

City of Johnston, Iowa

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

June 30, 2011

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**City of Johnston, Iowa
OFFICIALS**

Term expires

MAYOR AND MEMBERS OF CITY COUNCIL(January 2011)

Paula Dierenfeld, Mayor	January 2012
Gerd Clabaugh, Mayor Pro tem	January 2014
Bob Culbert, Council Member	January 2012
Jim Hibbs, Council Member	January 2012
Jon Kallen, Council Member	January 2012
David Lindeman, Council Member	January 2014

ADMINISTRATOR

James P. Sanders	Indefinite
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FINANCE DIRECTOR

Teresa M. Rotschafer	Indefinite
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CLERK

Cyndee Rhames	Indefinite
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ATTORNEY

Timothy Pearson	Indefinite
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Johnston, 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 City of Johnston's management. Our responsibility is to express opinions on these financial statements based on our audit.

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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Johnston as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2011 on our consideration of the City of Johnston'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, budgetary comparison information, and Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 13 and 46 through 50 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 about 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 of Johnston's basic financial statements as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2010 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The basic financial statements for the six years ended June 30, 2008 (which are not presented herein) were audited by other auditors whose report dated January 8, 2009 stated they expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was 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.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 14, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Johnston provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental funds increased approximately \$2,165,000, or approximately 13%, from fiscal 2010 to fiscal 2011. Property tax increased approximately \$348,000 along with intergovernmental and tax increment financing increasing approximately \$808,000 and \$868,000, respectively.
- Governmental fund expenditures increased approximately \$3,516,000, or approximately 20%, in fiscal 2011 over fiscal 2010. Public works and community & economic development expenditures decreased approximately \$170,400 and \$28,100, respectively. Public Safety, culture & recreation, general government, debt service and capital projects expenditures increased approximately \$44,000, \$22,000, \$77,000, \$335,000 and \$3,256,000, respectively.
- The City's net assets increased approximately 4%, or \$4,061,000, from June 30, 2010 to June 30, 2011. Of this amount, the net assets of the governmental activities increased \$3,316,654 while net assets of the business type activities decreased \$744,664.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the City of Johnston as a whole and present an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City of Johnston's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds, and schedule of revenues by source and expenditures by function. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Net Assets and the Statement of Activities report two kinds of activities:

- Governmental activities include public safety, public works, health and social service, culture and recreation, community and economic development, general government, and debt service. Property tax and state and federal grants finance most of these activities.
- Business type activities include the waterworks and sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

(1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Urban Renewal Tax Increment Financing, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Proprietary funds account for the City's Enterprise Funds and Internal Service Funds. The Enterprise Funds report services for which the City charges customers for the service it provides. The Internal Service Funds are an accounting device used to accumulate and allocate health deductible and flex benefit costs internally among the City's various functions. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The Enterprise Funds include the Water and Sewer Funds, each considered to be a major fund of the City. The City is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Internal Service Funds include the Flexible Spending and Health Deductible Claims Funds.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

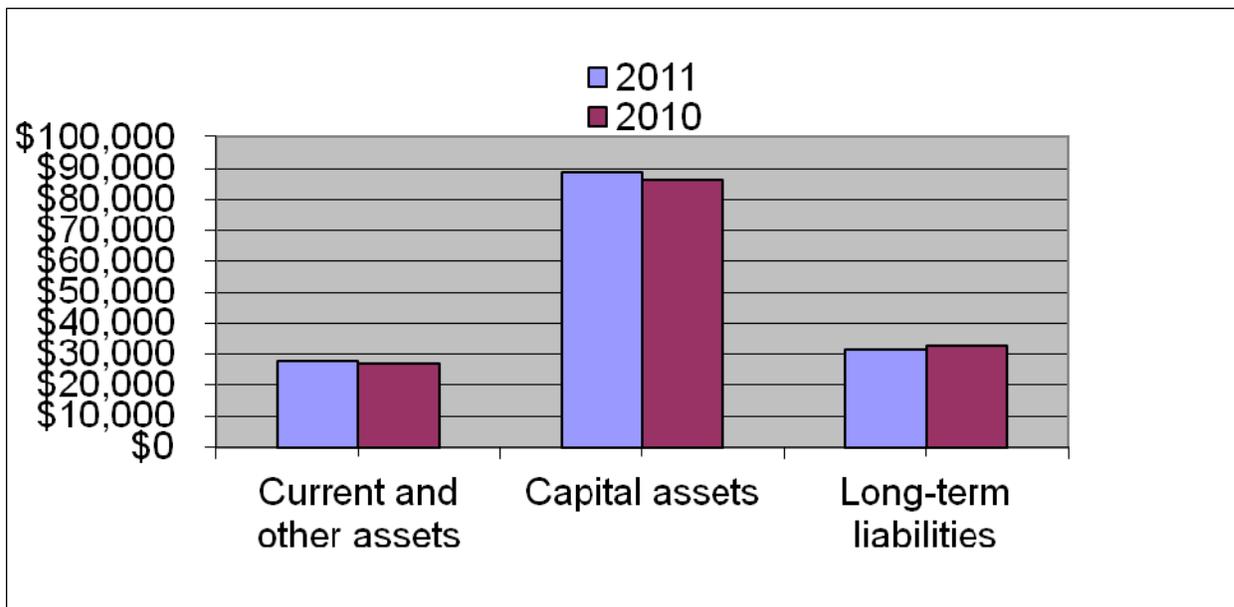
Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the net assets for governmental and business type activities.

	Condensed Statement of Net Assets (Expressed in Thousands)						Percent Change June 30 2010-2011
	Governmental Activities		Business Type Activities		Total		
	June 30		June 30		June 30		
	2011	2010	2011	2010	2011	2010	
Current and other assets	\$ 27,635	\$ 26,907	\$ 6,193	\$ 6,480	\$ 33,828	\$ 33,387	1.3%
Capital assets	<u>88,942</u>	<u>85,958</u>	<u>42,803</u>	<u>41,213</u>	<u>131,745</u>	<u>127,171</u>	<u>3.6 %</u>
Total assets	<u>116,577</u>	<u>112,865</u>	<u>48,996</u>	<u>47,693</u>	<u>165,573</u>	<u>160,558</u>	<u>3.1%</u>
Long-term liabilities	31,461	32,434	11,731	11,699	43,192	44,133	-2.1%
Other liabilities	<u>16,568</u>	<u>15,201</u>	<u>1,522</u>	<u>996</u>	<u>18,090</u>	<u>16,197</u>	<u>11.6%</u>
Total liabilities	<u>48,029</u>	<u>47,635</u>	<u>13,253</u>	<u>12,695</u>	<u>61,282</u>	<u>60,330</u>	<u>1.6%</u>
Net Assets							
Invested in capital assets, net of related debt	58,458	54,275	30,355	28,840	88,813	83,115	6.9%
Restricted	6,690	7,169	2,991	3,486	9,681	10,655	-9.2%
Unrestricted	<u>3,399</u>	<u>3,786</u>	<u>2,397</u>	<u>2,672</u>	<u>5,796</u>	<u>6,458</u>	<u>-10.3%</u>
Total Net Assets	\$ <u>68,547</u>	\$ <u>65,230</u>	\$ <u>35,743</u>	\$ <u>35,181</u>	\$ <u>104,290</u>	\$ <u>100,228</u>	<u>4.1%</u>

The following chart presents a comparison of governmental activities assets and liabilities for fiscal 2011 and fiscal 2010:



Net assets of governmental activities increased from fiscal 2010 approximately 5.1%, or \$3,317,000. Net assets of business type activities increased from fiscal 2010 approximately 2.1%, or \$745,000. Total current and other assets increased approximately \$5,015,000 or 3.1%, from fiscal 2010, primarily due to Merle Hay Road Redevelopment projects, including purchasing of land and buildings for redevelopment, cash and investments restricted for capital projects, and tax increment financing assets. Major project started as reconstruction of NW 62nd Avenue for the Pioneer expansions. Total capital assets increased over fiscal 2010 approximately \$4,574,000, or 3.6%, primarily due to progress made on the NW 86th Street Widening, the Green Meadows West Sanitary Sewer Emergency Project, and several storm drainage projects. In addition, the City added a significant amount of sewer and water mains through developer contributions. Other liabilities increased 11.6%, or approximately \$1,893,000, from fiscal 2010.

The largest portion of the City's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. This net asset component increased over fiscal 2010 approximately \$5,698,000 or 6.9%, primarily due to progress on the NW 86th Avenue project. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately \$5,796,000 at the end of this year. Restricted net assets decreased over fiscal 2010 approximately \$974,000, or 9.2%, and unrestricted net assets decreased from 2010 approximately \$662,000, or 10.3%. The decrease in restricted net assets is primarily due to a decrease in funds held for capital projects.

	Changes in Net Assets (Expressed in Thousands)						
	Governmental Activities		Business Type Activities		Total		Percent Change June 30, 2010-2011
	June 30,		June 30,		June 30,		
	2011	2010	2011	2010	2011	2010	
Revenues							
Program revenues							
Charges for service	\$ 1,578	\$ 1,429	\$ 4,976	\$ 4,427	\$ 6,554	\$ 5,856	11.9%
Operating grants, contributions and restricted interest	1,423	1,213	2	-	1,425	1,213	17.4
Capital grants, contributions and restricted interest	1,337	708	304	110	1,641	818	100.6
General revenues							
Property and other city tax levied for							
General purpose	7,505	7,097	-	-	7,505	7,097	5.7
Debt service	3,861	3,918	-	-	3,861	3,918	-1.4
Hotel/motel tax	212	189	-	-	212	189	12.1
Tax increment financing	2,172	1,304	-	-	2,172	1,304	66.5
Other city tax	69	129	24	95	93	224	-58.4
Unrestricted investment earnings	18	32	4	7	22	39	-43.5
Miscellaneous	168	428	297	284	465	712	-34.6
Total revenues	<u>18,343</u>	<u>16,447</u>	<u>5,607</u>	<u>4,923</u>	<u>23,950</u>	<u>21,370</u>	<u>12.0</u>
Program expenses							
Public safety	3,610	3,407	-	-	3,610	3,407	5.9
Public works	4,370	4,157	-	-	4,370	4,157	3.6
Health and social services	16	35	-	-	16	35	-54.2
Culture and recreation	2,450	2,392	-	-	2,450	2,392	2.4
Community and economic development	1,005	1,040	-	-	1,005	1,040	-3.3
General government	1,240	1,175	-	-	1,240	1,175	5.5
Interest and developer agreement debt	1,871	1,818	-	-	1,871	1,818	2.9
Water	-	-	3,310	3,127	3,310	3,127	5.8
Sewer	-	-	2,016	2,025	2,016	2,025	-0.4
Total expenses	<u>14,562</u>	<u>14,024</u>	<u>5,326</u>	<u>5,152</u>	<u>19,888</u>	<u>18,502</u>	<u>7.4</u>
Excess of revenues over expenses	3,781	2,423	281	(229)	4,062	2,194	85.0
Operating transfers, net	(464)	(45)	464	45	-	-	-
Net assets, beginning of year	<u>65,230</u>	<u>62,852</u>	<u>34,998</u>	<u>35,182</u>	<u>100,228</u>	<u>98,033</u>	<u>2.2</u>
Net assets, end of year	<u>\$68,547</u>	<u>\$65,230</u>	<u>\$35,743</u>	<u>\$34,998</u>	<u>\$104,290</u>	<u>\$100,227</u>	<u>4.0%</u>

The tax rate decreased from \$11.30 to \$11.27 per \$1,000 of taxable valuation; the general purpose tax levy increased from \$7.38 to \$7.60 per \$1,000 of taxable valuation and the general purpose tax revenue increased approximately \$408,000 as a result of increased taxable valuation. Tax increment financing valuation has been released over the past several years, which has increased the taxable valuation used to calculate the general fund tax levy. The debt service tax levy decreased from \$3.92 to \$3.67 per \$1,000 of taxable valuation. Even with the release of valuation, the tax increment financing revenues increased approximately \$868,000, or 67% due to several large commercial properties construction.

Overall revenues increased approximately \$2,579,000, or 12%, from FY10 to FY11. Capital grants, contributions and restricted interest increased due to ARRA highway planning and construction grant. Charges for services increased, primarily due to an increase in the contracted fees for recycling and garbage collection, water and sewer rates.

Expenses increased overall approximately \$1,386,000, or 7%. Expenses increased in most program areas due to rising cost of benefits and commodities such as gasoline, oil, etc..

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the City of Johnston completed the year, its governmental funds reported a combined fund balance of \$10,847,512, a decrease of \$615,963 over last year's total \$11,463,475. The following are the major reasons for the changes in fund balances of the governmental funds from the prior year.

The General Fund balance increased \$776,605 to \$4,157,330, a change of 23%.

