

CITY OF TOLEDO

Independent Auditors' Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings
June 30, 2011

CITY OF TOLEDO

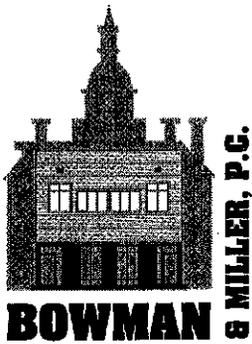
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CITY OF TOLEDO

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Pam Wood	Mayor	Jan 2012
Daniel Ferris	Mayor Pro-Tem	Jan 2012
Duane Pansegrau	Council Member	Jan 2012
Brian Sokol	Council Member	Jan 2014
Elmer (Skip) Wilson	Council Member	Jan 2014
Travis Mullen	Council Member	Jan 2014
Carolyn Brownfield	Clerk/Treasurer	Indefinite
Nancy Burk	Attorney	Indefinite



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Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

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

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Toledo as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 26, 2011 on our consideration of the City of Toledo's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 23 through 25 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied

certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Toledo's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the three years ended June 30, 2005 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bowman and Miller, P.C.

Marshalltown, Iowa
September 26, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Toledo 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

- Receipts of the City's governmental activities increased 42.0%, or approximately \$725,000, from fiscal year 2010 to fiscal year 2011. Property tax receipts increased approximately \$34,000 and capital grants, contributions and restricted interest increased approximately \$688,000.
- Disbursements of the City's governmental activities increased 48.0%, or approximately \$883,000, in fiscal year 2011 from fiscal 2010. Public works disbursements increased approximately \$703,000 while disbursements for debt service increased approximately \$70,000.
- The City's total cash basis net assets increased 19.2%, or approximately \$318,000, from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities decreased approximately \$269,000 while the assets of the business type activities increased approximately \$587,000.

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 Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents 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's operations in more detail than the government-wide statement 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.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally

accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

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 off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's 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 and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system, solid waste, community center and child care facility. 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. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits, 3) the Debt Service Fund, and 4.) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government 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 statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- 2.) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water and Sewer Funds and for the operation of the City's child care facility. These funds are considered to be the major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from \$613,920 to \$344,719. The analysis that follows focuses on the changes in cash basis net assets for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year Ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service	\$ 303,979	286,880
Operating grants, contributions and restricted interest	297,128	301,808
Capital grants, contributions and restricted interest	735,214	47,304
General receipts:		
Property tax	830,125	795,850
Other city tax	103,282	103,969
Local option sales tax	159,302	156,193
Unrestricted interest on investments	510	746
Miscellaneous	23,582	34,884
Total receipts	<u>2,453,122</u>	<u>1,727,634</u>
Disbursements:		
Public safety	591,036	535,157
Public works	1,118,827	415,945
Culture and recreation	316,721	282,916
Community and economic development	9,880	17,116
General government	269,665	273,114
Debt service	370,785	301,009
Capital projects	45,409	14,081
Total disbursements	<u>2,722,323</u>	<u>1,839,338</u>
Change in cash basis net assets	(269,201)	(111,704)
Cash basis net assets beginning of year	<u>613,920</u>	<u>725,624</u>
Cash basis net assets end of year	<u>\$ 344,719</u>	<u>613,920</u>

The City's total receipts for governmental activities increased by 42.0%, or \$725,488. The total cost of all governmental programs and services increased by \$882,985, or 48.0%, with no new programs added during the year.

The significant increase in receipts was primarily due to the receipt of an I-Jobs grant from the State of Iowa in the amount of \$705,543 to relocate the public works facility and the amount of property taxes collected increased \$34,275 from 2010 to 2011. The significant increase in disbursements was primarily due to the engineering fees and construction expenses for the new public works building totaling approximately \$900,000.

The cost of all governmental activities this year was \$2,722,323 compared to \$1,839,338 last year. However, as shown on the Statement of Activities and Net Assets on pages 10-11, the amount taxpayers ultimately financed for these activities was only \$1,386,002 because some of the cost was paid by those who directly benefited from the programs (\$303,979) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$1,032,342). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in fiscal year 2011 by over \$725,000 due to state aid received for the new public works facility. The City paid the remaining "public benefit" portion of governmental activities (\$1,386,002) with taxes (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year Ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 294,506	294,075
Sewer	507,839	370,830
Solid waste	22,286	21,661
Reinig estate	58,880	46,956
Child care facility	25,581	30,231
Operating grants, contributions and restricted interest	18,609	27,450
Capital grants, contributions and restricted interest	7,599	1,450,969
General obligation bond proceeds	-	1,358,000
Revenue note proceeds	809,017	1,504,096
Miscellaneous	3,715	-
Total receipts	<u>1,748,032</u>	<u>5,104,268</u>
Disbursements:		
Water	216,530	233,991
Sewer	818,693	4,832,122
Solid waste	34,640	23,274
Reinig estate	70,608	61,836
Child care facility	20,880	21,315
Total disbursements	<u>1,161,351</u>	<u>5,172,538</u>
Change in cash basis net assets	586,681	(68,270)
Cash basis net assets beginning of year	<u>1,035,905</u>	<u>1,104,175</u>
Cash basis net assets end of year	<u>\$ 1,622,586</u>	<u>1,035,905</u>

