u>24,540,092</u>	<u>24,181,101</u>	<u>23,954,038</u>	<u>24,682,870</u>	<u>23,673,387</u>
Expenditures					
Public safety	7,370,014	7,492,213	7,143,869	7,588,682	7,165,536
Public works	4,841,484	3,787,116	3,498,289	3,913,315	2,922,597
Health and social services	1,753,967	1,318,373	718,526	1,284,767	1,421,014
Culture and recreation	2,998,877	3,081,402	2,176,451	2,552,969	2,145,963
Community and economic development	2,341,523	2,347,611	1,975,245	1,462,263	1,987,416
General government	1,071,829	1,990,657	1,023,774	1,082,742	1,122,209
Capital outlay	1,601,447	2,160,036	5,767,146	5,923,147	2,351,022
Debt service					
Principal	2,613,841	2,660,000	2,553,840	2,152,278	2,041,190
Interest and other fiscal charges	581,504	651,854	1,286,096	1,190,984	932,281
Total expenditures	<u>25,174,486</u>	<u>25,489,262</u>	<u>26,143,236</u>	<u>27,151,147</u>	<u>22,089,228</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(634,394)</u>	<u>(1,308,161)</u>	<u>(2,189,198)</u>	<u>(2,468,277)</u>	<u>1,584,159</u>
Other Financing Sources (Uses)					
Sale of governmental assets	2,152	224,484	14,015	20,465	13,299
Debt issued	1,520,000	700,000	3,500,000	15,455,000	-
Payment of refunded bonds	-	-	(3,445,000)	(11,205,000)	-
Premium (discount) and accrued interest on debt issued	-	-	-	-	-
Transfers in	7,085,563	5,825,922	6,496,136	7,506,477	7,596,884
Transfers out	<u>(7,243,374)</u>	<u>(6,017,979)</u>	<u>(6,652,244)</u>	<u>(7,657,733)</u>	<u>(7,736,709)</u>
Total other financing sources (uses)	<u>1,364,341</u>	<u>732,427</u>	<u>(87,093)</u>	<u>4,119,209</u>	<u>(126,526)</u>
Net change in fund balances	<u>\$ 729,947</u>	<u>\$ (575,734)</u>	<u>\$ (2,276,291)</u>	<u>\$ 1,650,932</u>	<u>\$ 1,457,633</u>
Debt service as a percentage of noncapital expenditures	13.6%	14.2%	18.8%	15.7%	15.1%

2006	2005	2004	2003
\$ 12,373,299	\$ 12,974,773	\$ 11,876,045	\$ 11,943,200
508,604	342,424	228,610	271,522
289,329	341,082	321,265	352,363
6,744,295	6,089,537	6,076,477	6,108,639
863,341	892,894	1,050,035	768,745
210,278	317	317	34,074
519,519	656,367	736,949	580,653
<u>21,508,665</u>	<u>21,297,394</u>	<u>20,289,698</u>	<u>20,059,196</u>
6,898,394	6,568,961	7,121,973	6,341,434
2,438,572	3,706,520	1,732,511	1,174,940
1,340,728	1,340,928	784,624	449,028
2,526,524	2,012,136	2,293,991	2,196,006
1,682,136	1,727,405	2,487,721	1,664,266
1,227,899	1,158,880	2,429,108	2,639,542
3,436,407	1,581,034	4,928,180	7,053,729
1,795,178	2,101,062	1,983,850	1,515,000
928,425	1,065,517	1,009,082	1,241,506
<u>22,274,263</u>	<u>21,262,443</u>	<u>24,771,040</u>	<u>24,275,451</u>
<u>(765,598)</u>	<u>34,951</u>	<u>(4,481,342)</u>	<u>(4,216,255)</u>
67,416	489,574	105,050	-
1,500,000	1,932,441	3,300,000	3,957,038
-	(2,100,000)	-	(3,350,000)
-	-	19,073	2,139
6,266,978	6,535,905	6,579,422	5,551,670
<u>(6,412,213)</u>	<u>(6,656,285)</u>	<u>(6,670,875)</u>	<u>(5,652,715)</u>
<u>1,422,181</u>	<u>201,635</u>	<u>3,332,670</u>	<u>508,132</u>
<u>\$ 656,583</u>	<u>\$ 236,586</u>	<u>\$ (1,148,672)</u>	<u>\$ (3,708,123)</u>
14.5%	16.1%	15.1%	16.0%

CITY OF MARSHALLTOWN, IOWA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS, EXCLUDING CAPITAL PROJECTS FUNDS
PRIOR FISCAL YEAR (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	<u>2002</u>
Revenues	
Taxes	\$ 10,399,173
Use of money and property	318,771
Licenses and permits	368,173
Intergovernmental	5,279,495
Charges for service	621,387
Special assessments	23,007
Miscellaneous	<u>321,675</u>
Total revenues	<u>17,331,681</u>
Expenditures	
Community protection	6,669,862
Human development	236,778
Home and community environment	5,208,025
Policy and administration	1,024,559
Debt service	
Principal	11,255,000
Interest and other fiscal charges	<u>1,011,517</u>
Total expenditures	<u>25,405,741</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,074,060)</u>
Other Financing Sources (Uses)	
Transfers in	15,607,198
Transfers out	<u>(5,170,867)</u>
Total other financing sources (uses)	<u>10,436,331</u>
Net change in fund balances	<u>\$ 2,362,271</u>
Debt service as a percentage of noncapital expenditures	48.3%