The Special Revenue, Urban Renewal Tax Increment Financing (TIF) Fund balance increased \$519,639 to \$3,940,169, a change of 15.2%.

The Debt Service Fund balance increased \$38,830 to \$316,804. This increase was primarily due to the refunding of 2002B general obligation bonds.

The Capital Projects Fund balance decreased \$1,942,465 to \$1,529,259. The decrease is due to completion of several multi-year capital projects.

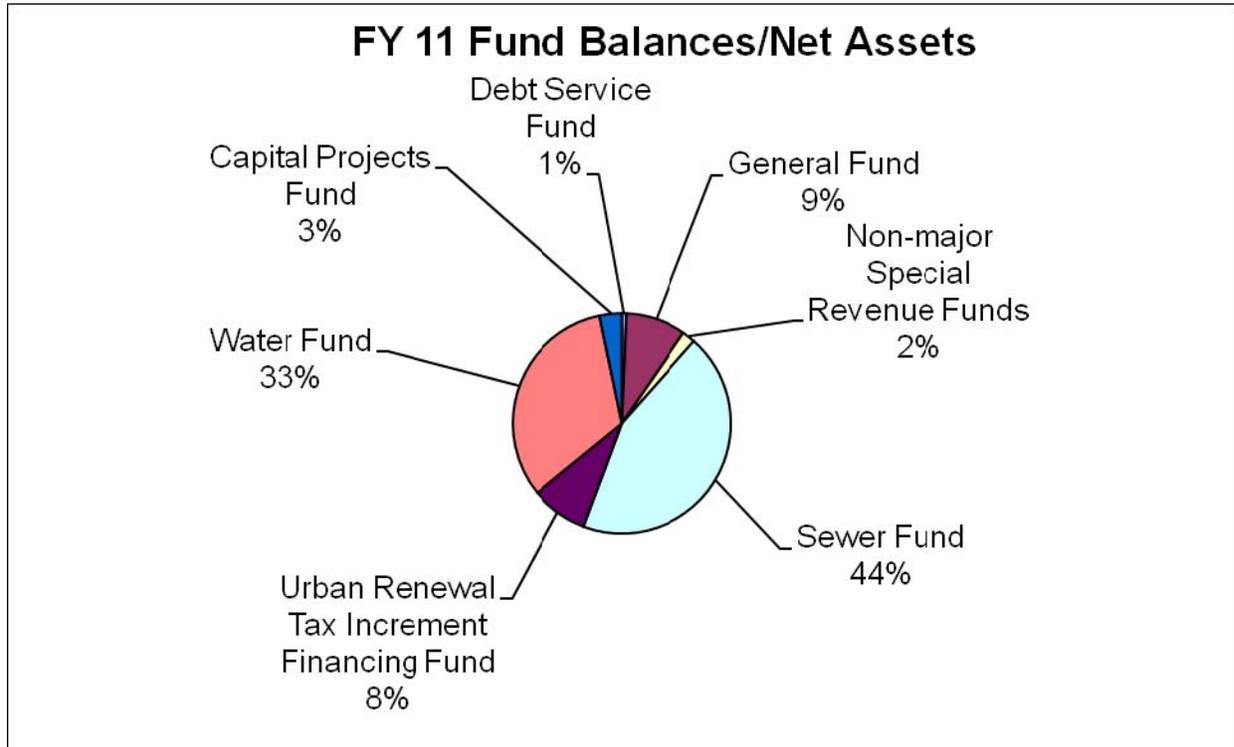
Proprietary Fund Highlights

The Water Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal 2011 with a \$15,179,625 net asset balance compared to the prior year ending net asset balance of \$15,332,093, a decrease of approximately 1.0%.

The Sewer Fund, which accounts for the operation and maintenance of the City's wastewater treatment system, ended fiscal 2011 with a \$20,562,818 net asset balance compared to the prior year ending net asset balance of \$19,665,686, an increase of 4.6%

Net assets in the Sewer Fund increased due to increasing the City's user rates and a relatively dry spring.

The following chart presents the City's fund balances and their percentage to total fund balance for all City funds.



BUDGETARY HIGHLIGHTS

The City amended its budget twice in FY 10-11. The amendments were approved on September 7, 2010 and April 18, 2011. The amendments were necessary for various changes in the City's receipts, disbursements, and internal transfers and affected most receipt categories and all disbursement functions.

The City's receipts were \$240,179 less than budgeted receipts, a variance of less than 1.6%.

Total disbursements were \$4,775,916 less than budgeted. Actual disbursements for the capital projects and business type activities functions were \$2,043,550 and \$1,446,763, respectively, less than budgeted. The variance in the capital projects function is primarily due to less work completed in the Capital Projects Fund than anticipated on ongoing projects. The budget variance in the business type activities function is attributable to the water tower project and sanitary sewer projects not completed prior to June 30, 2011.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets include land, buildings and improvements, equipment, streets, water and wastewater systems, lighting systems, traffic signals and other infrastructure. Capital assets for governmental activities totaled \$88,941,964 (net of accumulated depreciation) at June 30, 2011. Capital assets for business type activities totaled \$42,803,178 (net of accumulated depreciation) at June 30, 2011. See note 3 to the financial statements for more information about the city's capital assets.

	Capital Assets, net of Depreciation (Expressed in Thousands)						
	Governmental Activities		Business Type Activities		Total		Percent Change June 30, 2010-2011
	June 30,		June 30,		June 30,		
	2011	2010	2011	2010	2011	2010	
Land	\$ 4,606	\$ 3,074	\$ 235	\$ 235	\$ 4,841	\$ 3,309	4.6%
Construction in progress	19,314	18,926	3,416	1,422	22,730	20,348	1.2
Buildings	7,460	6,907	-	-	7,460	6,907	8.0
Improvements other than buildings	1,154	977	-	-	1,154	977	1.9
Equipment and vehicles	3,116	3,264	179	224	3,295	3,488	-5.6
Infrastructure, road network	53,025	52,513	-	-	53,025	52,513	1.0
Infrastructure, water/sewer network	-	-	38,973	39,332	38,973	39,332	-1.0
Infrastructure, other	<u>267</u>	<u>297</u>	<u>-</u>	<u>-</u>	<u>267</u>	<u>297</u>	<u>-10.1</u>
Total	\$ <u>88,942</u>	\$ <u>85,958</u>	\$ <u>42,803</u>	\$ <u>41,213</u>	\$ <u>131,745</u>	\$ <u>127,171</u>	<u>3.6%</u>

The major capital outlays for governmental activities during the year included NW 86th Street widening improvements, 2010 Storm Drainage Improvements, Johnston Commons Drainage, Green Meadows West Sanitary Sewer Emergency, and 2010-2011 Resurfacing.

For business type activities, major additions included NW 107th Water main improvements and NW Water Tower. In addition, water and sewer mains contributed by developers were also capitalized.

Long-Term Debt

At June 30, 2011, the City had \$30,483,681 in general obligation bonds/notes outstanding for governmental activities. Total general obligation and revenue bonds/notes outstanding for business type activities was \$12,447,964 at June 30, 2011. Additional information about the City's long-term debt is presented in note 4 to the financial statements.

	Outstanding Long-Term Obligations (Expressed in Thousands)						
	Governmental Activities		Business Type Activities		Total		Percent Change June 30, 2010-2011
	June 30,		June 30,		June 30,		
	2011	2010	2011	2010	2011	2010	
General obligation bonds/notes	\$ 30,484	\$ 31,683	\$ 5,696	\$ 2,854	\$ 36,180	\$ 34,537	4.8%
Revenue bonds/notes	<u>-</u>	<u>-</u>	<u>6,752</u>	<u>9,519</u>	<u>6,752</u>	<u>9,519</u>	<u>-29.1</u>
Total	\$ <u>30,484</u>	\$ <u>31,683</u>	\$ <u>12,448</u>	\$ <u>12,373</u>	\$ <u>42,932</u>	\$ <u>44,056</u>	<u>-2.6%</u>

During the year ended June 30, 2011, the City issued \$970,000 of general obligation notes, Series 2010B, \$3,240,000 general obligation refunding notes (2001B Revenue) 2011A, and \$1,850,000 of general obligation notes 2011B.

ECONOMIC FACTORS BEARING ON THE CITY’S FUTURE

Several factors affected decisions made by the City in setting its fiscal 2012 budget.

The rollback on residential properties increased to 48.5299% from 46.9094%. This means properties classified as residential in Iowa pay property tax based on 48.5299% of their assessed value. The rollback on commercial properties will remain at 100%. Based on the 2010 valuations, the City gains \$47,731,290 in residential property valuation and \$27,118,770 in commercial/industrial valuation, for a net increase of \$77,501,366 in taxable valuation. The property tax levy was decreased to \$11.09579 per \$1,000/valuation, however, due to the increased valuations; a net increase of \$473,988 in property tax dollars is anticipated. In establishing the Tax Increment Financing (TIF) program, the City anticipated releasing valuation in the TIF districts when the valuation reached a level greater than the amount necessary to fund the TIF obligations. However, in the FY11 and FY12 budget, the City has several new TIF agreements in place and therefore the increase of \$26,701,880 was necessary to meet the TIF obligations to developers.

The General Fund is projected to end fiscal 2012 with a fund balance of \$2,725,402.

The tax levy rates per \$1,000 of taxable valuation for fiscal 2012 are as follows:

General Fund levy	\$ 7.63548
Debt Service levy	<u>3.46031</u>
Total	<u>\$11.09579</u>

Major projects which will continue to affect the City for the next few years is the widening NW 86th Street, the reconstruction of NW 62nd Avenue from NW 86th Street to Pioneer Parkway, and storm water utility projects. The residents of Johnston overwhelming passed a \$14,000,000 bond referendum August 2, 2011 for the construction of a new Public Safety Building (joint police and fire) and a Satellite Fire Station (west side of Johnston). Properties are being acquired and engineering plans are being drawn up.

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Teresa Rotschafer, Finance Director, 6221 Merle Hay Road, P.O. Box 410, Johnston, Iowa, 50131-0410

BASIC FINANCIAL STATEMENTS

City of Johnston, Iowa
STATEMENT OF NET ASSETS
June 30, 2011

	Primary Government		Total
	Governmental Activities	Business Type Activities	
ASSETS			
Cash and pooled investments	\$ 10,631,348	\$ 2,154,948	\$ 12,786,296
Cash and investments held by the Library Foundation	217,847	-	217,847
Receivables			
Property tax			
Delinquent	57,070	-	57,070
Succeeding year	11,816,996	-	11,816,996
Tax increment financing			
Delinquent	11,235	-	11,235
Succeeding year	3,136,000	-	3,136,000
Customer accounts and unbilled usage	-	659,529	659,529
Accounts	221,718	-	221,718
Special assessments	528,004	-	528,004
Accrued interest	2,423	1,210	3,633
Due from other governments	686,304	250,500	936,804
Inventories	-	60,189	60,189
Prepaid expenses	325,645	26,929	352,574
Restricted assets			
Cash and pooled investments	-	2,163,606	2,163,606
Receivables			
Special assessments	-	827,118	827,118
Capital assets (net of accumulated depreciation)	65,021,902	39,152,083	104,173,985
Capital assets not being depreciated	23,920,062	3,651,095	27,571,157
Bond/Note issuance costs	-	48,315	48,315
Total assets	<u>116,576,554</u>	<u>48,995,522</u>	<u>165,572,076</u>
LIABILITIES			
Accounts payable	182,988	22,580	205,568
Accrued interest payable	109,981	8,425	118,406
Salaries and benefits payable	175,690	23,076	198,766
Contracts payable	484,353	358,551	842,904
Due to other governments	35,088	227,929	263,017
Deferred revenue			
Succeeding year property tax	11,816,996	-	11,816,996
Succeeding year tax increment financing	3,136,000	-	3,136,000
Other	627,219	83,500	710,719
Liabilities payable from restricted assets			
Customer deposits	-	8,480	8,480
Revenue bonds/notes	-	536,000	536,000
Accrued interest	-	38,174	38,174
Long-term liabilities			
Portion due or payable within one year			
General obligation bonds/notes	4,300,000	600,000	4,900,000
Compensated absences	149,083	6,354	155,437
Portion due or payable after one year			
General obligation bonds/notes	26,183,681	2,094,341	28,278,022
Revenue bonds/notes (net of unamortized discount)	-	9,217,623	9,217,623
Compensated absences	339,274	28,046	367,320
Net OPEB liability	488,886	-	488,886
Total liabilities	<u>48,029,239</u>	<u>13,253,079</u>	<u>61,282,318</u>
NET ASSETS			
Invested in capital assets, net of related debt	58,458,283	30,355,214	88,813,497
Restricted for			
Debt service	4,256,973	-	4,256,973
Capital projects	1,529,259	-	1,529,259
Revenue bond and note retirement	-	2,327,799	2,327,799
Improvements	-	662,925	662,925
Other purposes	903,950	-	903,950
Unrestricted	<u>3,398,850</u>	<u>2,396,505</u>	<u>5,795,355</u>
Total net assets	<u>\$ 68,547,315</u>	<u>\$35,742,443</u>	<u>\$104,289,758</u>

See Notes to Financial Statements.