Total business type activities receipts for the fiscal year were \$1,748,032 compared to \$5,104,268 last year. The significant decrease was primarily due to the receipt of a Community Development Block Grant, a General Obligation bond, and a State Revolving Fund loan for the construction of a new wastewater treatment plant in the prior year. Actual receipts from sewer charges increased \$137,009 due to an increase in the sewer rate effective January 1, 2011. Total disbursements for business type activities for the fiscal year were \$1,161,351 which was a decrease of \$4,011,187 from the prior year due to most of the construction for the new wastewater treatment facility project being completed in the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Toledo completed the year, its governmental funds reported a combined fund balance of \$344,719, a decrease of \$269,201 from last year's total of \$613,920. The following are the major reasons for the changes in fund balance of the major funds from the prior year.

- The General Fund cash balance increased by \$51,378. This is due mainly to an increase in dollars transferred in from other funds during the current year.
- The Special Revenue, Employee Benefits Fund cash balance for 2011 was \$59,745, a decrease of \$175,571 from 2010. The reason for the decrease is due to decreasing the tax levy for 2011 as well as an increase in operating disbursements in the current year.
- The Special Revenue, Road Use Tax Fund cash balance decreased by \$128,000 during the fiscal year. The fund's cash balance decreased due to expenses related to construction of the new public works facility in 2011.
- The Debt Service Fund cash balance remained virtually unchanged from the prior year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Utility Fund cash balance increased by \$114,817 to \$646,248. The increase was primarily due to a rate increase that goes into effect January of each year.
- The Sewer Utility Fund cash balance increased by \$511,085 to \$907,366, primarily due to the majority of expenses related to construction of the new wastewater treatment facility being expended in the prior year and the sewer rate increase that goes into effect January of each year.
- The Child Care Facility Fund cash balance remained virtually unchanged from the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice. The first amendment was approved on October 11, 2010, and included an increase of \$1,552,547 to expenditures and \$1,552,547 to revenues. The increases were due to the receipt of State I-Jobs Grant Funds and a State Revolving Fund Loan and disbursements related to the construction of the new public works facility and the completion of the wastewater treatment facility. The second amendment was approved on May 23, 2011, and included an increase of \$57,000 to expenditures. The increases were to provide for additional disbursements in certain City departments. Even with the budget amendment, disbursements exceeded the amounts budgeted in the public safety, debt service and capital projects functions.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$5,642,473 in bonds and other long-term debt outstanding, compared to \$5,179,574 last year as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2011	2010
General obligation bonds	\$ 2,375,000	2,488,000
General obligation notes	391,116	548,239
Revenue bonds	231,291	253,384
Revenue notes	2,645,066	1,889,951
Total	<u>\$ 5,642,473</u>	<u>5,179,574</u>

Debt increased as a result of more proceeds issued from a State Revolving Fund loan and ARRA Forgivable loan for the new wastewater treatment construction project.

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The city's outstanding general obligation debt of \$2,766,116 is below its constitutional debt limit of \$ 4,741,608.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Toledo's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates, and fees that will be charged for various City activities.

During next fiscal year 2011-2012, the City has no plans to undertake any major capital projects or initiatives as they completed the projects for the new public works and wastewater treatment facilities in the current year. Instead, the City will be focusing on monitoring fund balances and repaying their outstanding debt balances, most of which arose from the two capital projects completed this year.

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 questions about this report or need additional financial information, contact:

Julie Wilkerson
PO Box 234
Toledo, Iowa 52342

Basic Financial Statements

CITY OF TOLEDO
Statement of Activities and Net Assets-Cash Basis
As of and for the year ended June 30, 2011

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 591,036	249,518	35,367	-
Public works	1,118,827	-	240,090	707,324
Culture and recreation	316,721	5,660	12,343	27,890
Community and economic development	9,880	-	-	-
General government	269,665	29,001	9,063	-
Debt service	370,785	-	-	-
Capital projects	45,409	19,800	265	-
Total governmental activities	<u>2,722,323</u>	<u>303,979</u>	<u>297,128</u>	<u>735,214</u>
Business type activities:				
Water	216,530	294,506	2,306	-
Sewer	818,693	507,839	1,608	7,599
Solid waste	34,640	22,286	-	-
Reinig estate	70,608	58,880	14,610	-
Child care facility	20,880	25,581	85	-
Total business type activities	<u>1,161,351</u>	<u>909,092</u>	<u>18,609</u>	<u>7,599</u>
Total	<u>\$ 3,883,674</u>	<u>1,213,071</u>	<u>315,737</u>	<u>742,813</u>
General Receipts:				
Property tax levied for:				
General purposes				
Employee benefits				
Debt service				
Other city tax				
Local option sales tax				
Unrestricted interest on investments				
Revenue note proceeds				
Miscellaneous				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Expendable:				
Debt service				
Employee benefits				
Property tax relief				
Other purposes				
Unrestricted				
Total cash basis net assets				