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

Fiscal year	Tax Increment		Utility		Hotel/Motel Tax	Local Option		911 Surchage	Mobile Home		Total
	Property Tax	Financing Tax	Excise Tax	Franchise Fee		Sales Tax	Tax		Tax	Tax	
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		
2010-11	9,204,384	1,402,010	797,989	229,291	370,541	2,939,704	234,195	13,182	15,191,296		

**CITY OF MARSHALLTOWN, IOWA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
YEAR ENDED JUNE 30, 2011
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

Fund	Tax Increment		Utility Excise Tax	Utility Franchise Fee	Hotel/Motel Tax	Local Option		911 Surcharge	Mobile		Total
	Property Tax	Financing Tax				Sales Tax	Sales Tax		Home Tax	Mobile Tax	
General	\$ 5,670,426	\$ -	\$ 498,625	\$ 229,291	\$ 370,541	\$ -	\$ -	\$ -	\$ 8,009	\$ -	\$ 6,776,892
Tax Increment											
Financing	-	1,402,010	-	-	-	-	-	-	-	-	1,402,010
E-911 Surcharge	-	-	-	-	-	-	-	234,195	-	-	234,195
Local Option											
Sales Tax	-	-	-	-	-	2,939,704	-	-	-	-	2,939,704
Property tax	690,060	-	60,695	-	-	-	-	-	1,041	-	751,796
Debt Service	2,405,320	-	200,019	-	-	-	-	-	3,463	-	2,608,802
Capital Projects	438,578	-	38,650	-	-	-	-	-	669	-	477,897
Total	\$ 9,204,384	\$ 1,402,010	\$ 797,989	\$ 229,291	\$ 370,541	\$ 2,939,704	\$ 234,195	\$ 13,182	\$ -	\$ -	\$ 15,191,296

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

Levy Year	Fiscal Year	Residential			Commercial			Industrial			Total Regular			Agland			Total Taxable			Total Direct		Estimated		Taxable Assessed	
		Property	Property	Property	Property	Property	Property	Property	Realty	TIF	Realty	Realty	Realty	Assessed Value	Tax Rate	Value	Actual Gross Value	Percentage of Actual Gross Value							
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	\$41,051,206	\$41,051,206	\$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	36,753,595	36,753,595	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	46,225,042	46,225,042	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	50,595,114	50,595,114	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	57,589,054	57,589,054	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	49,224,985	49,224,985	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	56,224,469	56,224,469	56,224,469	662,741,619	36,639,623	3,804,309	703,185,551	13.76759	1,262,319,793	55.706%											
2009	2010-11	397,183,541	216,744,087	57,440,303	57,440,303	57,440,303	57,440,303	671,367,931	39,224,720	4,089,857	714,682,508	13.93650	1,280,682,454	55.805%											

Rollback Factors by Class

Fiscal Year	Tax Exempt			Residential			Agricultural			Commercial			Railroad		
	Gas & Electric	Property	Property	Residential	Agricultural	Commercial	Residential	Agricultural	Commercial	Residential	Agricultural	Commercial	Residential	Agricultural	Railroad
2001-02	\$ 82,653,397	\$ 82,264,656		51.38740	100.00000	100.00000	51.38740	100.00000	100.00000	51.38740	100.00000	100.00000	51.38740	100.00000	100.00000
2002-03	84,141,000	88,347,820		48.45580	100.00000	97.77010	48.45580	100.00000	97.77010	48.45580	100.00000	97.77010	48.45580	100.00000	97.77010
2003-04	86,485,422	89,988,114		47.96420	100.00000	100.00000	47.96420	100.00000	100.00000	47.96420	100.00000	100.00000	47.96420	100.00000	100.00000
2004-05	90,789,115	92,101,046		45.99600	100.00000	99.25740	45.99600	100.00000	99.25740	45.99600	100.00000	99.25740	45.99600	100.00000	99.25700
2005-06	67,936,113	116,039,112		47.96420	100.00000	100.00000	47.96420	100.00000	100.00000	47.96420	100.00000	100.00000	47.96420	100.00000	100.00000
2006-07	67,247,692	116,058,327		45.99600	100.00000	99.15090	45.99600	100.00000	99.15090	45.99600	100.00000	99.15090	45.99600	100.00000	99.15090
2007-08	64,804,167	117,919,100		45.55960	100.00000	100.00000	45.55960	100.00000	100.00000	45.55960	100.00000	100.00000	45.55960	100.00000	100.00000
2008-09	99,127,772	109,139,073		44.08030	90.10230	99.73120	44.08030	90.10230	99.73120	44.08030	90.10230	99.73120	44.08030	90.10230	99.73120
2009-10	101,313,932	89,188,699		45.58930	93.85680	100.00000	45.58930	93.85680	100.00000	45.58930	93.85680	100.00000	45.58930	93.85680	100.00000
2010-11	117,499,581	95,951,150		46.90940	66.27150	100.00000	46.90940	66.27150	100.00000	46.90940	66.27150	100.00000	46.90940	66.27150	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 (PER \$1,000 ASSESSED VALUATIONS)**