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City of Johnston, Iowa
STATEMENT OF ACTIVITIES
Year ended June 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
FUNCTIONS/PROGRAMS				
Governmental activities				
Public safety	\$ 3,610,336	\$ 791,741	\$ 10,000	\$ -
Public works	4,370,067	-	1,412,780	1,337,462
Health and social services	16,200	-	-	-
Culture and recreation	2,449,818	247,418	-	-
Community and economic development	1,005,334	-	-	-
General government	1,240,194	539,166	-	-
Interest and developer agreement debt	<u>1,870,766</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>14,562,715</u>	<u>1,578,325</u>	<u>1,422,780</u>	<u>1,337,462</u>
Business type activities				
Water	3,309,861	2,790,311	1,792	70,200
Sewer	<u>2,016,088</u>	<u>2,184,959</u>	<u>-</u>	<u>234,036</u>
Total business type activities	<u>5,325,949</u>	<u>4,975,270</u>	<u>1,792</u>	<u>304,236</u>
Total	<u>\$19,888,664</u>	<u>\$6,553,595</u>	<u>\$1,424,572</u>	<u>\$1,641,698</u>
GENERAL REVENUES				
Property and other city tax levied for				
General purposes				
Debt service				
Hotel/motel tax				
Tax incremental financing				
Other city tax				
Unrestricted investment earnings				
Miscellaneous				
TRANSFERS				
Total general revenues and transfers				
CHANGE IN NET ASSETS				
NET ASSETS BEGINNING OF YEAR				
NET ASSETS END OF YEAR				

See Notes to Financial Statements.

**Net (Expense) Revenue and
Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (2,808,595)	\$ —	\$ (2,808,595)
(1,619,825)	—	(1,619,825)
(16,200)	—	(16,200)
(2,202,400)	—	(2,202,400)
(1,005,334)	—	(1,005,334)
(701,028)	—	(701,028)
<u>(1,870,766)</u>	<u>—</u>	<u>(1,870,766)</u>
<u>(10,224,148)</u>	<u>—</u>	<u>(10,224,148)</u>
—	(447,558)	(447,558)
—	<u>402,907</u>	<u>402,907</u>
<u>—</u>	<u>(44,651)</u>	<u>(44,651)</u>
<u>(10,224,148)</u>	<u>(44,651)</u>	<u>(10,268,799)</u>
7,504,579	—	7,504,579
3,861,292	—	3,861,292
212,272	—	212,272
2,172,053	—	2,172,053
68,538	23,953	92,491
18,232	3,739	21,971
168,279	297,180	465,459
<u>(464,443)</u>	<u>464,443</u>	<u>—</u>
<u>13,540,802</u>	<u>789,315</u>	<u>14,330,117</u>
3,316,654	744,664	4,061,318
<u>65,230,661</u>	<u>34,997,779</u>	<u>100,228,440</u>
<u>\$68,547,315</u>	<u>\$35,742,443</u>	<u>\$104,289,758</u>

See Notes to Financial Statements.

**City of Johnston, Iowa
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

	<u>General</u>	<u>Special Revenue Urban Renewal Tax Increment Financing</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
ASSETS						
Cash and pooled investments	\$ 3,872,473	\$3,945,184	\$ 297,373	\$1,581,037	\$ 603,370	\$10,299,437
Cash and investments held by the Library Foundation	-	-	-	-	217,847	217,847
Receivables						
Property tax						
Delinquent	37,639	-	19,431	-	-	57,070
Succeeding year	7,913,364	-	3,903,632	-	-	11,816,996
Tax increment financing						
Delinquent	-	11,235	-	-	-	11,235
Succeeding year	-	3,136,000	-	-	-	3,136,000
Accounts	213,390	-	-	42	6,878	220,310
Special assessments	-	-	523,325	4,679	-	528,004
Accrued interest	698	835	-	890	-	2,423
Due from other governments	75,512	-	-	476,002	134,790	686,304
Prepaid expenditures	<u>311,795</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,850</u>	<u>325,645</u>
Total assets	<u>\$12,424,871</u>	<u>\$7,093,254</u>	<u>\$4,743,761</u>	<u>\$2,062,650</u>	<u>\$ 976,735</u>	<u>\$27,301,271</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 127,201	\$ 4,565	\$ -	\$ -	\$ 46,647	\$ 178,413
Salaries and benefits payable	156,345	-	-	-	19,345	175,690
Contracts payable	50,934	-	-	433,342	77	484,353
Due to other governments	15,852	12,520	-	-	6,716	35,088
Deferred revenue						
Succeeding year property tax	7,913,364	-	3,903,632	-	-	11,816,996
Succeeding year tax increment financing	-	3,136,000	-	-	-	3,136,000
Other	<u>3,845</u>	<u>-</u>	<u>523,325</u>	<u>100,049</u>	<u>-</u>	<u>627,219</u>
Total liabilities	<u>8,267,541</u>	<u>3,153,085</u>	<u>4,426,957</u>	<u>533,391</u>	<u>72,785</u>	<u>16,453,759</u>
Fund balances						
Nonspendable	311,795	-	-	-	-	311,795
Restricted for						
Debt service	-	3,940,169	316,804	-	-	4,256,973
Capital projects	-	-	-	1,529,259	-	1,529,259
Other	-	-	-	-	903,950	903,950
Unassigned	<u>3,845,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,845,535</u>
Total fund balances	<u>4,157,330</u>	<u>3,940,169</u>	<u>316,804</u>	<u>1,529,259</u>	<u>903,950</u>	<u>10,847,512</u>
Total liabilities and fund balances	<u>\$12,424,871</u>	<u>\$7,093,254</u>	<u>\$4,743,761</u>	<u>\$2,062,650</u>	<u>\$ 976,735</u>	<u>\$27,301,271</u>

See Notes to Financial Statements.

City of Johnston, Iowa
RECONCILIATION OF THE BALANCE SHEET—
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2011

Total governmental fund balances (page 18)	\$10,847,512
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$113,997,726 and the accumulated depreciation is \$25,055,762.	88,941,964
The Internal Service Funds are used by management to charge the costs of partial self funding of the City's health insurance benefit and flexible spending plans to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	328,744
Long-term liabilities, including bonds/notes payable, bond issuance costs, bond premiums and discounts, compensated absences payable, other postemployment benefits payable, and accrued interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(31,570,905)
Net assets of governmental activities (page 15)	<u>\$68,547,315</u>

City of Johnston, Iowa
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended June 30, 2011

	<u>Special Revenue</u>					<u>Total</u>
	<u>General</u>	<u>Urban Renewal Tax Increment Financing</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	
REVENUES						
Property tax	\$7,229,647	\$ -	\$3,728,351	\$ -	\$ -	\$10,957,998
Tax increment financing	-	2,172,053	-	-	-	2,172,053
Other city tax	487,204	-	132,941	-	-	620,145
Licenses and permits	493,901	-	-	-	21,753	515,654
Use of money and property	47,496	6,132	1,190	3,778	4,901	63,497
Intergovernmental	225,665	-	-	1,337,462	1,422,780	2,985,907
Charges for service	791,741	-	-	-	-	791,741
Special assessments	-	-	64,578	3,960	-	68,538
Miscellaneous	64,678	-	-	504	28,934	94,116
Total revenues	<u>9,340,332</u>	<u>2,178,185</u>	<u>3,927,060</u>	<u>1,345,704</u>	<u>1,478,368</u>	<u>18,269,649</u>
EXPENDITURES						
Operating						
Public safety	3,397,975	-	-	-	20,644	3,418,619
Public works	877,268	-	-	-	1,390,462	2,267,730
Health and social services	16,200	-	-	-	-	16,200
Culture and recreation	2,130,473	-	-	-	25,734	2,156,207
Community and economic development	879,628	81,038	-	-	12,400	973,066
General government	1,158,530	-	-	-	-	1,158,530
Debt service	-	768,511	5,124,683	-	-	5,893,194
Capital projects	-	1,550,558	-	3,802,627	-	5,353,185
Total expenditures	<u>8,460,074</u>	<u>2,400,107</u>	<u>5,124,683</u>	<u>3,802,627</u>	<u>1,449,240</u>	<u>21,236,731</u>
Excess (deficiency) of revenues over (under) expenditures	<u>880,258</u>	<u>(221,922)</u>	<u>(1,197,623)</u>	<u>(2,456,923)</u>	<u>29,128</u>	<u>(2,967,082)</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	25,000	-	1,236,453	155,000	17,300	1,433,753
Operating transfers out	(142,300)	(1,102,479)	-	(598,417)	(55,000)	(1,898,196)
Sale of assets	13,647	-	-	-	-	13,647
General obligation bonds issued	-	1,850,000	-	970,000	-	2,820,000
(Discount) on general obligation bonds issued	-	(5,960)	-	(12,125)	-	(18,085)
Total other financing sources (uses)	<u>(103,653)</u>	<u>741,561</u>	<u>1,236,453</u>	<u>514,458</u>	<u>(37,700)</u>	<u>2,351,119</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	776,605	519,639	38,830	(1,942,465)	(8,572)	(615,963)
FUND BALANCES BEGINNING OF YEAR	<u>3,380,725</u>	<u>3,420,530</u>	<u>277,974</u>	<u>3,471,724</u>	<u>912,522</u>	<u>11,463,475</u>
FUND BALANCES END OF YEAR	<u>\$4,157,330</u>	<u>\$3,940,169</u>	<u>\$ 316,804</u>	<u>\$1,529,259</u>	<u>\$ 903,950</u>	<u>\$10,847,512</u>

See Notes to Financial Statements.

City of Johnston, Iowa
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES—
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2011

Net change in fund balances—Total governmental funds (page 20) \$ (615,963)

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	5,221,502	
Capital assets contributed by developers and others	240,678	
Depreciation expense	<u>(2,453,735)</u>	3,008,445

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, donations and disposals) to (decrease) net assets:

Proceeds from the sale of capital assets		(13,647)
Loss on sale of capital assets		<u>(10,880)</u>

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(2,820,000)	
Repaid	<u>3,930,000</u>	1,110,000

Governmental funds report the effect of issuance costs, premiums, discount and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

89,693

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(62,870)	
Accrued interest on long-term debt	2,735	
Other postemployment benefits payable	<u>(163,926)</u>	(224,061)

The Internal Service Funds are used by management to charge the costs of partial self funding of the City's health insurance benefit and flexible spending plans to individual funds. The change in net assets of the Internal Service Funds is reported with governmental activities.

(26,933)

Change in net assets of governmental activities (page 17) **\$3,316,654**

City of Johnston, Iowa
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

	Business Type			Governmental
	Activities			Activities
	Water	Sewer	Total	Internal
	Enterprise			Service
ASSETS				
Current assets				
Cash and pooled investments	\$ 902,281	\$ 1,252,667	\$ 2,154,948	\$ 331,911
Receivables				
Customer accounts and unbilled usage	399,370	260,159	659,529	1,408
Accrued interest	360	850	1,210	-
Inventories	60,189	-	60,189	-
Prepaid expenses	14,322	12,607	26,929	-
Restricted assets				
Cash and pooled investments	373,875	1,789,731	2,163,606	-
Receivables				
Special assessments	113,163	713,955	827,118	-
Due from other governments	-	250,500	250,500	-
Capital assets (net of accumulated depreciation)	15,689,365	23,462,718	39,152,083	-
Capital assets not being depreciated	3,004,916	646,179	3,651,095	-
Bond/Note issuance costs	48,315	-	48,315	-
Total assets	<u>20,606,156</u>	<u>28,389,366</u>	<u>48,995,522</u>	<u>333,319</u>
LIABILITIES				
Current liabilities				
Accounts payable	11,972	10,608	22,580	4,575
Accrued interest payable on general obligation bonds	-	8,425	8,425	-
Salaries and benefits payable	11,574	11,502	23,076	-
Contracts payable	351,723	6,828	358,551	-
Deferred revenue	-	83,500	83,500	-
Due to other governments	227,908	21	227,929	-
Compensated absences	3,177	3,177	6,354	-
General obligation bonds	215,000	385,000	600,000	-
Current liabilities payable from restricted assets				
Customer deposits	8,480	-	8,480	-
Revenue bonds and notes	128,000	408,000	536,000	-
Accrued interest	25,051	13,123	38,174	-
Long-term liabilities				
General obligation bonds	-	2,094,341	2,094,341	-
Revenue bonds and notes	4,429,623	4,788,000	9,217,623	-
Compensated absences	14,023	14,023	28,046	-
Total liabilities	<u>5,426,531</u>	<u>7,826,548</u>	<u>13,253,079</u>	<u>4,575</u>
NET ASSETS				
Invested in capital assets, net of related debt	13,921,658	16,433,556	30,355,214	-
Restricted for				
Revenue bond and note retirement	324,113	2,003,686	2,327,799	-
Improvements	162,925	500,000	662,925	-
Unrestricted	<u>770,929</u>	<u>1,625,576</u>	<u>2,396,505</u>	<u>328,744</u>
Total net assets	<u>\$15,179,625</u>	<u>\$20,562,818</u>	<u>\$35,742,443</u>	<u>\$ 328,744</u>

See Notes to Financial Statements.