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(306,151)	-	(306,151)
(171,413)	-	(171,413)
(270,828)	-	(270,828)
(9,880)	-	(9,880)
(231,601)	-	(231,601)
(370,785)	-	(370,785)
(25,344)	-	(25,344)
<u>(1,386,002)</u>	<u>-</u>	<u>(1,386,002)</u>
-	80,282	80,282
-	(301,647)	(301,647)
-	(12,354)	(12,354)
-	2,882	2,882
-	4,786	4,786
-	<u>(226,051)</u>	<u>(226,051)</u>
<u>(1,386,002)</u>	<u>(226,051)</u>	<u>(1,612,053)</u>
501,284	-	501,284
95,532	-	95,532
233,309	-	233,309
103,282	-	103,282
159,302	-	159,302
510	-	510
-	809,017	809,017
23,582	3,715	27,297
<u>1,116,801</u>	<u>812,732</u>	<u>1,929,533</u>
(269,201)	586,681	317,480
613,920	1,035,905	1,649,825
<u>\$ 344,719</u>	<u>1,622,586</u>	<u>1,967,305</u>
\$ -	314,062	314,062
59,745	-	59,745
77,451	-	77,451
7,361	-	7,361
200,162	1,308,524	1,508,686
<u>\$ 344,719</u>	<u>1,622,586</u>	<u>1,967,305</u>

CITY OF TOLEDO
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2011

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Debt Service
Receipts:				
Property tax	\$ 501,284	-	95,532	233,309
Other city tax	89,189	-	4,073	10,021
Licenses and permits	1,779	-	-	-
Use of money and property	8,398	-	1,426	-
Intergovernmental	49,840	944,835	-	-
Charges for service	264,640	-	-	-
Special assessments	-	-	-	-
Miscellaneous	27,400	2,814	-	-
Total receipts	<u>942,530</u>	<u>947,649</u>	<u>101,031</u>	<u>243,330</u>
Disbursements:				
Operating:				
Public safety	447,263	-	143,773	-
Public works	-	1,075,649	43,178	-
Culture and recreation	245,720	-	62,275	-
Community and economic development	9,880	-	-	-
General government	242,289	-	27,376	-
Debt service	-	-	-	370,785
Capital projects	-	-	-	-
Total disbursements	<u>945,152</u>	<u>1,075,649</u>	<u>276,602</u>	<u>370,785</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(2,622)</u>	<u>(128,000)</u>	<u>(175,571)</u>	<u>(127,455)</u>
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Operating transfers in	54,000	-	-	127,375
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>54,000</u>	<u>-</u>	<u>-</u>	<u>127,375</u>
Net change in cash balances	51,378	(128,000)	(175,571)	(80)
Cash balances beginning of year	234,228	(38,097)	235,316	80
Cash balances end of year	<u>\$ 285,606</u>	<u>(166,097)</u>	<u>59,745</u>	<u>-</u>
Cash Basis Fund Balances				
Restricted for:				
Employee benefits	\$ -	-	59,745	-
Property tax relief	-	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Ambulance equipment	211,709	-	-	-
Fire equipment	40,309	-	-	-
Other purposes	33,588	-	-	-
Unassigned	-	(166,097)	-	-
Total cash basis fund balances	<u>\$ 285,606</u>	<u>(166,097)</u>	<u>59,745</u>	<u>-</u>

See notes to financial statements.

Other Nonmajor Governmental Funds	Total
-	830,125
159,302	262,585
-	1,779
1,053	10,877
52,092	1,046,767
3,773	268,413
1,781	1,781
181	30,395
<u>218,182</u>	<u>2,452,722</u>

-	591,036
-	1,118,827
8,726	316,721
-	9,880
-	269,665
-	370,785
45,409	45,409
<u>54,135</u>	<u>2,722,323</u>

<u>164,047</u>	<u>(269,601)</u>
----------------	------------------

400	400
-	181,375
(181,375)	(181,375)
<u>(180,975)</u>	<u>400</u>
(16,928)	(269,201)
182,393	613,920
<u>165,465</u>	<u>344,719</u>

-	59,745
77,451	77,451
7,361	7,361
-	211,709
-	40,309
100,853	134,441
(20,200)	(186,297)
<u>165,465</u>	<u>344,719</u>