Levy year Jan 1,	Collection Year	Marshall		Community		City Assessor	Community		State of Iowa	Total
		County	Schools	Marshalltown	Schools		College	County Extension		
2000	2001-02	6.15739	16.25058	12.96936	0.36356	0.83104	0.08044	0.00500	0.00500	36.65737
2001	2002-03	6.01644	16.21217	12.96979	0.35227	0.85117	0.07832	0.00400	0.00400	36.48416
2002	2003-04	6.08852	16.19581	13.08945	0.34538	0.92000	0.07677	0.00400	0.00400	36.71993
2003	2004-05	6.56545	17.30327	13.37877	0.35723	0.98700	0.08143	0.00400	0.00400	38.67715
2004	2005-06	6.73583	18.28730	13.37878	0.34571	0.93175	0.07992	0.00400	0.00400	39.76329
2005	2006-07	6.60870	18.13123	12.94049	0.32273	0.98001	0.07509	0.00400	0.00400	39.06225
2006	2007-08	7.60000	18.07061	12.93500	0.31708	1.81770	0.10587	0.00350	0.00350	40.84976
2007	2008-09	7.59349	18.01415	13.68652	0.32982	2.19223	0.11859	0.00350	0.00350	41.93830
2008	2009-10	7.73919	18.00985	13.76759	0.29308	2.15454	0.11078	0.00300	0.00300	42.07803
2009	2010-11	7.73661	17.84133	13.93650	0.26635	2.03379	0.12442	0.00340	0.00340	41.94240

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, 2009		Percentage of Total City		Jan 1, 1999		Percentage of Total City	
	Taxable Assessed Value Payable 10-11	Rank	Taxable Assessed Value	%	Taxable Assessed Value Payable 00-01	Rank	Taxable Assessed Value	%
IES Utilities (Interstate Power)	\$ 56,985,365	1	7.8%		\$ 82,653,397	1	11.2%	
MMSC, Ventures Inc	19,339,017	2	2.7%					
Lennox Industries Inc	14,684,500	3	2.0%		17,867,892	3	2.4%	
Emerson Process Mgt/Fisher Controls	14,422,964	4	2.0%		16,707,486	4	2.3%	
Walmart, Real Estate Business	11,041,130	5	1.5%					
Marshall Town Center Partners	10,250,343	6	1.4%		8,105,596	5	1.1%	
Swift & Company	9,565,564	7	1.3%		18,916,749	2	2.6%	
Members 1st Credit Union	5,080,390	8	0.7%					
Gethmann Investment Co	4,388,037	9	0.6%					
FHS Marshalltown LP	4,309,740	10	0.6%		4,372,725	8	0.6%	
Inns of Iowa Ltd					4,627,800	6	0.6%	
Embers of Marshalltown					4,425,000	7	0.6%	
Packaging Corporation of America					3,960,874	9	0.5%	
U.S. West Communications (Quest)					3,687,124	10	0.5%	
	<u>\$ 150,067,050</u>		<u>20.6%</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, 2009 was \$68,595,523.

CITY OF MARSHALLTOWN, IOWA
SALES TAX
LAST TEN YEARS

<u>Calendar Year</u>	<u>Taxable Retail Sales</u>	<u>No. of Businesses</u>
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
2010	326,686,187	3,971

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

Collection		Collections & State				
year	Levy year	Current levy	Credits in the Current Year	Percent of levy collected*	State Credits Shown in Intergovernmental	
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	7,896,334	102.67%	370,184	
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	
2010-11	2009	9,505,825	9,502,757	99.97%	298,373	

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.

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

Fiscal Year Ended June 30,	Governmental Activities				Business-type Activities										
	Urban				Renewal Tax Increment				Sewer						
	General Obligation Bonds	Notes Payable	Bonds and Notes	Revenue	General Obligation Bonds	Revenue Bonds	Capital Loan Note Payable	Revenue	Capital Loan Note Payable	Revenue	Primary Government	Personal Income	Percentage of Personal Income	Population	Per Capita
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			
2011	16,320,000	55,363	-	-	6,100,000	775,000	3,065,000	26,315,363	22,204	1,185	27,552	955			

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		
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
2011	16,320,000	55,363	16,375,363	1.15	628.06

Note: Excludes general obligation bonds reported in enterprise funds.