City of Johnston, Iowa
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year ended June 30, 2011

	Business Type			Governmental
	Activities			Activities
	Water	Enterprise	Total	Internal
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Service</u>
OPERATING REVENUES				
Charges for service	\$ 2,772,618	\$ 2,049,919	\$ 4,822,537	\$ -
Miscellaneous	<u>245,395</u>	<u>51,785</u>	<u>297,180</u>	<u>78,601</u>
Total operating revenues	<u>3,018,013</u>	<u>2,101,704</u>	<u>5,119,717</u>	<u>78,601</u>
OPERATING EXPENSES				
Governmental activities				
Public safety	-	-	-	22,627
Public works	-	-	-	21,221
Culture and recreation	-	-	-	13,214
Community and economic development	-	-	-	15,789
General government	-	-	-	32,683
Business type activities				
Cost of sales and services	2,694,560	1,134,661	3,829,221	-
Depreciation	<u>365,002</u>	<u>598,564</u>	<u>963,566</u>	-
Total operating expenses	<u>3,059,562</u>	<u>1,733,225</u>	<u>4,792,787</u>	<u>105,534</u>
Operating income (loss)	<u>(41,549)</u>	<u>368,479</u>	<u>326,930</u>	<u>(26,933)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	1,808	1,931	3,739	-
Interest expense	(250,299)	(282,863)	(533,162)	-
Intergovernmental	1,792	-	1,792	-
Service connection fees	17,693	135,040	152,733	-
Special assessments	<u>(3,150)</u>	<u>27,103</u>	<u>23,953</u>	-
Total nonoperating revenues (expenses)	<u>(232,156)</u>	<u>(118,789)</u>	<u>(350,945)</u>	-
Net income (loss) before contributions and transfers	<u>(273,705)</u>	<u>249,690</u>	<u>(24,015)</u>	<u>(26,933)</u>
CONTRIBUTIONS AND TRANSFERS				
Operating transfer in	83,092	515,325	598,417	-
Operating transfers out	(32,055)	(101,919)	(133,974)	-
Capital contributions	<u>70,200</u>	<u>234,036</u>	<u>304,236</u>	-
Total contributions and transfers	<u>121,237</u>	<u>647,442</u>	<u>768,679</u>	-
CHANGE IN NET ASSETS	(152,468)	897,132	744,664	(26,933)
NET ASSETS BEGINNING OF YEAR	<u>15,332,093</u>	<u>19,665,686</u>	<u>34,997,779</u>	<u>355,677</u>
NET ASSETS END OF YEAR	<u>\$15,179,625</u>	<u>\$20,562,818</u>	<u>\$35,742,443</u>	<u>\$ 328,744</u>

See Notes to Financial Statements.

City of Johnston, Iowa
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2011

	Business Type Activities			Governmental Activities
	Enterprise			Internal Service
	Water	Sewer	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers, users and employees	\$2,750,718	\$2,259,638	\$5,010,356	\$ 78,601
Cash received from other revenues	245,395	51,785	297,180	-
Cash paid for personal services	(480,240)	(440,397)	(920,637)	-
Cash paid to suppliers	(1,807,504)	(586,305)	(2,393,809)	(110,701)
Net cash provided by (used in) operating activities	<u>708,369</u>	<u>1,284,721</u>	<u>1,993,090</u>	<u>(32,100)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(1,723,189)	(526,111)	(2,249,300)	-
Special assessments	(3,150)	27,103	23,953	-
Service connection fees	17,693	135,040	152,733	-
Bond issuance costs	4,599	630	5,229	-
Intergovernmental	1,792	-	1,792	-
General obligation bond proceeds	3,240,000	-	3,240,000	-
Revenue bond and note proceeds	1,314,233	-	1,314,233	-
Principal paid on revenue bonds and notes	(3,730,000)	(394,000)	(4,124,000)	-
Principal paid on general obligation bonds	-	(375,000)	(375,000)	-
Interest paid on revenue bonds and notes	(241,005)	(170,361)	(411,366)	-
Interest paid on general obligation bonds	-	(114,653)	(114,653)	-
Transfer in from debt service fund for bond payment	<u>83,092</u>	<u>515,325</u>	<u>598,417</u>	<u>-</u>
Net cash (used in) capital and related financing activities	<u>(1,035,935)</u>	<u>(902,027)</u>	<u>(1,937,962)</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	<u>(32,055)</u>	<u>(101,919)</u>	<u>(133,974)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	<u>1,808</u>	<u>1,931</u>	<u>3,739</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(357,813)	282,706	(75,107)	(32,100)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>1,633,969</u>	<u>2,759,692</u>	<u>4,393,661</u>	<u>364,011</u>
CASH AND CASH EQUIVALENTS END OF YEAR	<u>\$1,276,156</u>	<u>\$3,042,398</u>	<u>\$4,318,554</u>	<u>\$ 331,911</u>

See Notes to Financial Statements.

City of Johnston, Iowa
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
Year ended June 30, 2011

	Business Type			Governmental
	Activities			Activities
	Water	Enterprise	Total	Internal
	Sewer		Service	
RECONCILIATION OF OPERATING INCOME TO NET PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ (41,549)	\$ 368,479	\$ 326,930	\$ (26,933)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	365,002	598,564	963,566	-
(Increase) in customer accounts and unbilled usage and other accounts receivable	(54,146)	(16,703)	(70,849)	(1,408)
Decrease in special assessment receivable	32,246	142,922	175,168	-
Decrease in inventories	28,302	-	28,302	-
Decrease in prepaid expenses	4,573	6,288	10,861	-
Increase (decrease) in accounts payable	(10,794)	7,007	(3,787)	(3,759)
Increase in contract payables	347,085	4,703	351,788	-
Increase in compensated absences	7,508	7,508	15,016	-
Increase in deferred revenue	-	83,500	83,500	-
Increase in due to/from other governments	<u>30,142</u>	<u>82,453</u>	<u>112,595</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 708,369</u>	<u>\$1,284,721</u>	<u>\$1,993,090</u>	<u>\$ (32,100)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON THE STATEMENT OF NET ASSETS				
Current assets				
Cash and pooled investments	\$ 902,281	\$1,252,667	\$2,154,948	\$ 331,911
Restricted assets				
Cash and pooled investments	<u>373,875</u>	<u>1,789,731</u>	<u>2,163,606</u>	<u>-</u>
Cash and cash equivalents at year end	<u>\$1,276,156</u>	<u>\$3,042,398</u>	<u>\$4,318,554</u>	<u>\$ 331,911</u>

NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES

During the year ended June 30, 2011, developers contributed water main and sanitary sewer extensions totaling \$70,200 and \$234,036, respectively, to the Enterprise Water and Sewer Funds.

City of Johnston, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Johnston is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1969 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Johnston provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. It also provides water and sewer utilities.

The financial statements of the City of Johnston have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The more significant of the City's accounting policies are described below:

Reporting Entity

For financial reporting purposes, the City of Johnston 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 Johnston and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The Johnston Public Library Foundation is an entity which is legally separate from the City, but is so intertwined with the City that it is, in substance, part of the City. The Foundation is reported as part of the City and blended as a Special Revenue Fund. The Foundation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Johnston Public Library. These donations are used to purchase items which are not included in the City's budget.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Polk County Assessor's Conference Board, the Metro Waste Authority, Polk County Emergency Management Commission, and Polk County Joint E911 Service Board.

The City also participates in the Des Moines Area Metropolitan Planning Organization and the Des Moines Metropolitan Wastewater Reclamation Authority, a joint venture.

City of Johnston, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

The City reports the following major governmental funds:

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

The Special Revenue, Urban Renewal Tax Increment Financing Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal districts and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

City of Johnston, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

The City reports the following major proprietary funds:

Enterprise

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

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

Additionally, the City reports the following proprietary fund:

Internal Service Funds are used to finance and account for services and commodities provided by designated departments or agencies to other departments and agencies of the City.

Measurement Focus and Basis of Accounting

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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

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

City of Johnston, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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 and Internal Service Funds are charges to customers for sales and services. Operating expenses for Enterprise 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.

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

Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents

The cash balances of most City funds are pooled in interest-bearing cash accounts and invested in certificates of deposit or in the Iowa Public Agency Investment Trust. In addition, the City has cash and investments held in escrow for debt refunding. Interest on the pooled cash accounts and investments is recognized as revenue when earned and recorded in the General Fund and other funds as provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

Property Tax Receivable, Including Tax Increment Financing

Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Delinquent property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2011 and unpaid taxes. 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 Council 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 in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March 2010.

City of Johnston, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special Assessments Receivable

Special assessments receivable represents the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than ten nor more than twenty annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other tax.

Customer Accounts and Unbilled Usage

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

Due from Other Governments

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

Inventories

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

Restricted Assets

Funds set aside for payment of Enterprise Fund revenue bonds and notes are classified as restricted assets since their use is restricted by applicable bond and note indentures. Other restricted assets include cash and investments held by the City for future Enterprise Fund construction costs and customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Bond Issue Costs

Bond issue costs associated with revenue bonds and general obligation bonds payable from Enterprise Funds are deferred and amortized over the term of the bonds using the straight-line method. Unamortized bond issue costs are presented as other assets.

Due to Other Governments

Due to other governments represents taxes and other revenues collected by the City and payments for services which will be remitted to other governments.

City of Johnston, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

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

<u>Asset Class</u>	<u>Amount</u>
Land, buildings and improvements	\$ 5,000
Equipment and vehicles	5,000
Infrastructure	50,000

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

<u>Asset Class</u>	<u>Estimated useful lives</u>
Buildings	25-50 years
Improvements other than buildings	10-50 years
Vehicles	5-15 years
Equipment	5-20 years
Infrastructure	10-65 years

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current year or collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of the succeeding year property tax receivable and tax increment financing receivable, special assessments receivable, other receivables not collected within sixty days after year end and prepaid permits.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied and the amount of assets that have been recognized, but the related revenue is not yet earned and prepaid permits.

Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

City of Johnston, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Liabilities

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

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

Fund Equity

In the governmental fund financial statements, fund balance are classified as follows:

Nonspendable - Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the City Council intends to use for a specified purpose.

Unassigned - All amounts not included in other spendable classifications.

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 amounts budgeted in any function.

NOTE 2 CASH AND POOLED INVESTMENTS

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.