CITY OF TOLEDO
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2011

	Enterprise Funds		
	Water Utility	Sewer Utility	Child Care Facility
Operating receipts:			
Charges for services	\$ 290,095	506,414	-
Miscellaneous	4,411	1,425	25,581
Total operating receipts	<u>294,506</u>	<u>507,839</u>	<u>25,581</u>
Operating disbursements:			
Business type activities	<u>181,679</u>	<u>209,524</u>	<u>-</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>112,827</u>	<u>298,315</u>	<u>25,581</u>
Non-operating receipts (disbursements):			
Interest on investments	1,990	1,608	85
Intergovernmental	-	7,599	-
Miscellaneous	-	3,715	-
Revenue note proceeds	-	809,017	-
Rent	-	-	-
Debt service	-	(97,135)	(20,880)
Capital projects	-	(512,034)	-
Total non-operating receipts (disbursements)	<u>1,990</u>	<u>212,770</u>	<u>(20,795)</u>
Net change in cash balances	114,817	511,085	4,786
Cash balances beginning of year	<u>531,431</u>	<u>396,281</u>	<u>18,497</u>
Cash balances end of year	<u>\$ 646,248</u>	<u>907,366</u>	<u>23,283</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	259,073	-
Unreserved	<u>646,248</u>	<u>648,293</u>	<u>23,283</u>
Total cash basis fund balances	<u>\$ 646,248</u>	<u>907,366</u>	<u>23,283</u>

<u>Nonmajor</u>	<u>Total</u>
67,183	863,692
13,983	45,400
<u>81,166</u>	<u>909,092</u>
105,248	496,451
<u>(24,082)</u>	<u>412,641</u>
316	3,999
-	7,599
-	3,715
-	809,017
14,610	14,610
(34,851)	(152,866)
-	(512,034)
<u>(19,925)</u>	<u>174,040</u>
(44,007)	586,681
89,696	1,035,905
<u>45,689</u>	<u>1,622,586</u>
54,989	314,062
<u>(9,300)</u>	<u>1,308,524</u>
<u>45,689</u>	<u>1,622,586</u>

CITY OF TOLEDO
Notes to Financial Statements
June 30, 2011

Note 1 – Summary of Significant Accounting Policies

The City of Toledo is a political subdivision of the State of Iowa located in Tama County. It was first incorporated in 1866 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 provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Toledo 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. The City has no component units which meet the Governmental Accounting Standards Board criteria.

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: Tama County Assessor's Conference Board, Tama County Emergency Management Commission, Tama County Joint E-911 Service Board, Tama County Solid Waste Disposal Commission, Region Six Planning Commission and Tama County Economic Development Board.

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City.

Expendable 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.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts 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 on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts 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 disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue Funds:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for property taxes to be used to pay employee taxes and benefits.

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

The City reports the following major proprietary funds:

The Water Utility Fund accounts for the operation and maintenance of the City's water system.

The Sewer Utility Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The Child Care Facility Fund accounts for the collection of fees from the daycare to fund repayment of the building loan.

C. Measurement Focus and Basis of Accounting

The City of Toledo maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present the financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis 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 receipts.

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

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent 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.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the public safety, debt service, and capital projects functions.

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.

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) to 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 – 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, PO 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 contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$46,048, \$41,799, and \$37,247, respectively, equal to the required contributions for each year.

Note 4 – Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2011

Note 4 – Compensated Absences (Continued)

payments payable to employees at June 30, 2011, was \$23,867, primarily relating to the General Fund. This liability has been computed based on the rates of pay in effect at June 30, 2011.

Note 5 – Risk Management

The City of Toledo 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 deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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	Special Revenue:	
	Local Option Sales Tax	\$ 54,000
Debt Service	Special Revenue:	
	Local Option Sales Tax	<u>127,375</u>
		<u>\$ 181,375</u>

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

Note 7 – Other Postemployment Benefits

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 14 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark Blue Cross and Blue Shield of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$530 for single coverage and \$1,608 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$180,656 and plan members eligible for benefits did not contribute to the plan.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2011

Note 8 – Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and notes, water and sewer revenue bonds and notes, and a child care center note are as follows:

Year Ending June 30	General Obligation Bonds		General Obligation Notes		Sewer Revenue Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 120,000	87,650	171,116	15,638	97,000	67,923
2013	121,000	83,522	120,000	8,655	98,000	65,013
2014	128,000	79,267	50,000	4,025	102,000	62,073
2015	130,000	74,687	50,000	2,050	105,000	59,013
2016-2020	735,000	297,115	-	-	581,000	245,595
2021-2025	783,000	139,996	-	-	682,000	152,535
2026-2030	358,000	27,300	-	-	599,113	47,409
2031-2035	-	-	-	-	-	-
2036-2040	-	-	-	-	-	-
2041-2045	-	-	-	-	-	-
Total	\$ 2,375,000	789,537	391,116	30,368	2,264,113	699,561