CITY OF MARSHALLTOWN, IOWA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2011

Name of Governmental Unit	Debt Outstanding	Percentage Applicable to Marshalltown	City of Marshalltown Share of Debt
Iowa Valley Schools	\$ 34,630,045	54.33%	\$ 18,814,503
Marshalltown Community School District	32,425,000	83.07%	26,935,448
Marshall County	2,645,000	53.65%	1,419,043
	<u>69,700,045</u>		<u>47,168,994</u>
City of Marshalltown	16,375,363	100.00%	16,375,363
	<u>\$ 86,075,408</u>		<u>\$ 63,544,357</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,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Gross assessed valuations:										
Regular realty	\$ 1,123,958,153	\$ 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
Utility	117,499,581	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
Incremental	39,224,720	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
Total actual valuations applicable to debt	1,280,682,454	1,262,319,793	1,255,060,705	1,190,183,517	1,157,562,346	1,040,975,285	1,029,508,726	946,359,286	939,318,379	844,010,751
Debt limit - 5% of total actual valuations applicable to debt	64,034,123	63,115,990	62,753,035	59,509,176	57,878,117	52,048,764	51,475,436	47,317,964	46,965,919	42,200,538
Amount of debt applicable to limitation:										
General obligation bonds and notes	22,475,363	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
Urban renewal tax increment revenue bonds	-	-	-	-	3,923,438	4,295,788	4,637,126	5,448,188	4,692,038	4,290,000
Total debt applicable to limitation	22,475,363	17,469,204	19,443,044	21,941,884	19,844,162	21,885,352	22,180,530	24,443,188	23,127,038	24,035,000
Less:										
Funds available from:										
Debt service	-	-	262,165	232,719	281,555	238,506	217,083	542,533	568,175	596,133
Special revenue	417,812	348,685	413,834	438,585	652,232	998,446	615,975	187,331	713,951	270,840
Total debt applicable to debt margin	22,057,551	17,120,519	18,767,045	21,270,580	18,930,375	20,648,400	21,347,472	23,713,324	21,844,912	23,168,027
Legal debt margin	\$ 41,976,572	\$ 45,995,471	\$ 43,985,990	\$ 38,238,596	\$ 38,947,742	\$ 31,400,364	\$ 30,127,964	\$ 23,604,640	\$ 25,121,007	\$ 19,032,511

CITY OF MARSHALLTOWN, IOWA
PLEGGED – REVENUE COVERAGE
LAST TEN FISCAL YEARS

Water Pollution Control				Debt Service Requirements			
<u>Year</u>	<u>Gross Revenue</u>	<u>Expenses (1)</u>	<u>Available For Debt Service</u>	<u>Principal</u>	<u>Interest & other debt expense</u>	<u>Total</u>	<u>Coverage</u>
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
2010-11	5,184,069	2,943,228	2,240,841	595,000	192,539	787,539	2.85

(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**

Calendar Year	Median Age (Zip 50158)	School Enrollment		Unemployment Percent
		Public	Private	
	(1)	(2)	(3)	(4)
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
2011	38.0	5,317	208	7.00

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>

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

Employer	Industry	2011- Employees	2002- Employees
(JBS) Swift & Company	Pork processors	2,400	2,100
Emerson Process Mgt/Fisher Controls	Valves and regulators manufacturer	1,200	1,100
Iowa Veteran's Home	Hospital care facility	1,000	925
Marshalltown Community School District	Education	1,002	918
Lennox Industries, Inc	Furnace and air conditioning manufacturer	800	1,100
Marshalltown Medical and Surgical Center	Hospital	700	690
HyVee Food Stores *	Grocery store	340	350
Wal-Mart*	Retail	325	
Marshalltown Community College	Education	245	
McFarland Clinic PC	Medical clinic	223	
City of Marshalltown*	Municipal government		208
Marshall County	County government		175
Kiowa Corporation	Aluminum and zinc die casting		120

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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Public Safety	88.00	86.00	98.91	101.94	100.13	98.13	103.63	96.46	100.42	100.90
Public Works	20.00	21.00	20.06	19.88	18.31	18.69	18.87	20.13	22.80	22.95
Health and Social Services	6.50	6.50	6.26	7.14	7.78	7.33	8.11	7.68	5.78	5.10
Culture and Recreation	28.00	29.00	25.95	26.17	25.28	25.08	28.85	34.13	36.55	33.87
Community and Economic Development	5.50	5.50	3.55	3.09	3.15	2.92	2.94	3.75	3.88	3.69
General Government	18.00	18.00	17.55	18.16	17.89	17.85	18.55	18.47	19.71	19.00
Business-Type	34.00	36.00	31.95	30.70	30.34	29.75	30.70	30.87	29.19	27.97
Capital Projects	1.00	1.00	0.13	0.02	0.45	0.19	0.15	0.65	0.08	-
Total	201.00	203.00	204.36	207.10	203.33	199.94	211.80	212.14	218.41	213.48