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

The City has investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$14,138,961 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

City of Johnston, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH AND POOLED INVESTMENTS (continued)

Interest rate risk

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTE 3 CAPITAL ASSETS

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

	<u>Balance beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance end of year</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,073,647	\$1,532,575	\$ —	\$ 4,606,222
Construction in progress, road network	18,885,967	2,557,064	2,168,570	19,274,461
Construction in progress, other	<u>40,401</u>	<u>29,917</u>	<u>30,939</u>	<u>39,379</u>
Total capital assets not being depreciated	<u>22,000,015</u>	<u>4,119,556</u>	<u>2,199,509</u>	<u>23,920,062</u>
Capital assets being depreciated				
Buildings	8,802,007	766,132	—	9,568,139
Improvements other than buildings	1,171,775	227,401	—	1,399,176
Equipment and vehicles	6,756,011	359,833	304,035	6,811,809
Infrastructure, road network	69,446,162	2,188,767	—	71,634,929
Infrastructure, other	<u>663,611</u>	<u>—</u>	<u>—</u>	<u>663,611</u>
Total capital assets being depreciated	<u>86,839,566</u>	<u>3,542,133</u>	<u>304,035</u>	<u>90,077,664</u>
Less accumulated depreciation for				
Buildings	1,895,087	212,598	—	2,107,685
Improvements other than buildings	194,469	50,296	—	244,765
Equipment and vehicles	3,492,589	482,908	279,508	3,695,989
Infrastructure, road network	16,932,920	1,677,469	—	18,610,389
Infrastructure, other	<u>366,470</u>	<u>30,464</u>	<u>—</u>	<u>396,934</u>
Total accumulated depreciation	<u>22,881,535</u>	<u>2,453,735</u>	<u>279,508</u>	<u>25,055,762</u>
Total capital assets being depreciated, net	<u>63,958,031</u>	<u>1,088,398</u>	<u>24,527</u>	<u>65,021,902</u>
Governmental activities capital assets, net	<u>\$85,958,046</u>	<u>\$5,207,954</u>	<u>\$2,224,036</u>	<u>\$88,941,964</u>

City of Johnston, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS (continued)

	<u>Balance beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance end of year</u>
Business type activities				
Capital assets not being depreciated				
Land	\$ 235,261	\$ -	\$ -	\$ 235,261
Construction in progress	<u>1,421,564</u>	<u>2,227,801</u>	<u>233,531</u>	<u>3,415,834</u>
Total capital assets not being depreciated	<u>1,656,825</u>	<u>2,227,801</u>	<u>233,531</u>	<u>3,651,095</u>
Capital assets being depreciated				
Equipment and vehicles	513,215	-	-	513,215
Infrastructure, water and sewer network	<u>47,772,124</u>	<u>559,267</u>	<u>-</u>	<u>48,331,391</u>
Total capital assets being depreciated	<u>48,285,339</u>	<u>559,267</u>	<u>-</u>	<u>48,844,606</u>
Less accumulated depreciation for				
Equipment and vehicles	289,001	45,186	-	334,187
Infrastructure, water and sewer network	<u>8,439,956</u>	<u>918,380</u>	<u>-</u>	<u>9,358,336</u>
Total accumulated depreciation	<u>8,728,957</u>	<u>963,566</u>	<u>-</u>	<u>9,692,523</u>
Total capital assets being depreciated, net	<u>39,556,382</u>	<u>(404,299)</u>	<u>-</u>	<u>39,152,083</u>
Business type activities capital assets, net	<u>\$41,213,207</u>	<u>\$1,823,502</u>	<u>\$ 233,531</u>	<u>\$42,803,178</u>

Depreciation expense was charged to the following functions:

Governmental activities		
Public safety		\$ 209,382
Public works		1,955,776
Culture and recreation		249,455
Community and economic development		14,230
General government		<u>24,893</u>
Total depreciation expense--governmental activities		<u>\$2,453,736</u>
Business type activities		
Water		\$ 365,002
Sewer		<u>598,564</u>
Total depreciation expense--business type activities		<u>\$ 963,566</u>

City of Johnston, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 4 CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	<u>Balance beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance end of year</u>		<u>Due within one year</u>
Governmental activities						
General obligation bonds/notes	\$31,683,374	\$2,759,908	\$3,959,601	\$30,483,681	(1)	\$4,300,000
Compensated absences	425,487	488,357	425,487	488,357		149,083
Net OPEB Liability	<u>324,960</u>	<u>163,926</u>	<u>—</u>	<u>488,886</u>		<u>—</u>
Totals	<u>\$32,433,821</u>	<u>\$3,412,191</u>	<u>\$4,385,088</u>	<u>\$31,460,924</u>		<u>\$4,449,083</u>
Business type activities						
General obligation bonds/notes	\$ 2,853,711	\$3,216,024	\$ 373,514	\$ 5,696,221	(2)	\$ 600,000
Revenue bonds/notes	9,519,575	1,314,234	4,082,066	6,751,743		536,000
Compensated absences	<u>19,384</u>	<u>34,400</u>	<u>19,384</u>	<u>34,400</u>		<u>6,354</u>
Totals	<u>\$12,392,670</u>	<u>\$4,564,658</u>	<u>\$4,474,964</u>	<u>\$12,482,364</u>		<u>\$1,142,354</u>

(1) Bonds were sold at a premium; unamortized premium at June 30, 2011 totaled \$162,949.
Bonds were sold at a discount; unamortized discount at June 30, 2011 totaled \$144,268.

(2) Bonds were sold at a discount; unamortized discount at June 30, 2011 totaled \$33,779.

Governmental Activities

General obligation bonds/notes have been issued for both governmental and business type activities. The portion of unmatured general obligation bonds/notes accounted for in the governmental activities and serviced by the Debt Service Fund totaled \$30,465,000 at June 30, 2011.

Twelve issues of unmatured general obligation bonds/notes payable from the Debt Service Fund bear interest at rates ranging from 1.00% to 5.05% and mature in varying annual amounts ranging from \$45,000 to \$1,080,000, with final maturities due in the year ending June 30, 2028.

City of Johnston, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 4 CHANGES IN LONG-TERM LIABILITIES (continued)

Governmental Activities (continued)

Details of general obligation bonds/notes payable at June 30, 2011 are as follows:

<u>Obligation</u>	<u>Date of issue</u>	<u>Interest rates</u>	<u>Final due date</u>	<u>Annual payments</u>	<u>Amount originally issued</u>	<u>Outstanding June 30, 2011</u>
Essential corporate purpose and refunding notes	May 15, 2004	3.75-4.00	June 1, 2014	\$145,000 - 150,000	\$2,150,000	\$ 445,000
Essential corporate purpose Refunding	June 1, 2005	3.75-4.00	June 1, 2021	545,000 - 775,000	8,995,000	6,515,000
Essential corporate purpose Refunding	October 1, 2006	3.625-3.70	June 1, 2013	365,000 - 605,000	3,625,000	970,000
Essential corporate purpose Refunding	October 1, 2006	3.70-3.95	June 1, 2022	345,000 - 505,000	5,700,000	4,620,000
Essential corporate purpose Refunding	January 1, 2007	4.00-5.00	June 1, 2015	930,000 - 1,080,000	5,895,000	4,000,000
Essential corporate purpose Capital loan notes	August 1, 2007	4.25-4.75	June 1, 2022	285,000 - 430,000	4,635,000	3,855,000
Essential corporate purpose Refunding capital loan notes	December 1, 2008	3.25-5.05	June 1, 2028	45,000 - 180,000	2,220,000	2,000,000
Essential corporate purpose Refunding capital loan notes	March 1, 2009	2.00-2.70	June 1, 2016	185,000 - 455,000	2,345,000	1,470,000
Essential corporate purpose Refunding capital loan notes	March 1, 2009	2.00-2.70	June 1, 2016	280,000 - 315,000	1,765,000	1,490,000
Essential corporate purpose Refunding capital loan notes	March 1, 2010	2.00-3.00	June 1, 2017	355,000 - 410,000	2,610,000	2,280,000
Essential corporate purpose Refunding	December 1, 2010	1.75-3.50	June 1, 2026	45,000 - 75,000	970,000	970,000
Essential corporate purpose Refunding	April 1, 2011	1.00-4.20	June 1, 2021	165,000 - 210,000	1,850,000	<u>1,850,000</u>
Total governmental activities						<u>\$30,465,000</u>

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

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 4,300,000	\$1,145,119	\$ 5,445,119
2013	4,020,000	984,424	5,004,424
2014	3,805,000	842,458	4,647,458
2015	3,670,000	705,683	4,375,683
2016	2,665,000	569,278	3,234,278
2017-2021	10,160,000	1,610,139	11,770,139
2022-2026	1,675,000	169,628	1,844,628
2027-2028	<u>170,000</u>	<u>14,365</u>	<u>184,365</u>
Total	<u>\$30,465,000</u>	<u>\$6,041,094</u>	<u>\$36,506,094</u>

General Obligation Bonds/Notes

On December 1, 2010 the City issued \$970,000 of general obligation corporate purpose notes with interest rates ranging from 1.75% to 3.50%. These were issued for the purpose of paying costs of sanitary sewer, storm sewer, streets, sidewalks, and water improvements, together with miscellaneous related work.

On April 1, 2011 the City issued \$1,850,000 of general obligation corporate purpose notes with interest rates ranging from 1.00% to 4.20%. These were issued for the purpose of paying costs in aiding in the planning, undertaking, and carrying out of an urban renewal project including acquisition of the property along Merle Hay Road for redevelopment.

City of Johnston, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 4 CHANGES IN LONG-TERM LIABILITIES (continued)

Business Type Activities

Six issues of unmatured general obligation bonds/notes totaling \$5,730,000 and payable from the Enterprise Funds are outstanding at June 30, 2011. These bonds bear interest at rates ranging from 1.00% to 5.05% and mature in varying annual amounts ranging from \$30,000 to \$435,000, with final maturities due in the year ending June 30, 2028. In compliance with statutory requirements, funds pledged and available in the Enterprise Funds to service general obligation bonds are recorded as reimbursements to the Debt Service Fund in the City's accounting system.

General Obligation Bonds/Notes

On March 1, 2011 the City issued \$3,240,000 of general obligation refunding notes with interest rates ranging from 1.00% to 2.80%. These were issued for the purpose of refunding \$3,730,000 of water revenue notes.

Revenue Bonds/Notes

On August 5, 2009, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources, and Bankers Trust Company, N.A. for the issuance of \$3,410,000 of water revenue capital loan notes with interest at 3.00% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa for the purpose of paying the acquisition, construction, reconstruction, extending, remodeling, improving, repairing, and equipping all or part of the Municipal Water Utility. The City receives drawdowns from the Trustee for costs as they are incurred. At June 30, 2011, the City had drawn \$1,555,743 of the \$3,410,000 authorized. This bond matures in varying annual amounts ranging from \$73,743 to \$170,000, with the final maturity due in the year ending June 30, 2022.

Bankers Trust Company, N.A. has the funds held in trust which the City will request as the project progresses. An initiation fee of 1% of the authorized borrowing for the water revenue capital loan notes was charged by Bankers Trust Company, N.A. The total initiation fee was withheld by the bank from the first proceeds of the water revenue capital loan notes. Since the City has not fully drawn funds on the water revenue capital loan notes, a final repayment schedule has not yet been adopted for the debt.

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$3,410,000 in water revenue bonds/notes issued in September 2001 and August 2009. Proceeds from the bonds/notes provided financing for the construction of improvements and extension to the water system. The bonds/notes are payable solely from water customer net revenues and are payable through 2022. Annual principal and interest payments on the bonds/notes are expected to require more than 100 percent of the net revenues. The total principal and interest remaining to be paid on the bonds/notes is \$1,838,007. For the current year, principal and interest paid and total customer net revenues were \$685,920 and \$323,453, respectively. Total customer net revenues are defined for this purpose as operating loss adding back depreciation.

Three issues of unmatured sewer revenue bonds, totaling \$5,196,000, are outstanding at June 30, 2011. These bonds bear interest at rates ranging from 3.00% to 3.65% and mature in varying annual amounts ranging from \$121,000 to \$231,000, with the final maturity due in the year ending June 30, 2026.

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$7,505,000 in sewer revenue bonds/notes issued in October 2003, May 2005 and May 2006. Proceeds from the bonds/notes provided financing for construction of sewer improvements. The bonds/notes are payable solely from wastewater customer net revenues and are payable through 2026. Annual principal and interest payments on the bonds/notes are expected to require less than 100 percent of the net revenues. The total principal and interest remaining to be paid on the notes is \$6,429,340. For the current year, principal and interest paid and total customer net revenues were \$563,730 and \$967,043, respectively. Total customer net revenues are defined for this purpose as operating income adding back depreciation.

City of Johnston, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 4 CHANGES IN LONG-TERM LIABILITIES (continued)

Revenue Bonds/Notes (continued)

The resolutions providing for the issuance of the water and sewer revenue bonds and the water revenue capital loan notes issued under a loan agreement between the City of Johnston, and Iowa Finance Authority, the Iowa Department of Natural Resources, and Bankers Trust include the following provisions:

- (a) The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue sinking accounts for the purpose of making the bond and note principal and interest payments when due.
- (c) Additional monthly transfers shall be made to separate water and sewer reserve accounts until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying bond and note principal and interest payments when insufficient money is available in the sinking accounts.
- (d) Additional monthly transfers of \$500 to separate water and sewer improvement accounts shall be made until balances of \$10,000 in each account have been accumulated. These accounts are restricted for the purpose of paying bond and note principal and interest payments when insufficient money is available in the sinking and reserve accounts and to pay the cost of extraordinary maintenance expenses or repair, renewals and replacements not included in the annual budget and for capital improvements to the system.
- (e) Water and sewer user rates shall be established at a level which produces and maintains net revenues at a level not less than 125% and 110%, respectively, of the amount of principal and interest on the bonds and notes falling due in the same year.