Year Ending June 30	Water Revenue Bonds		Child Care Center Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 23,307	11,565	5,256	15,624	416,679	198,400
2013	24,472	10,399	5,477	15,403	368,949	182,992
2014	25,696	9,176	5,708	15,172	311,404	169,713
2015	26,981	7,891	5,948	14,932	317,929	158,573
2016-2020	130,835	17,818	33,704	70,694	1,480,539	631,222
2021-2025	-	-	41,412	62,988	1,506,412	355,519
2026-2030	-	-	50,880	53,520	1,007,993	128,229
2031-2035	-	-	62,511	41,888	62,511	41,888
2036-2040	-	-	76,803	27,597	76,803	27,597
2041-2045	-	-	93,254	10,038	93,254	10,038
Total	\$ 231,291	56,849	380,953	327,856	5,642,473	1,904,171

The resolutions providing for the issuance of the revenue bonds and notes 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, Sewer and Child Care Center revenue sinking accounts within the Enterprise Funds for the purpose of making the principal and interest payments when due.
- c) Additional monthly transfers of \$218 to a Child Care Center reserve account within the Enterprise Fund shall be made until \$26,100 has been accumulated. This account is restricted for the purpose of transferring and crediting to the sinking account whenever necessary to prevent or remedy a default in the payment of the principal or interest on the notes.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2011

Note 8 – Bonds and Notes Payable (Continued)

- d) Additional monthly transfers of \$368 to a Child Care Center depreciation account within the Enterprise Fund shall be made. This account is restricted for the purpose of paying for any repairs, replacements and improvements to the Child Care Center.
- e) All funds remaining in the Child Care Center account after the payment of all maintenance and operating expenses and required transfers shall be placed in a surplus account within the Enterprise Funds. This account is restricted for the purpose of paying for any improvement, extension or repair to the building or for note and interest payments which the other accounts might be unable to make.

As of June 30, 2011, the City has established the depository accounts required by the bond resolution for the water revenue and daycare facility bonds.

Note 9 – Deficit Balances

The Special Revenue-Road Use Tax, Capital Projects-Street, and Solid Waste Funds had deficit balances of \$166,097, \$20,200, and \$12,312, respectively at June 30, 2011. The deficit balances were the result of costs incurred prior to availability of funds. The deficit balances will be addressed by making necessary transfers of funds in the future.

Note 10 – Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	General	Special Revenue	
		Ambulance Equipment	Fire Equipment
Balances June 30, 2010, as previously reported	\$ 57,612	141,799	34,817
Change in fund type classification per implementation of GASB Statement No. 54	176,616	(141,799)	(34,817)
Balances July 1, 2010, as restated	<u>\$ 234,228</u>	<u>-</u>	<u>-</u>

Note 11 – Subsequent Events

The City has evaluated all subsequent events through September 26, 2011, the date the financial statements were available to be issued.

Required Supplementary Information

CITY OF TOLEDO

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances-Budget and Actual (Cash Basis)

All Governmental Funds and Proprietary Funds

Required Supplementary Information

June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 830,125	-
Other city taxes	262,585	-
Licenses and permits	1,779	-
Use of money and property	10,877	18,609
Intergovernmental	1,046,767	7,599
Charges for service	268,413	863,692
Special assessments	1,781	-
Miscellaneous	30,395	49,115
Total receipts	2,452,722	939,015
Disbursements:		
Public safety	591,036	-
Public works	1,118,827	-
Culture and recreation	316,721	-
Community and economic development	9,880	-
General government	269,665	-
Debt service	370,785	-
Capital projects	45,409	-
Business type activities	-	1,161,351
Total disbursements	2,722,323	1,161,351
Excess (deficiency) of receipts over (under) disbursements	(269,601)	(222,336)
Other financing sources (uses), net	400	809,017
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(269,201)	586,681
Balances beginning of year	613,920	1,035,905
Balances end of year	\$ 344,719	1,622,586

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
830,125	818,946	818,946	11,179
262,585	140,422	140,422	122,163
1,779	3,960	3,960	(2,181)
29,486	5,100	5,100	24,386
1,054,366	281,407	1,231,407	(177,041)
1,132,105	1,009,104	1,009,104	123,001
1,781	-	-	1,781
79,510	304,009	964,256	(884,746)
<u>3,391,737</u>	<u>2,562,948</u>	<u>4,173,195</u>	<u>(781,458)</u>
591,036	509,611	509,611	(81,425)
1,118,827	345,998	1,295,998	177,171
316,721	362,749	389,449	72,728
9,880	18,000	23,000	13,120
269,665	333,430	339,430	69,765
370,785	348,677	348,677	(22,108)
45,409	-	-	(45,409)
1,161,351	607,619	1,230,166	68,815
<u>3,883,674</u>	<u>2,526,084</u>	<u>4,136,331</u>	<u>252,657</u>
(491,937)	36,864	36,864	(528,801)
<u>809,417</u>	<u>-</u>	<u>-</u>	<u>809,417</u>
317,480	36,864	36,864	280,616
1,649,825	1,813,936	1,607,736	42,089
<u>1,967,305</u>	<u>1,850,800</u>	<u>1,644,600</u>	<u>322,705</u>

CITY OF TOLEDO

Notes to Required Supplementary Information – Budgetary Reporting June 30, 2011

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

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, the Permanent 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, budget amendments increased budgeted disbursements by \$1,610,247. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the public safety, debt service, and capital project activities functions.