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

Function/Program	Fiscal Year				
	2011	2010	2009	2008	2007
General Government					
Building Permits:					
New Construction:					
Number of permits	37	37	51	39	49
Value of permits	1,967,000	17,798,500	12,191,800	22,522,000	11,058,000
Remodeling, repairs and additions:					
Number of permits	95	74	103	149	131
Value of permits	26,630,000	3,951,800	14,757,000	25,418,400	17,893,700
Police					
Physical arrests	2,254	3,421	3,581	3,045	3,833
Violations:					
Parking	10,269	N/A	N/A	6,802	7,073
Traffic	3,290	3,787	4,758	4,793	6,005
Drunk driving	120	224	218	234	240
Narcotics	369	385	460	512	130
Fire					
Emergency responses	1,885	N/A	N/A	2,274	2,052
Fires extinguished	71	N/A	N/A	51	61
Inspections	376	N/A	N/A	380	412
Parks and recreation					
Adult team sports					
Leagues	8	10	10	4	4
Participation	6,762	6,105	5,373	2,201	2,312
Youth activities					
Programs	31	27	40	35	35
Participation	4,246	3,780	3,478	7,268	7,625
Library					
Volumes in collection	129,219	101,194	93,755	91,914	90,561
Total volumes borrowed	310,849	327,106	262,755	253,855	231,420
Sewage system					
Per million					
Daily average treatment in gallons	6.4	7.51	6.82	7.38	5.89
Maximum daily capacity of treatment plant in thousands of gallons	17,440	17,440	17,440	17,440	17,440
Sewer customers served	9,447	10,248	9,397	9,435	9,448
* Computer software was counting sewer credit meters					
Sewer rates in effect					
Base charge per month	\$10.27	\$10.27	\$9.51	\$9.51	\$9.51
Flow charge per 100 cubic feet	\$1.76	\$1.76	\$1.76	\$1.63	\$1.55
Transit					
Total route miles	135,711	107,157	105,282	105,435	102,109
# of passengers	130,974	111,586	113,934	111,849	88,431
General Elections - November of each year					
Registered voters	17,494	16,860	17,015	17,015	17,015
Number of votes cast	8,643	1,335	N/A	N/A	8,296
Percentage of registered voters voting	49.41%	7.92%	N/A	N/A	48.76%

Ending June 30,				
2006	2005	2004	2003	2002
40	50	55	87	59
9,260,000	11,054,000	13,441,000	19,684,000	28,425,000
131	126	120	139	191
11,758,000	20,799,600	7,489,900	15,805,900	13,421,600
2,415	2,681	2,705	2,466	3,011
7,858	8,570	8,433	11,901	8,680
6,585	6,245	6,660	4,486	4,647
220	228	148	151	148
274	291	290	260	253
1,996	1,879	1,862	1,887	1,966
49	44	59	75	62
461	555	386	226	324
16	15	14	14	13
2,711	2,434	2,854	2,854	2,607
N/A	32	25	25	21
N/A	8189	5413	5344	3807
88,362	82,269	83,931	79,264	77,201
215,953	200,652	190,749	192,004	174,292
4.92	4.57	5.60	4.66	N/A
13,040	13,040	13,040	13,040	13,040
9,426	9,723	10,774	10,774	9,264
		*	*	
\$9.51	\$9.51	\$9.51	\$9.51	\$9.51
\$1.47	\$1.31	\$1.31	\$1.31	\$1.31
96,458	113,037	122,256	141,955	134,446
112,885	115,158	127,139	131,807	134,784
29,795	28,549	27,333	N/A	26,078
19,447	19,340	19,233	2,493	14,186
65.27%	67.74%	70.37%	N/A	54.40%

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

Function/Program	Fiscal Year				
	2011	2010	2009	2008	2007
Police					
# of stations	1	1	1	1	1
# of employees	61	59	58	58	59
Non-dispatch	48	46	45	45	46
Dispatch	13	13	13	13	13
Fire					
# of stations	1	1	1	1	1
# of employees	29	26	29	29	30
Parks and recreation					
Park areas					
# parks	26	26	26	26	26
# acres	325	325	328	328	328
Athletics					
# Baseball/softball fields	6	6	6	6	6
# Soccer/football fields	6	6	6	6	6
# Tennis courts	12	12	12	4	4
Other					
# playgrounds	17	17	17	17	17
Miles of bike trails	8	8	8	8	8
# Swimming pools	1	1	1	1	1
Public works					
Streets:					
Paved	157.5	157.5	157.5	157.4	157.4
Unpaved	5.8	5.8	5.8	5.8	5.8
Sewage system					
Number of treatment plants	1	1	1	1	1
Miles of sewers					
Storm	58.8	58.5	57.1	57.1	56.4
Sanitary	146.5	146.5	145.7	145.7	145.3
Transit					
# of buses	10	10	9	10	10
Education - Public and private					
Number of elementary schools	9	7	7	7	7
Number of elementary school instructors	248	225	225	203	137
Number of secondary schools	2	2	2	2	3
Number of secondary school instructors	150	156	150	147	240
Cemeteries					
Number of facilities	2	2	2	2	2
Number of acres					
Developed	135	135	135	135	135
Undeveloped	80	80	80	80	80
Hospitals					
Number of hospitals	1	1	1	1	1
Number of beds	125	125	125	125	125

Ending June 30,				
2006	2005	2004	2003	2002
1	1	1	1	1
59	59	59	59	57
46	46	46	n/a	n/a
13	13	13	n/a	n/a
1	1	1	1	1
30	29	31	31	33
26	26	24	24	24
207	207	207	207	207
5	5	5	5	5
6	6	6	6	6
6	6	6	6	6
22	18	18	18	18
8	8	8	8	8
1	1	1	1	1
157.4	157.2	156.8	156.5	155.6
5.8	5.8	5.8	5.8	5.8
1	1	1	1	1
56.1	54.6	54.6	54.5	54
144.6	144.4	143.2	142.9	142.3
10	10	10	10	10
7	7	7	6	n/a
179	189	156	140	n/a
3	3	3	3	n/a
172	175	205	210	n/a
2	2	2	2	2
135	135	135	135	135
80	80	80	80	80
1	1	1	n/a	n/a
125	125	125	n/a	n/a