Details of general obligation bonds and revenue bonds/notes payable from Enterprise Funds at June 30, 2011 are as follows:

<u>Obligation</u>	<u>Date of issue</u>	<u>Interest rates</u>	<u>Final due date</u>	<u>Annual payments</u>	<u>Amount originally issued</u>	<u>Outstanding June 30, 2011</u>
General obligation bonds/notes						
Refunding notes	October 1, 2003	3.75-3.90	June 1, 2013	\$ 30,000	\$ 265,000	\$ 60,000
Essential corporate purpose and refunding bonds	May 15, 2004	3.75-4.00	June 1, 2014	110,000 - 230,000	1,995,000	455,000
Essential corporate purpose	August 1, 2005	3.40-4.10	June 1, 2020	60,000 - 80,000	900,000	630,000
Essential corporate purpose	October 1, 2006	3.70-3.95	June 1, 2022	30,000 - 45,000	510,000	415,000
Capital loan notes	December 1, 2008	3.25-5.05	June 1, 2028	35,000 - 145,000	975,000	930,000
Refunding bonds	March 1, 2011	1.00-2.80	June 1, 2020	215,000 - 435,000	3,240,000	<u>3,240,000</u>
						<u>5,730,000</u>
Revenue bonds/notes						
Water	August 5, 2009	3.00	June 1, 2022	73,743 - 170,000	1,555,743	1,555,743
Sewer	October 1, 2003	3.55-3.65	June 1, 2013	130,000 - 135,000	1,170,000	265,000
Sewer	May 17, 2005	3.00	June 1, 2025	157,000 - 231,000	3,535,000	2,684,000
Sewer	May 5, 2006	3.00	June 1, 2026	121,000 - 183,000	2,800,000	<u>2,247,000</u>
						<u>6,751,743</u>
Total business type activities						<u>\$12,481,743</u>

City of Johnston, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 4 CHANGES IN LONG-TERM LIABILITIES (continued)

Revenue Bonds/Notes (continued)

A summary of the annual general obligation bond and revenue bond/note principal and interest requirements to maturity by year is as follows:

<u>Year ending</u> <u>June 30</u>	<u>General Obligation Bonds</u>			<u>Revenue Bonds/Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 600,000	\$ 180,361	\$ 780,361	\$ 536,000	\$ 204,437	\$ 740,437
2013	500,000	148,320	648,320	553,000	187,619	740,619
2014	625,000	136,217	761,217	431,000	170,126	601,126
2015	515,000	122,293	637,293	445,000	157,171	602,171
2016	540,000	111,340	651,340	458,000	143,794	601,794
2017-2021	2,400,000	330,896	2,730,896	2,510,000	503,831	3,013,831
2022-2026	335,000	98,951	433,951	1,818,743	148,626	1,967,369
2027-2028	<u>215,000</u>	<u>18,145</u>	<u>233,145</u>	<u>—</u>	<u>—</u>	<u>—</u>
Totals	<u>\$5,730,000</u>	<u>\$1,146,523</u>	<u>\$6,876,523</u>	<u>\$6,751,743</u>	<u>\$1,515,604</u>	<u>\$8,267,347</u>

As of June 30, 2011, the general obligation debt issued by the City did not exceed its legal debt margin computed as follows:

Actual valuation	\$1,799,403,319
Debt limit – 5% of total actual valuation	89,970,166
Debt applicable to debt limit	
General obligation bonded debt outstanding	36,195,000
Legal debt margin	53,775,166
Percentage of debt limit	40.23%

NOTE 5 JOINT VENTURE AND COMMITMENTS

The City is a participating community in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) joint venture. This joint venture provides primary and secondary treatment of sewer flows for the participating communities. The Amended and Restated Agreement for the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) was effective on July 1, 2004. This agreement amended and restated the previous Integrated Community Area (I.C.A.) Agreement to provide continued operation, improvements and expansion. The WRA Agreement establishes the WRA as a separate legal entity with its own Board, creates an independent governance structure, establishes an independent bonding authority for the WRA and provides a framework for additional communities to participate.

Annually, the WRA establishes an allocation to all participating communities based on operations, maintenance, debt service and reserve requirements. Allocations are based on wastewater reclamation facility flows and are adjusted prospectively for differences in budgeted flows and actual flows.

The City retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation. Although the debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the communities were a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2004A, 2004B and 2006 include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

City of Johnston, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 5 JOINT VENTURE AND COMMITMENTS (continued)

The WRA Agreement requires the debt service on Series 2004A bonds to be allocated using the annual flow allocation to the participating communities based on the existing allocations of debt service under the prior I.C.A. agreement. The Series 2004A bonds had a balance of \$2,735,000 as of June 30, 2011. The City of Johnston has a commitment for approximately \$38,680, or 1.41%, for future principal payment requirements on that debt. The WRA Sewer Revenue Bonds Series 2004B and 2006 bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2011, the Series 2004B bonds had a balance of \$61,245,000 and the City of Johnston's estimated future allocation based on the WRA flows is currently \$829,190, or 1.35%. As of June 30, 2011, the Series 2006 bonds had a balance of \$35,795,000 and the City of Johnston's estimated future allocation based on the WRA flows is currently \$439,707, or 1.23%. The State Revolving Loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2011, the WRA had \$114,978,146 in outstanding State Revolving Loans, of which \$903,927 of future principal debt service is a commitment of the City of Johnston.

The WRA Agreement does not provide for the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation will be paid. Since there is no specific and measurable equity interest in the WRA Agreement, an investment in the joint venture is not reported by the City. The City retains a reversionary interest percentage in the net assets of the WRA redeemable only in the event the WRA is dissolved.

The WRA issues separate financial statements that may be obtained at 3000 Vandalia Road, Des Moines, Iowa 50317-1346.

NOTE 6 INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Nonmajor special revenue	\$ <u>25,000</u>
Nonmajor special revenue	General	<u>17,300</u>
Debt Service	Special revenue	
	Urban renewal tax increment financing	1,102,479
	Water	32,055
	Sewer	<u>101,919</u>
		<u>1,236,453</u>
Capital projects	General	125,000
	Nonmajor special revenue	<u>30,000</u>
		<u>155,000</u>
Water	Capital projects	<u>83,092</u>
Sewer	Capital projects	<u>515,325</u>
Total		<u>\$2,032,170</u>

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

City of Johnston, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 7 DEVELOPMENT AGREEMENTS

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental tax paid by the developer in exchange for the construction of buildings and certain infrastructure improvements by the developers. Certain agreements also require the developer to certify specific employment requirements are met. The total to be paid by the City under the agreements is not to exceed \$35,200,247.

The City has rebated a total of \$10,363,957 of incremental tax under the agreements. The outstanding balance of the agreements at June 30, 2011 was \$24,836,290.

NOTE 8 FORGIVABLE LOANS

The City has entered into four private development agreements for urban renewal projects. The agreements provide the City will make forgivable loans to developers in exchange for the construction of certain minimum improvements located within the City's TIF districts. The loans are amortized and are forgiven in annual amounts provided the developers comply with all requirements stipulated within the agreements. At June 30, 2011, the City had loaned \$261,312 under the agreements and forgiven \$120,510 of the loans, leaving a balance of \$140,802.

NOTE 9 PENSION AND RETIREMENT BENEFITS

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$422,724, \$392,105 and \$333,051, respectively, equal to the required contributions for each year.

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (OPEB)

The City operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses and dependents. There are active and retired members in the plan. Participants must be age 55 or older at retirement with 4 years of service.

The medical benefit plans are partially self-insured and are administered by a third party. Retirees under age 65 pay 100% of the full active employee premium rates. This results in an implicit subsidy and an Other Post Employment Benefit, OPEB liability. 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.

City of Johnston, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

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 June 30, 2011, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution, ARC	\$ 162,000
Interest on net OPEB obligation	16,248
Adjustment to annual required contribution	<u>(14,322)</u>
Annual OPEB cost	163,926
Contributions made	<u>—</u>
Increase in net OPEB obligation	163,926
Net OPEB obligation, beginning of year	<u>324,960</u>
 Net OPEB obligation, end of year	 <u>\$ 488,886</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.

For the year ended June 30, 2011, the City made no contributions to the plan. 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 are summarized as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB obligation</u>
June 30, 2009	\$ <u>162,000</u>	<u>0.0%</u>	\$ <u>162,000</u>
June 30, 2010	\$ <u>162,960</u>	<u>0.0%</u>	\$ <u>324,960</u>
June 30, 2011	\$ <u>163,926</u>	<u>0.0%</u>	\$ <u>488,886</u>

As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2011, the actuarial accrued liability was \$726,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$726,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,434,000, and the ratio of the UAAL to the covered payroll was 13.6%. As of June 30, 2011, there were no trust fund assets.

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 assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the City's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate.

City of Johnston, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the Actuary's Pension Handbook.

Projected claim costs of the medical plan per month for retirees less than age 65 are \$909. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

NOTE 11 INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued a total of \$2,500,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$2,050,000 is outstanding at June 30, 2011. The bonds and related interest are payable solely from the revenues received by tenants of the properties and the bond principal and interest do not constitute liabilities of the City.

NOTE 12 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. No significant reductions in insurance have occurred.

The Internal Service, Health Deductible Claims Fund was established to account for the partial self funding of the City's health insurance benefit plan. The plan is funded by the City and is administered by Mercer Administration. The agreement is subject to automatic renewal. The City assumes liability for the out of pocket maximums which include deductibles up to \$1,500 per individual for single coverage and \$3,000 per family for family coverage.

Monthly payments of service fees and plan contributions to the Internal Service, Health Deductible Claims Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Mercer Administration from the Internal Service, Health Deductible Claims Fund. The City made no contributions to the fund for the year ended June 30, 2011.

Amounts payable from the Internal Service, Health Deductible Claims Fund at June 30, 2011 total \$4,575, which is for reported but not paid claims. In accordance with Chapter 509A.15 of the Code of Iowa, and with approval from the State Commissioner of Insurance, the City's health insurance plan qualifies as a mini-self-funded plan and is exempt from the requirements to have an annual actuarial opinion. Therefore, a liability for claims incurred but not reported (IBNR) was estimated but not actuarially determined. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2010	\$ 2,589
Incurred claims	34,186
Payments on claims during the fiscal year	<u>(32,200)</u>
Unpaid claims at June 30, 2011	\$ <u>4,575</u>

City of Johnston, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 13 CONTRACTUAL COMMITMENTS

The City has entered into construction contracts totaling approximately \$11,600,000 for construction projects. As of June 30, 2011, costs of approximately \$9,200,000 have been incurred on the projects. The balance on the contracts of approximately \$2,400,000 will be paid as work on the projects progresses.

The City has entered into an agreement with the Polk County Board of Supervisors for a joint project for the NW 66th Avenue pavement reconstruction and widening, cost to the City is approximately \$2,680,000.

NOTE 14 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

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

GASB Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34, will be effective for the City beginning with its year ending June 30, 2013. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity, and amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. This Statement also clarifies the reporting of equity interests in legally separate organizations.

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 20, 1989 FASB and AICPA Pronouncements, will be effective for the City beginning with its 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 included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, will be effective for the City beginning with its year ending June 30, 2013. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

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

NOTE 15 SUBSEQUENT EVENTS

The City issued general obligation bonds series 2011C totaling \$8,570,000 on September 30, 2011 for the financing of new public safety facilities.

REQUIRED SUPPLEMENTARY INFORMATION

City of Johnston, Iowa
**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN BALANCES –
BUDGET AND ACTUAL (CASH BASIS) -
GOVERNMENTAL FUNDS AND ENTERPRISE FUNDS**
Required Supplementary Information
Year ended June 30, 2011

	Governmental funds actual	Enterprise funds actual	Total actual
RECEIPTS			
Property tax	\$10,970,447	\$ –	\$10,970,447
Tax increment financing	2,173,165	–	2,173,165
Other city tax	623,852	–	623,852
Licenses and permits	496,581	–	496,581
Use of money and property	57,208	3,387	60,595
Intergovernmental	3,064,065	–	3,064,065
Charges for services	799,240	4,781,978	5,581,218
Special assessments	68,538	199,121	267,659
Miscellaneous	<u>27,092</u>	<u>617,673</u>	<u>644,765</u>
Total receipts	<u>18,280,188</u>	<u>5,602,159</u>	<u>23,882,347</u>
DISBURSEMENTS			
Public safety	3,323,299	–	3,323,299
Public works	2,186,730	–	2,186,730
Health and social services	16,200	–	16,200
Culture and recreation	2,092,993	–	2,092,993
Community and economic development	3,271,447	–	3,271,447
General government	1,104,685	–	1,104,685
Debt service	5,614,133	–	5,614,133
Capital projects	3,967,702	–	3,967,702
Business type activities	–	<u>9,326,322</u>	<u>9,326,322</u>
Total disbursements	<u>21,577,189</u>	<u>9,326,322</u>	<u>30,903,511</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,297,001)</u>	<u>(3,724,163)</u>	<u>(7,021,164)</u>
OTHER FINANCING SOURCES (USES)			
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>3,445,076</u>	<u>(3,907,185)</u>	<u>7,352,261</u>
	<u>148,075</u>	<u>183,022</u>	<u>331,097</u>
BALANCES, beginning of year	<u>11,853,581</u>	<u>4,868,742</u>	<u>16,722,323</u>
BALANCES, end of year	<u>\$12,001,656</u>	<u>\$5,051,764</u>	<u>\$17,053,420</u>

See accompanying independent auditor's report.