Other Supplementary Information

CITY OF TOLEDO
Schedule of Cash Receipts, Disbursements and
Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2011

	Special Revenue			
	Local Option Sales Tax	Library Gift Trust	Special Assessments	Urban Renewal Tax Increment
Receipts:				
Other city tax	\$ 159,302	-	-	-
Use of money and property	604	81	-	-
Intergovernmental	-	4,402	-	-
Charges for services	3,773	-	-	-
Special assessments	-	-	1,781	-
Miscellaneous	-	181	-	-
Total receipts	163,679	4,664	1,781	-
Disbursements:				
Operating:				
Culture and recreation	4,717	4,009	-	-
Capital projects	-	-	-	-
Total disbursements	4,717	4,009	-	-
Excess (deficiency) of receipts over (under) disbursements	158,962	655	1,781	-
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Operating transfers out	(181,375)	-	-	-
Total other financing sources (uses)	(181,375)	-	-	-
Net change in cash balances	(22,413)	655	1,781	-
Cash balances at beginning of year	99,864	13,249	-	4
Cash balances at end of year	\$ 77,451	13,904	1,781	4
Cash Basis Fund Balances				
Restricted for:				
Property tax relief	\$ 77,451	-	-	-
Other purposes	-	-	1,781	4
Assigned for other purposes	-	13,904	-	-
Unassigned	-	-	-	-
Total cash basis fund balances	\$ 77,451	13,904	1,781	4

Capital Projects					
Recreation Trail	Deer Creek Bridge	Housing Project	Storm Sewer Project	Street Project	Total
-	-	-	-	-	159,302
-	-	265	103	-	1,053
27,890	-	-	-	19,800	52,092
-	-	-	-	-	3,773
-	-	-	-	-	1,781
-	-	-	-	-	181
27,890	-	265	103	19,800	218,182
-	-	-	-	-	8,726
-	-	5,409	-	40,000	45,409
-	-	5,409	-	40,000	54,135
27,890	-	(5,144)	103	(20,200)	164,047
-	-	400	-	-	400
-	-	-	-	-	(181,375)
-	-	400	-	-	(180,975)
27,890	-	(4,744)	103	(20,200)	(16,928)
(22,314)	23,989	50,695	16,906	-	182,393
5,576	23,989	45,951	17,009	(20,200)	165,465
-	-	-	-	-	77,451
5,576	-	-	-	-	7,361
-	23,989	45,951	17,009	-	100,853
-	-	-	-	(20,200)	(20,200)
5,576	23,989	45,951	17,009	(20,200)	165,465

CITY OF TOLEDO
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Enterprise Funds
As of and for the year ended June 30, 2011

	Water Sinking Fund	Solid Waste	Reinig Center	Total
Operating receipts:				
Charges for services	\$ -	22,286	44,897	67,183
Miscellaneous	-	-	13,983	13,983
Total operating receipts	-	22,286	58,880	81,166
Operating disbursements:				
Business type activities	-	34,640	70,608	105,248
Excess (deficiency) of operating receipts over (under) operating disbursements	-	(12,354)	(11,728)	(24,082)
Non-operating receipts (disbursements):				
Interest on investments	316	-	-	316
Rent	-	-	14,610	14,610
Debt service	(34,851)	-	-	(34,851)
Total non-operating receipts (disbursements)	(34,535)	-	14,610	(19,925)
Excess (deficiency) of receipts over (under) disbursements	(34,535)	(12,354)	2,882	(44,007)
Net change in cash balances	(34,535)	(12,354)	2,882	(44,007)
Cash balances beginning of year	89,524	42	130	89,696
Cash balances end of year	\$ 54,989	(12,312)	3,012	45,689
Cash Basis Fund Balances				
Reserved for debt service	\$ 54,989	-	-	54,989
Unreserved	-	(12,312)	3,012	(9,300)
Total cash basis fund balances	\$ 54,989	(12,312)	3,012	45,689

CITY OF TOLEDO
Schedule of Indebtedness
Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Aquatic center	Aug 1, 2004	2.25-5.05 %	\$ 1,005,000
Aquatic center	Aug 1, 2004	2.45-5.25	400,000
SRF Sewer	Oct. 21, 2009	3.00	1,358,000
Total			<u>\$ 2,763,000</u>
General obligation notes:			
Fire truck	May 21, 2002	4.75 %	\$ 260,000
Library	Jan 26, 2005	2.95	400,000
Equipment	Oct 17, 2007	3.90	350,000
Total			<u>\$ 1,010,000</u>
Revenue bonds:			
Water	Feb 14, 1983	5.00 %	<u>\$ 587,800</u>
Revenue notes:			
State revolving fund sewer loan	Oct. 21, 2009	3.00 %	\$ -
ARRA sewer forgivable note	Feb. 3, 2010	3.25	-
Child care facility	Apr 30, 2007	4.125	500,000
Total			<u>\$ 500,000</u>