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

	2011	2010	2009	2008	2007
Revenues:					
Sewer Rental	\$ 4,152,904	\$ 4,558,315	\$ 4,868,033	\$ 4,584,414	\$ 3,923,869
Interest Income	53,312	50,336	116,922	212,420	228,888
Grants	849,787	391,132	292,060	73	96
Miscellaneous	128,066	214,519	53,395	331,372	127,141
Total revenues	<u>5,184,069</u>	<u>5,214,302</u>	<u>5,330,410</u>	<u>5,128,279</u>	<u>4,279,994</u>
Expenses:					
Costs of Service	2,945,845	3,142,187	2,828,873	2,746,362	2,484,430
Depreciation	1,134,959	1,119,009	1,079,643	1,184,012	1,188,396
Debt Service	778,689	749,863	771,155	763,189	1,021,961
Total expenses	<u>4,859,493</u>	<u>5,011,059</u>	<u>4,679,671</u>	<u>4,693,563</u>	<u>4,694,787</u>
Net Income (Loss)	<u>\$ 324,576</u>	<u>\$ 203,243</u>	<u>\$ 650,739</u>	<u>\$ 434,716</u>	<u>\$ (414,793)</u>

WATER POLLUTION CONTROL HISTORIC COVERAGE
LAST SIX FISCAL YEARS

	2010	2009	2009	2008	2007
Net Income (Loss)	\$ 324,576	\$ 203,243	\$ 650,739	\$ 434,716	\$ (414,793)
Add depreciation	1,134,959	1,119,009	1,079,643	1,184,012	1,188,396
Add debt retirement	778,689	749,863	771,155	763,189	1,021,961
Net income available for debt service	<u>\$ 2,238,224</u>	<u>\$ 2,072,115</u>	<u>\$ 2,501,537</u>	<u>\$ 2,381,917</u>	<u>\$ 1,795,564</u>
Historic debt service	\$ 778,689	\$ 749,863	\$ 771,155	\$ 763,189	\$ 1,021,961
Historic coverage	2.87	2.76	3.24	3.12	1.76
Projected max future debt	\$ 1,211,115	\$ 735,293	\$ 744,273	\$ 752,953	\$ 762,363
Projected coverage	1.85	2.82	3.36	3.16	2.36

2006	2005	2004	2003
\$ 3,535,609	\$ 3,488,658	\$ 3,445,984	\$ 3,499,800
173,820	108,425	86,945	142,074
96	44,499	13,660	96
<u>121,757</u>	<u>160,852</u>	<u>147,288</u>	<u>113,223</u>
<u>3,831,282</u>	<u>3,802,434</u>	<u>3,693,877</u>	<u>3,755,193</u>
2,612,861	2,673,383	2,341,278	2,279,904
1,198,715	1,147,899	979,579	959,963
<u>1,031,273</u>	<u>1,042,773</u>	<u>1,772,014</u>	<u>1,098,533</u>
<u>4,842,849</u>	<u>4,864,055</u>	<u>5,092,871</u>	<u>4,338,400</u>
<u><u>\$ (1,011,567)</u></u>	<u><u>\$ (1,061,621)</u></u>	<u><u>\$ (1,398,994)</u></u>	<u><u>\$ (583,207)</u></u>

2006	2005	2004	2003
\$ (1,011,567)	\$ (1,061,621)	\$ (1,398,994)	\$ (583,207)
1,198,715	1,147,899	979,579	959,963
<u>1,031,273</u>	<u>1,042,773</u>	<u>1,772,014</u>	<u>1,098,533</u>
<u><u>\$ 1,218,421</u></u>	<u><u>\$ 1,129,051</u></u>	<u><u>\$ 1,352,599</u></u>	<u><u>\$ 1,475,289</u></u>
\$ 1,031,273	\$ 1,042,773	\$ 1,772,014	\$ 1,098,533
1.18	1.08	0.76	1.34
\$ 995,769	\$ 1,008,089	\$ 998,726	\$ 1,009,166
1.22	1.12	1.35	1.46

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

Year	Residential	Multi-Family	Commercial	Industrial	Total	Incr (Decr)
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
2011	8,251	406	749	41	9,447	14

Note: Due to a 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, 2011

Sewer Revenue Operating and Maintenance Accounts	\$	400,000
Sewer Revenue Sinking Reserve Fund Account		60,502
Sewer Revenue Improvement Fund Account		250,000
Additional Capital Replacement Fund Account		2,261,503
Sewer Revenue Reserve Fund Account		636,400
Undesignated		<u>2,209,217</u>
Total Water Pollution Control Net Assets	\$	<u>5,817,622</u>