Less funds not required to be budgeted	Total net	Budgeted amounts		Final to actual variance
		Original	Final	
\$ —	\$10,970,447	\$10,931,257	\$10,931,257	\$ 39,190
—	2,173,165	2,212,200	2,212,200	(39,035)
—	623,852	631,751	611,751	12,101
—	496,581	361,500	361,695	134,886
1,422	59,173	136,100	63,106	(3,933)
—	3,064,065	2,940,872	3,843,008	(778,943)
—	5,581,218	5,301,254	5,370,859	210,359
—	267,659	200,000	291,661	(24,002)
<u>94,420</u>	<u>550,345</u>	<u>313,119</u>	<u>341,147</u>	<u>209,198</u>
<u>95,842</u>	<u>23,786,505</u>	<u>23,028,053</u>	<u>24,026,684</u>	<u>(240,179)</u>
(76,371)	3,399,670	3,552,703	3,617,430	217,760
15,005	2,171,725	2,447,318	2,538,758	367,033
—	16,200	18,300	18,300	2,100
30,040	2,062,953	2,209,338	2,200,283	137,330
11,792	3,259,655	1,506,591	3,533,596	273,941
(5,944)	1,110,629	1,386,333	1,371,869	261,240
—	5,614,133	5,637,332	5,640,332	26,199
—	3,967,702	3,637,596	6,011,252	2,043,550
—	<u>9,326,322</u>	<u>6,664,350</u>	<u>10,773,085</u>	<u>1,446,763</u>
<u>(25,478)</u>	<u>30,928,989</u>	<u>27,059,861</u>	<u>35,704,905</u>	<u>4,775,916</u>
<u>121,320</u>	<u>(7,142,484)</u>	<u>(4,031,808)</u>	<u>(11,678,221)</u>	<u>4,535,737</u>
—	<u>7,352,261</u>	<u>3,349,500</u>	<u>7,302,491</u>	<u>49,770</u>
<u>121,320</u>	<u>209,777</u>	<u>(682,308)</u>	<u>(4,375,730)</u>	<u>4,585,507</u>
—	<u>16,722,323</u>	<u>11,499,920</u>	<u>12,552,355</u>	<u>4,169,968</u>
<u>\$ 121,320</u>	<u>\$16,932,100</u>	<u>\$10,817,612</u>	<u>\$ 8,176,625</u>	<u>\$8,755,475</u>

City of Johnston, Iowa
BUDGET TO GAAP RECONCILIATION
Required Supplementary Information
Year ended June 30, 2011

	<u>Governmental Funds</u>			<u>Proprietary Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Enterprise</u> <u>Accrual Basis</u>
Revenues	\$18,280,188	\$ (10,539)	\$18,269,649	\$5,602,159	\$ (300,225)	\$ 5,301,934
Expenditures	<u>21,577,189</u>	<u>(340,458)</u>	<u>21,236,731</u>	<u>9,326,322</u>	<u>(4,000,373)</u>	<u>5,325,949</u>
Net	(3,297,001)	329,919	(2,967,082)	(3,724,163)	3,700,148	(24,015)
Other financing sources (uses)	3,445,076	(1,093,957)	2,351,119	3,907,185	(3,138,506)	768,679
Beginning fund balances	<u>11,853,581</u>	<u>(390,106)</u>	<u>11,463,475</u>	<u>4,868,742</u>	<u>30,129,037</u>	<u>34,997,779</u>
Ending fund balances	<u>\$12,001,656</u>	<u>\$(1,154,144)</u>	<u>\$10,847,512</u>	<u>\$5,051,764</u>	<u>\$30,690,679</u>	<u>\$35,742,443</u>

City of Johnston, 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 Government 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 and the blended component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$8,645,044. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2011, no disbursements exceeded the amounts budgeted.

City of Johnston
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

Required Supplementary Information

<u>Fiscal Year End</u>	<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll ((b - a)/c)</u>
2009	July 1, 2008	\$ <u>—</u>	<u>\$726,000</u>	<u>\$726,000</u>	<u>0.0%</u>	<u>\$4,784,000</u>	<u>15.2%</u>
2010	July 1, 2008	\$ <u>—</u>	<u>\$726,000</u>	<u>\$726,000</u>	<u>0.0%</u>	<u>\$5,277,000</u>	<u>13.8%</u>
2011	July 1, 2008	\$ <u>—</u>	<u>\$726,000</u>	<u>\$726,000</u>	<u>0.0%</u>	<u>\$5,434,000</u>	<u>13.6%</u>

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost, Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

**City of Johnston
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011**

	<u>Road Use Tax</u>	<u>Police</u>	<u>Law Enforcement Block Grant</u>	<u>Police Forfeitures</u>	<u>East Park District</u>	<u>Northridge Park District</u>
ASSETS						
Cash and pooled investments	\$ 345,759	\$ 46,552	\$ 2,294	\$ 895	\$ 4,000	\$ 94,446
Cash and investments held by the Library Foundation	-	-	-	-	-	-
Receivables						
Accounts	-	-	-	-	-	-
Due from other governments	134,790	-	-	-	-	-
Prepaid expenditures	<u>13,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 494,399</u>	<u>\$ 46,552</u>	<u>\$ 2,294</u>	<u>\$ 895</u>	<u>\$ 4,000</u>	<u>\$ 94,446</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 46,600	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	19,345	-	-	-	-	-
Contracts payable	77	-	-	-	-	-
Due to other governments	<u>6,716</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>72,738</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Restricted for						
Special revenue purposes	<u>421,661</u>	<u>46,552</u>	<u>2,294</u>	<u>895</u>	<u>4,000</u>	<u>94,446</u>
Total fund balances	<u>421,661</u>	<u>46,552</u>	<u>2,294</u>	<u>895</u>	<u>4,000</u>	<u>94,446</u>
Total liabilities and fund balances	<u>\$ 494,399</u>	<u>\$ 46,552</u>	<u>\$ 2,294</u>	<u>\$ 895</u>	<u>\$ 4,000</u>	<u>\$ 94,446</u>

See accompanying independent auditor's report.

Schedule 1

<u>Northwest Park District</u>	<u>Southwest Park District</u>	<u>Senior Citizens</u>	<u>Library</u>	<u>Community Improvement</u>	<u>Library Foundation</u>	<u>Total</u>
\$ 26,456	\$ 34,363	\$ 2,181	\$ 35,021	\$ 11,403	\$ -	\$ 603,370
-	-	-	-	-	217,847	217,847
-	-	-	6,578	300	-	6,878
-	-	-	-	-	-	134,790
-	-	-	-	-	-	13,850
<u>\$ 26,456</u>	<u>\$ 34,363</u>	<u>\$ 2,181</u>	<u>\$ 41,599</u>	<u>\$ 11,703</u>	<u>\$ 217,847</u>	<u>\$ 976,735</u>
\$ -	\$ -	\$ -	\$ -	\$ 47	\$ -	\$ 46,647
-	-	-	-	-	-	19,345
-	-	-	-	-	-	77
-	-	-	-	-	-	6,716
-	-	-	-	47	-	72,785
<u>26,456</u>	<u>34,363</u>	<u>2,181</u>	<u>41,599</u>	<u>11,656</u>	<u>217,847</u>	<u>903,950</u>
<u>26,456</u>	<u>34,363</u>	<u>2,181</u>	<u>41,599</u>	<u>11,656</u>	<u>217,847</u>	<u>903,950</u>
<u>\$ 26,456</u>	<u>\$ 34,363</u>	<u>\$ 2,181</u>	<u>\$ 41,599</u>	<u>\$ 11,703</u>	<u>\$ 217,847</u>	<u>\$ 976,735</u>

See accompanying independent auditor's report.

City of Johnston
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2011

	<u>Road Use Tax</u>	<u>Police</u>	<u>Law Enforcement Block Grant</u>	<u>Police Forfeitures</u>	<u>East Park District</u>	<u>Northridge Park District</u>
REVENUES						
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	-	37	1	-	2	72
Intergovernmental	1,412,780	10,000	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>1,412,780</u>	<u>10,037</u>	<u>1</u>	<u>-</u>	<u>2</u>	<u>72</u>
EXPENDITURES						
Operating						
Public safety	-	20,644	-	-	-	-
Public works	1,390,462	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
Total expenditures	<u>1,390,462</u>	<u>20,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>22,318</u>	<u>(10,607)</u>	<u>1</u>	<u>-</u>	<u>2</u>	<u>72</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-	(30,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>22,318</u>	<u>(10,607)</u>	<u>1</u>	<u>-</u>	<u>2</u>	<u>(29,928)</u>
FUND BALANCES, beginning of year	<u>399,343</u>	<u>57,159</u>	<u>2,293</u>	<u>895</u>	<u>3,998</u>	<u>124,374</u>
FUND BALANCES, end of year	<u>\$ 421,661</u>	<u>\$ 46,552</u>	<u>\$ 2,294</u>	<u>\$ 895</u>	<u>\$ 4,000</u>	<u>\$ 94,446</u>

See accompanying auditor's report.

Schedule 2

<u>Northwest Park District</u>	<u>Southwest Park District</u>	<u>Senior Citizens</u>	<u>Library</u>	<u>Community Improvement</u>	<u>Library Foundation</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 21,753	\$ -	\$ -	\$ 21,753
16	17	5	24	3,306	1,421	4,901
-	-	-	-	-	-	1,422,780
-	6,667	-	-	6,348	15,919	28,934
<u>16</u>	<u>6,684</u>	<u>5</u>	<u>21,777</u>	<u>9,654</u>	<u>17,340</u>	<u>1,478,368</u>
-	-	-	-	-	-	20,644
-	-	-	-	-	-	1,390,462
-	-	2,248	-	-	23,486	25,734
-	-	-	-	12,400	-	12,400
-	-	<u>2,248</u>	-	<u>12,400</u>	<u>23,486</u>	<u>1,449,240</u>
<u>16</u>	<u>6,684</u>	<u>(2,243)</u>	<u>21,777</u>	<u>(2,746)</u>	<u>(6,146)</u>	<u>29,128</u>
-	-	2,300	-	15,000	-	17,300
-	-	-	(25,000)	-	-	(55,000)
-	-	<u>2,300</u>	<u>(25,000)</u>	<u>15,000</u>	<u>-</u>	<u>(37,700)</u>
<u>16</u>	<u>6,684</u>	<u>57</u>	<u>(3,223)</u>	<u>12,254</u>	<u>(6,146)</u>	<u>(8,572)</u>
<u>26,440</u>	<u>27,679</u>	<u>2,124</u>	<u>44,822</u>	<u>(598)</u>	<u>223,993</u>	<u>912,522</u>
<u>\$ 26,456</u>	<u>\$ 34,363</u>	<u>\$ 2,181</u>	<u>\$ 41,599</u>	<u>\$ 11,656</u>	<u>\$ 217,847</u>	<u>\$ 903,950</u>

See accompanying auditor's report.

City of Johnston, Iowa
COMBINING SCHEDULE OF NET ASSETS
INTERNAL SERVICE FUNDS
 June 30, 2011

	<u>Flexible Spending</u>	<u>Health Deductible Claims</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and pooled investments	\$ 666	\$ 331,245	\$ 331,911
Accounts receivable	<u>1,408</u>	<u>—</u>	<u>1,408</u>
Total assets	2,074	331,245	333,319
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	<u>—</u>	<u>4,575</u>	<u>4,575</u>
NET ASSETS			
Unrestricted	<u>\$ 2,074</u>	<u>\$ 326,670</u>	<u>\$ 328,744</u>

City of Johnston, Iowa
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 Year ended June 30, 2011**

	<u>Flexible Spending</u>	<u>Health Deductible Claims</u>	<u>Total</u>
OPERATING REVENUES			
Miscellaneous			
Contributions from employees	\$ 78,501	\$ -	\$ 78,501
Interest	<u>-</u>	<u>100</u>	<u>100</u>
Total operating revenues	<u>78,501</u>	<u>100</u>	<u>78,601</u>
OPERATING EXPENSES			
Governmental activities			
Public safety	16,189	6,438	22,627
Public works	18,113	3,108	21,221
Culture and recreation	9,884	3,330	13,214
Community and economic development	13,791	1,998	15,789
General government	<u>13,371</u>	<u>19,312</u>	<u>32,683</u>
Total operating expenses	<u>71,348</u>	<u>34,186</u>	<u>105,534</u>
Operating income (loss)	7,153	(34,086)	(26,933)
NET ASSETS , beginning of year	<u>(5,079)</u>	<u>360,756</u>	<u>355,677</u>
NET ASSETS , end of year	<u>\$ 2,074</u>	<u>\$ 326,670</u>	<u>\$ 328,744</u>

See accompanying independent auditor's report.