Schedule 3

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
805,000	-	45,000	760,000	35,633	-
325,000	-	15,000	310,000	15,058	-
1,358,000	-	53,000	1,305,000	40,740	-
2,488,000	-	113,000	2,375,000	91,431	-
88,239	-	37,123	51,116	4,191	-
250,000	-	50,000	200,000	9,500	-
210,000	-	70,000	140,000	8,190	-
548,239	-	157,123	391,116	21,881	-
253,385	-	22,094	231,291	12,757	-
627,857	531,256	49,000	1,110,113	27,794	-
876,239	277,761	-	1,154,000	-	-
385,854	-	4,901	380,953	15,979	-
1,889,950	809,017	53,901	2,645,066	43,773	-

CITY OF TOLEDO
Bond and Note Maturities
June 30, 2011

Year Ending June 30,	General Obligation Bonds					
	Aquatic Center		Aquatic Center		SRF Sewer	
	Issued Aug. 1, 2004		Issued Aug. 1, 2004		Issued Oct. 21, 2009	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2012	3.95 %	20,000	3.75 %	45,000	3.00 %	55,000
2013	4.10	20,000	3.90	45,000	3.00	56,000
2014	4.20	20,000	4.00	50,000	3.00	58,000
2015	4.30	20,000	4.10	50,000	3.00	60,000
2016	4.40	20,000	4.20	55,000	3.00	62,000
2017	4.50	20,000	4.30	55,000	3.00	64,000
2018	4.60	25,000	4.40	55,000	3.00	66,000
2019	4.70	25,000	4.50	60,000	3.00	68,000
2020	4.80	25,000	4.60	65,000	3.00	70,000
2021	4.95	25,000	4.75	65,000	3.00	73,000
2022	5.05	30,000	4.85	70,000	3.00	75,000
2023	5.15	30,000	4.95	70,000	3.00	77,000
2024	5.25	30,000	5.05	75,000	3.00	80,000
2025		-		-	3.00	83,000
2026		-		-	3.00	85,000
2027		-		-	3.00	88,000
2028		-		-	3.00	91,000
2029		-		-	3.00	94,000
Total		<u>\$ 310,000</u>		<u>\$ 760,000</u>		<u>\$ 1,305,000</u>

Year Ending June 30,	Revenue Bonds		State Revolving Sewer Loan		Revenue Notes	
	Water Revenue		Issued Oct. 21, 2009		AARA Forgivable Sewer	
	Issued Feb. 14, 1983		Issued Oct. 21, 2009		Issued Feb. 3, 2010	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2012	5.00 %	23,307	3.25 %	51,000	3.25 %	46,000
2013	5.00	24,472	3.25	52,000	3.25	46,000
2014	5.00	25,696	3.25	54,000	3.25	48,000
2015	5.00	26,981	3.25	56,000	3.25	49,000
2016	5.00	28,330	3.25	58,000	3.25	51,000
2017	5.00	29,746	3.25	60,000	3.25	52,000
2018	5.00	31,233	3.25	62,000	3.25	54,000
2019	5.00	32,795	3.25	64,000	3.25	56,000
2020 - 2046	5.00	8,731	3.25	653,113	3.25	752,000
Total		<u>\$ 231,291</u>		<u>\$ 1,110,113</u>		<u>\$ 1,154,000</u>

General Obligation Notes						
Fire Truck		Library		Public Works Equipment		Total
Issued May 21, 2002		Issued Jan. 26, 2005		Issued Oct. 17, 2007		
Interest		Interest		Interest		
Rate	Amount	Rate	Amount	Rate	Amount	
4.75 %	51,116	3.65 %	50,000	3.90 %	70,000	291,116
	-	3.80	50,000	3.90	70,000	241,000
	-	3.95	50,000		-	178,000
	-	4.10	50,000		-	180,000
	-		-		-	137,000
	-		-		-	139,000
	-		-		-	146,000
	-		-		-	153,000
	-		-		-	160,000
	-		-		-	163,000
	-		-		-	175,000
	-		-		-	177,000
	-		-		-	185,000
	-		-		-	83,000
	-		-		-	85,000
	-		-		-	88,000
	-		-		-	91,000
	-		-		-	94,000
	<u>\$ 51,116</u>		<u>\$ 200,000</u>		<u>\$ 140,000</u>	<u>\$ 2,766,116</u>