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

	2011			2010		
	Avg Gallons Per Month	Monthly Bill	2011 Ranking	Avg Gallons Per Month	Monthly Bill	2010 Ranking
JBS Swift & Company	53,603,250	\$ 128,277	1	52,115,667	\$ 141,394	1
IA Veterans Home	2,807,930	6,617	2	3,168,029	7,464	2
Emerson Processing/Fisher Controls	936,184	2,213	3	1,346,712	3,179	3
Marshalltown Medical & Surgical Center	805,658	1,906	4	784,527	1,856	4
Packaging Corporation	654,812	1,551	5	673,013	1,594	5
Marshalltown Community School District	622,835	1,476	6	631,437	1,496	6
Sunset Village Mobile Home Park	618,409	1,465	7	605,568	1,435	8
Rainbow Carwash I & III	585,310	1,387	8	623,520	1,477	7
Boulder Properties	483,894	1,149	9			
Southern Hills	369,512	880	10			
Wes Inc.				518,676	1,231	9
Lennox Manufacturing Inc				422,682	1,005	10

Source: City Financial Records and Marshalltown Water Works

COMPLIANCE SECTION



**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 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 28, 2012. 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. Other auditors audited the financial statements of Marshalltown Water Works, as described in our report on the City of Marshalltown's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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 described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-11 to be a significant deficiency.

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, 2011, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report is intended solely for the information and use of management, City Council, others within the entity, and 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.



Dubuque, Iowa
March 28, 2012



**INDEPENDENT AUDITOR'S 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, 2011. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of 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, 2011.

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, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is 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 is intended solely for the information and use of management, City Council, others within the entity, and 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.



Dubuque, Iowa
March 28, 2012

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:			
Pass-through program from:			
Iowa Department of Economic Development:			
CDBG – State-Administered CDBG Cluster			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRI-256	\$ 878,410
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-NSP-026	399,723
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-HSG-057	167,625
ARRA – Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii (Recovery Act Funded)	14.255	08-DPRG-237	654
Total CDBG – State-Administered CDBG Cluster			<u>1,446,412</u>
Direct program:			
Section 8 Housing Choice Vouchers	14.871		1,586,597
Affordable Housing Development in Main Street Rejuvenation Projects	14.878		52,714
ARRA – Lead-Based Paint Hazard Control in Privately-Owned Housing (Recovery Act Funded)	14.907		<u>1,162,340</u>
Total U.S. Department of Housing and Urban Development			<u>4,248,063</u>
U.S. Department of Justice:			
Pass-through program from:			
Iowa Governor's Office of Drug Control Policy:			
Part E – Developing, Testing and Demonstrating Promising New Programs	16.541	09-DEC-2985	8,894
Iowa Department of Justice:			
Violence Against Women Formula Grants	16.588	VW-11-52	34,229
Direct program:			
Bulletproof Vest Partnership Program	16.607		1,709
Public Safety Partnership and Community Policing Grants	16.710		28,778
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.736		3,465

(continued)

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
YEAR ENDED JUNE 30, 2011

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Justice: (continued)			
JAG Program Cluster:			
Direct program:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		\$ 26,715
Pass-through program from:			
Marshall County:			
ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	09JAG/ARRA-4416B	41,844
Direct program:			
ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804		15,054
Total JAG Program Cluster			<u>83,613</u>
Total U.S. Department of Justice			<u>160,688</u>
U.S. Department of Transportation:			
Direct program:			
Airport Improvement Program	20.106		416,801
Pass-through program from:			
Iowa Department of Transportation:			
Airport Improvement Program	20.106	9I110MIW100	10,749
			<u>427,550</u>
Pass-through program from:			
Iowa Department of Transportation:			
Formula Grants for Other Than Urbanized Areas	20.509	18-0029-479-11	155,474
State and Community Highway Safety	20.600	PAP 10-04, Task 18	2,128
State and Community Highway Safety	20.600	PAP 09-04, Task 18	4,978
			<u>7,106</u>
Total U.S. Department of Transportation			<u>590,130</u>
Environmental Protection Agency:			
Direct program:			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		33,295
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		25,765
Total Environmental Protection Agency			<u>59,060</u>

(continued)

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
YEAR ENDED JUNE 30, 2011

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education Pass-through program from: Iowa Department of Public Health Safe and Drug-Free Schools and Communities-State Grants	84.186	5881 DV 08	\$ 2,808
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	5881LP02	14,045
Childhood Lead Poisoning Prevention Projects-State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	58879LP06	1,064
			15,109
Pass-through program from: Marshall County Coalition for Youth: Drug-Free Communities Support Program Grants	93.276	1H79SP11427-10	46,854
Total U.S. Department of Health and Human Services			61,963
Total			\$ 5,122,712

CITY OF MARSHALLTOWN, IOWA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

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:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Edward Byrne Memorial Justice Assistance Grant Program	16.738	\$ 9,916
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	\$ 7,074
Drug-Free Communities Support Program Grants	93.276	\$ 8,027

**CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

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

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Material weakness identified Yes

Significant deficiency Yes

Noncompliance material to financial statements noted No

Federal Awards

Internal control over major 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:

CFDA Number

Name of Federal Program or Cluster

CDBG – State Administered CDBG Cluster
14.228

Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii

14.255

ARRA – 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)

20.106

Airport Improvement Program

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, 2011

Part II: Findings Related to the Financial Statements:

Material Weakness

II-A-11 Material Audit Adjustments

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

Condition – During the course of our engagement, we proposed material audit adjustments to the financial statements and Schedule of Expenditures of Federal Awards that 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 and Schedule of Expenditures of Federal Awards.