City of Johnston, Iowa
COMBINING SCHEDULE OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year ended June 30, 2011

	<u>Flexible Spending</u>	<u>Health Deductible Claims</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from employees	\$ 78,501	\$ -	\$ 78,501
Interest	-	100	100
Cash paid to suppliers	<u>(78,501)</u>	<u>(32,200)</u>	<u>(110,701)</u>
Net cash (used in) operating activities and net decrease in cash and cash equivalents	-	(32,100)	(32,100)
CASH AND CASH EQUIVALENTS, beginning of year	<u>666</u>	<u>363,345</u>	<u>364,011</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 666</u>	<u>\$ 331,245</u>	<u>\$ 331,911</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 7,153	\$ (34,086)	\$ (26,933)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
(Increase) in accounts receivable	(1,408)	-	(1,408)
Increase (decrease) in accounts payable	<u>(5,745)</u>	<u>1,986</u>	<u>(3,759)</u>
Net cash (used in) operating activities	<u>\$ -</u>	<u>\$ (32,100)</u>	<u>\$ (32,100)</u>

See accompanying independent auditor's report.

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City of Johnston, Iowa
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the last nine years

	Modified Accrual Basis			
	2011	2010	2009	2008
REVENUES				
Property tax	\$10,957,998	\$10,610,000	\$ 9,725,905	\$ 9,083,339
Tax increment financing	2,172,053	1,304,410	1,197,459	1,518,773
Other city tax	620,145	592,898	594,415	649,888
Licenses and permits	515,654	447,964	413,170	294,597
Use of money and property	63,497	80,337	394,557	785,453
Intergovernmental	2,985,907	2,177,777	2,966,754	5,868,814
Charges for service	791,741	676,150	570,103	566,477
Special assessments	68,538	129,393	108,432	116,240
Miscellaneous	94,116	85,783	242,387	1,164,184
Total	<u>\$18,269,649</u>	<u>\$16,104,712</u>	<u>\$16,213,182</u>	<u>\$20,047,765</u>
EXPENDITURES				
Operating				
Public safety	\$ 3,418,619	\$ 3,374,672	\$ 3,798,404	\$ 2,820,967
Public works	2,267,730	2,438,165	2,638,527	2,676,064
Health and social services	16,200	34,823	20,477	31,557
Culture and recreation	2,156,207	2,134,363	1,931,317	2,037,087
Community and economic development	973,066	1,001,176	944,270	826,826
General government	1,158,530	1,081,694	1,186,366	1,203,453
Debt service	5,893,194	5,558,127	5,611,736	5,283,287
Capital projects	<u>5,353,185</u>	<u>2,097,238</u>	<u>2,390,891</u>	<u>8,162,135</u>
Total	<u>\$21,236,731</u>	<u>\$17,720,258</u>	<u>\$18,521,988</u>	<u>\$23,041,376</u>

See accompanying independent auditor's report.

Modified Accrual Basis				
2007	2006	2005	2004	2003
\$ 8,591,627	\$ 6,972,821	\$ 6,515,097	\$ 5,646,674	\$ 4,746,228
1,438,376	2,459,927	3,301,694	3,401,251	4,261,942
699,042	738,623	513,823	616,366	617,209
466,175	680,312	641,324	592,293	460,251
793,137	602,449	230,754	103,509	88,204
5,012,329	1,938,177	927,284	1,773,123	1,077,389
441,883	120,298	124,188	197,092	139,542
186,944	337,237	301,700	164,721	578,576
<u>355,279</u>	<u>423,443</u>	<u>309,137</u>	<u>410,718</u>	<u>419,570</u>
<u>\$17,984,792</u>	<u>\$14,273,287</u>	<u>\$12,865,001</u>	<u>\$12,905,747</u>	<u>\$12,388,911</u>
\$ 2,379,630	\$ 1,989,562	\$ 2,340,892	\$ 1,200,395	\$ 1,262,863
1,818,351	1,696,756	1,959,415	1,333,547	1,172,312
22,118	30,827	45,633	36,664	50,566
1,914,551	1,684,162	1,579,669	1,360,424	1,207,358
835,133	787,606	1,987,849	2,515,682	1,841,218
1,290,093	1,129,580	914,988	883,652	889,667
4,898,444	5,002,217	3,653,793	3,459,911	3,085,438
<u>8,397,962</u>	<u>8,510,036</u>	<u>1,744,667</u>	<u>2,341,502</u>	<u>3,187,030</u>
<u>\$21,556,282</u>	<u>\$20,830,746</u>	<u>\$14,226,906</u>	<u>\$13,131,777</u>	<u>\$12,696,452</u>

See accompanying independent auditor's report.

City of Johnston, Iowa
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency Pass-through number</u>	<u>Program Expenditures</u>
Direct			
U.S. Department of Justice			
Bulletproof Vest Partnership Program	16.607		\$ 5,405
DEA Overtime Reimbursement	16.005		<u>289</u>
Total direct			<u>5,694</u>
Indirect			
Environmental Protection Agency			
Iowa Drinking Water State Revolving Fund			
Capitalization Grants for Drinking Water			
State Revolving Funds	66.468		353,996
U.S. Department of Education			
Iowa Department of Transportation			
ARRA State Fiscal Stabilization Fund (SFSF)			
Government Services, Recovery Act	84.397		16,235
U.S. Department of Transportation			
Iowa Department of Transportation			
Highway Planning and Construction - ARRA	84.397	ESL-3827(611)--7S-77	727,031
Highway Planning and Construction	20.205	STP-U-3827(605)--70-77	100,297
Iowa Department of Public Safety			
State and Community Highway Safety	20.600	PAP 11-02, Task 07	6,224
State and Community Highway Safety	20.600	PAP 10-03, Task 22	1,269
U.S. Department of Homeland Security			
Iowa Department of Public Defense			
Iowa Homeland Security and Emergency			
Management Division			
Disaster Grants - Public Assistance			
(Presidentially Declared Disasters)	97.036	FEMA DR-1930	<u>334,123</u>
Total indirect			<u>1,539,175</u>
Total			<u>\$1,544,869</u>

BASIS OF PRESENTATION

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

See accompanying independent auditor's report.

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

Honorable Mayor and
Members of the City Council
Johnston, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Johnston, Iowa, (the City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 14, 2011. 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.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 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 of Johnston's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit City of Johnston's responses and, accordingly, we express no opinion on them.

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


DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 14, 2011

**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**

Honorable Mayor and
Members of the City Council
Johnston, Iowa

Compliance

We have audited the City of Johnston, Iowa's compliance, with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on the City of Johnston's major federal programs for the year ended June 30, 2011. The City of Johnston's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of the City of Johnston's management. Our responsibility is to express an opinion on the City of Johnston'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 of Johnston's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Johnston's compliance with those requirements.

In our opinion, the City of Johnston complied, in all material respects, with the requirements referred to above 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 Johnston is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Johnston's internal control over compliance with 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 of Johnston'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.

The City of Johnston's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Johnston's responses and, accordingly, we express no opinion on the responses.

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

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 14, 2011

City of Johnston, Iowa
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2011

Part I. Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were:
 - CFDA Number 84.397 - Highway Planning and Construction – ARRA
 - CFDA Number 97.036 - Disaster Grants - Public Assistance
 - CFDA Number 66.468 - Capitalization Grants for Drinking Water State Revolving Funds
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Johnston did not qualify as a low-risk auditee.

City of Johnston, Iowa
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year ended June 30, 2011

Part II—Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCY

II-A-11 FINANCIAL REPORTING

During the audit, we identified material amounts of capital asset additions and deletions not recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation

The City should implement procedures to ensure all capital asset additions and deletions are identified and included in the City's financial statements.

Response

We are working with our fixed asset module on our financial reporting software to have complete fiscal year data for the next audit. Continued efforts to review expenditure reports to record capital asset additions will occur.

Conclusion

Response accepted.

INSTANCES OF NONCOMPLIANCE

No matters were noted.

City of Johnston, Iowa
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year ended June 30, 2011

Part III—Findings and Questioned Costs for Federal Awards

INSTANCES OF NONCOMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

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

City of Johnston, Iowa
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year ended June 30, 2011

Part IV—Findings Related to Required Statutory Reporting

IV-A-11 CERTIFIED BUDGET

Expenditures during the year ended June 30, 2011, did not exceed the amounts budgeted, however transfers exceeded amounts budgeted prior to amending the budget.

Recommendation

The City should ensure the budget to actual results are reviewed on a timely basis so the budget can be amended prior to exceeding its limits.

Response

We will review expenditures in these functions more closely in the future to be sure that amendments are prepared before they are exceeded.

Conclusion

Response accepted.

IV-B-11 QUESTIONABLE EXPENDITURES

No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-11 TRAVEL EXPENSE

No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-11 BUSINESS TRANSACTIONS

We noted no business transactions between the City and City officials or employees in excess of \$1,500.

IV-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 the coverage is adequate for current operations.

IV-F-11 COUNCIL MINUTES

No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-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.

City of Johnston, Iowa
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year ended June 30, 2011

Part IV—Findings Related to Required Statutory Reporting

IV-H-11 WATER AND SEWER REVENUE BONDS/NOTES

The provisions for the water and sewer revenue bonds/notes require water user rates be established at a level which produces and maintains net revenues at a level not less than 125% of the amount of principal and interest on the bonds and notes falling due in the same year.

The City was in compliance with the net revenue requirements for the water revenue bonds/notes as required by the bond resolutions.

IV-I-11 OTHER INFORMATION REQUIRED BY BOND RESOLUTION

Insurance - The following insurance policies were in force at June 30, 2011:

<u>Insurer</u>	<u>Description</u>	<u>Expiration Date</u>	<u>Amount</u>
EMC Insurance Companies	Automobile coverage		
	Liability	April 1, 2012	\$1,000,000
	Uninsured motorists	April 1, 2012	100,000
	Underinsured motorists	April 1, 2012	100,000
	Comprehensive/collision	April 1, 2012	Lesser of cash value or cost of repair
	Auto medical payments	April 1, 2012	5,000
EMC Insurance Companies	Blanket		
	Building and personal property	April 1, 2012	27,100,337
EMC Insurance Companies	General liability coverage		
	General aggregate	April 1, 2012	2,000,000
	Products aggregate	April 1, 2012	2,000,000
	Personal/advertising injury	April 1, 2012	1,000,000
	Each occurrence	April 1, 2012	1,000,000
	Damage to rented property	April 1, 2012	100,000
	Medical expense	April 1, 2012	5,000
EMC Insurance Companies	Commercial crime		
	Employee theft - per employee	April 1, 2012	600,000
	Forgery or alteration	April 1, 2012	10,000
	Inside the premises	April 1, 2012	15,000
	Outside the premises	April 1, 2012	15,000
	Computer fraud	April 1, 2012	600,000
	Funds transfers fraud	April 1, 2012	600,000

City of Johnston, Iowa
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year ended June 30, 2011

Part IV—Findings Related to Required Statutory Reporting

<u>Insurer</u>	<u>Description</u>	<u>Expiration Date</u>	<u>Amount</u>
EMC Insurance Companies	Inland marine		
	Contractors equipment	April 1, 2012	829,944
	Rented contacted equipment	April 1, 2012	50,000
	Miscellaneous property	April 1, 2012	667,713
	Data processing - equipment	April 1, 2012	92,269
EMC Insurance Companies	Commercial umbrella		
	Each occurrence	April 1, 2012	10,000,000
	General aggregate	April 1, 2012	10,000,000
	Products - completed operations aggregate	April 1, 2012	2,000,000
	Personal/advertising injury	April 1, 2012	1,000,000
	Employee benefit liability occurrence	April 1, 2012	1,000,000
	Retained limit	April 1, 2012	10,000
EMC Insurance Companies	Workers' compensation		
	Bodily injury by accident	April 1, 2012	500,000
	Bodily injury by disease each employee	April 1, 2012	500,000
	Bodily injury by disease policy limit	April 1, 2012	500,000
EMC Insurance Companies	Linebacker		
	Each loss	April 1, 2012	1,000,000
	Aggregate	April 1, 2012	1,000,000
EMC Insurance Companies	Law enforcement liability		
	Each occurrence	April 1, 2012	1,000,000
	Aggregate	April 1, 2012	2,000,000

City of Johnston, Iowa
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year ended June 30, 2011

STATISTICAL INFORMATION

<u>Description</u>	<u>Number</u>
Sewer customers served at June 30, 2011	5,066

Sewer rates in effect at June 30, 2011: Service availability fee per month of \$4.84 plus \$4.47 per 1,000 gallons of water used.

For those contributors who contribute wastewater, the strength of which is greater than normal domestic sewage, a surcharge in addition to the normal charge is collected as follows:

Biochemical oxygen demand	\$0.35 per pound
Suspended solids	\$0.22 per pound