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

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

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

Response – There has been a change in staffing with procedures put into place for all grants to be verified to the general ledger. In addition, an additional staff member has been requested and should be approved to help out with regular ongoing procedures. In the future, management will review all journal entries, financial reports, and supporting documentation.

Conclusion – Response accepted.

Significant Deficiency

II-B-11 General Ledger Reconciliation

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 identified certain balance sheet accounts that were not timely reconciled. In addition, there is no formal management review or approval process for these reconciliations.

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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

Cause – Due to a limited number of office employees and significant employee turnover in recent years, the reconciliation of the City’s general ledger within the time constraints is difficult.

Effect – The effect of this condition is that errors in financial data may not be detected timely, which could result in City reporting information that is not in accordance with generally accepted accounting principles.

Recommendation – We recommend that City officials review the operating procedures and implement processes to insure the City’s general ledger is properly reconciled. This should include working more closely with the Marshalltown Water Works to ensure that information supplied by them to the City regarding sewer billings and receivables is accurate.

Response – Procedures and checklists have been put into place to verify all balances are reviewed and corrected on a monthly basis. Any differences will be corrected in the month that they occur. Management will periodically work through the same process to make sure it is being done correctly. Management will also implement procedures to perform timely reconciliations in conjunction with information supplied by the Marshalltown Water Works.

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-11 **Certified Budget** – Disbursements during the year ended June 30, 2011, did not exceed the amounts budgeted.
- III-B-11 **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-11 **Travel Expense** – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-11 **Business Transactions** – No business transactions between the City and City officials or employees were noted.
- III-E-11 **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-11 **Council Minutes** – No transactions were found that we believe should have been approved in the Council minutes but were not.

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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

- III-G-11 **Deposits and Investments** – No instances of noncompliance 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-11 **Revenue Bonds** – No instances of noncompliance with the provisions of the City’s revenue bond resolutions were noted.



March 28, 2012

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

We have audited the 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, for the year ended June 30, 2011. We did not audit the financial statements of Marshalltown Water Works or the Marshalltown Convention and Visitors Bureau (discretely presented component units). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Marshalltown Water Works and the Marshalltown Convention and Visitors Bureau, is based on the reports of the other auditors. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 5, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the City changed accounting policies related to fund balance by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011. No other new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2011. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of unbilled accounts receivable is based on water pollution control billings after year end. We evaluated the key factors and assumptions used to develop the unbilled accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the incurred but not reported health liability is based on third-party administrator calculations and estimates. We evaluated the key factors and assumptions used to develop the incurred but not reported health liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management’s estimate of other postemployment benefits liability is based on a calculation of actuarially determined contributions for health insurance benefits. We evaluated the key factors and assumptions used to develop other postemployment benefits liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements, detected as a result of audit procedures, were corrected by management.

	Equity Increase (Decrease)		
	Fund Statements	Governmental Activities	Business-Type Activities
Public Works and Other Projects			
To record accounts payable related to construction	\$ (83,913)	\$ -	\$ -
Group Insurance Benefits			
To record unearned revenue for July 2011 fees received in June 2011.	(142,580)	(142,580)	-
Water Pollution Control Fund			
To adjust net assets invested in capital assets, net of related debt for bond proceeds. Net assets invested in capital assets, net of related debt was decreased and unrestricted net assets was increased by \$1,738,134.	-	-	-
Governmental Activities			
To adjust net assets invested in capital assets, net of related debt for bond proceeds. Net assets invested in capital assets, net of related debt was increased and unrestricted net assets was decreased by \$1,006,101.	-	-	-

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

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

We have requested certain representations from management that are included in the management representation letter dated March 28, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Mayor, City Council, and management of the City of Marshalltown, Iowa, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

EIDE BAILLY LLP

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

NEWS RELEASE

Eide Bailly LLP today released an audit report on the City of Marshalltown, Iowa, for the year ended June 30, 2011.

Revenues for the City (excluding its component units) for the year ended June 30, 2011, totaled \$32,253,309 which included \$9,210,796 in property taxes; \$1,402,010 for tax increment financing, \$10,144,207 from grants and contributions; \$224,969 from unrestricted investment earnings; \$6,366,529 from charges for services; and \$435,191 from miscellaneous general revenues.

Expenses for the year totaled \$29,532,670. Expenses included \$8,028,333 for public safety, \$6,203,182 for public works, and \$3,801,068 for culture and recreation. Expenses for business-type activities totaled \$5,629,250.

Revenues for the component units (Marshalltown Water Works and Marshalltown Convention and Visitors Bureau) for the year totaled \$3,293,885, which included \$3,281,013 from charges for service, and \$11,131 from unrestricted investment earnings.

Expenses for the component units for the year totaled \$3,141,102.

A copy of the audit report is available for review in the Department of Finance at City Hall, in the Office of the Auditor of State, and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.