Child Care Center			Total
Issued Apr. 30, 2007			
Interest			
Rate	Amount		
4.125 %	5,256		125,563
4.125	5,477		127,949
4.125	5,708		133,404
4.125	5,948		137,929
4.125	6,197		143,527
4.125	6,458		148,204
4.125	6,730		153,963
4.125	7,012		159,807
4.125	332,167		1,746,011
	<u>\$ 380,953</u>		<u>\$ 2,876,357</u>

CITY OF TOLEDO
Schedule of Receipts By Source and Disbursements by Function-
All Governmental Funds
For the Last Nine Years

	2011	2010	2009	2008
Receipts:				
Property tax	\$ 830,125	795,846	1,019,718	846,398
Tax increment financing revenues	-	4	58,110	113,070
Other city tax	262,585	260,161	281,512	277,758
Licenses and permits	1,779	8,720	6,780	3,125
Use of money and property	10,877	11,372	18,529	24,971
Intergovernmental	1,046,767	322,416	323,665	336,680
Charges for services	268,413	259,659	275,803	283,499
Special assessments	1,781	4,333	5,431	2,169
Miscellaneous	30,395	57,532	25,888	41,230
Total	\$ 2,452,722	1,720,043	2,015,436	1,928,900
Disbursements:				
Operating:				
Public safety	\$ 591,036	535,157	555,569	582,666
Public works	1,118,827	415,945	243,301	673,534
Culture and recreation	316,721	282,916	276,533	261,814
Community and economic development	9,880	17,116	18,607	18,607
General government	269,665	273,114	256,755	250,725
Debt service	370,785	301,009	422,854	363,650
Capital projects	45,409	14,081	85,193	99,371
Total	\$ 2,722,323	1,839,338	1,858,812	2,250,367

Schedule 5

2007	2006	2005	2004	2003
929,723	655,072	795,644	768,290	888,719
241,150	181,716	114,003	64,186	62,259
240,350	187,403	211,542	175,149	107,346
8,608	3,896	27,301	227,244	266,451
31,516	25,450	31,953	22,974	5,417
1,073,176	675,868	219,645	24,402	58,807
259,096	211,365	39,348	47,774	386,887
16,350	9,255	19,618	14,032	24,315
98,423	170,651	1,164,122	955,589	384,072
<u>2,898,392</u>	<u>2,120,676</u>	<u>2,623,176</u>	<u>2,299,640</u>	<u>2,184,273</u>
608,738	500,940	456,775	370,519	324,280
227,432	253,431	296,595	277,218	267,176
241,929	257,869	243,387	306,754	216,416
23,349	39,770	181,362	204,155	72,043
269,839	341,222	317,135	268,226	274,163
1,090,034	461,614	359,262	287,311	432,979
1,003,493	1,048,057	2,548,724	962,651	20,683
<u>3,464,814</u>	<u>2,902,903</u>	<u>4,403,240</u>	<u>2,676,834</u>	<u>1,607,740</u>



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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Toledo, Iowa, 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 September 26, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of 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 all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Toledo's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-A-11 to be a material weakness.

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

Compliance and Other Matters

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

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 Toledo's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Toledo'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 Toledo and other parties to whom the City of Toledo may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Bowman and Miller, P.C.

Marshalltown, Iowa
September 26, 2011

CITY OF TOLEDO
Schedule of Findings
Year Ended June 30, 2011

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF TOLEDO
Schedule of Findings
Year Ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one person has control over each of the following areas:

- (1) Cash receipts - collecting, depositing, journalizing, and posting
- (2) Disbursements - check writing, signing, and reconciling.
- (3) Payroll preparation and distribution.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances. In instances where it is not possible to segregate duties, the City should utilize administrative personnel to provide additional internal control through review of financial transactions and report.

Response – We will continue to monitor other ways to improve segregation of duties.

Conclusion – Response accepted.

II-B-11 Bank Reconciliations – Fund balances are reconciled to the bank account balances monthly however, outstanding variances in the reconciliations were never resolved.

Recommendation – To improve financial accountability and control, fund balances should be reconciled to the bank balances monthly and variances resolved on a timely basis.

Response – Bank reconciliations will be performed and variances resolved. Will use auditors as needed.

Conclusion – Response accepted.

II-C-11 Financial Reporting – During the audit, we identified material receipts and disbursements coded incorrectly in the financial statements. Adjustments were subsequently made by the City to properly record these amounts in the financial statements.

Recommendation – The City should properly record all receipts and disbursements.

Response – We will review postings on a monthly basis to make sure that receipts and disbursements are coded to the proper account.

Conclusion – Response accepted.

CITY OF TOLEDO
Schedule of Findings
Year Ended June 30, 2011

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Other Findings Related to Required Statutory Reporting:

III-A-11 Certified Budget – Disbursements during the year ended June 30, 2011, exceeded the amounts budgeted in the public safety, debt service and capital projects activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – Will monitor expenditures in the future on a monthly basis.

Conclusion – Response accepted.

III-B-11 Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

III-C-11 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-11 Business Transactions – No business transactions between the City and City officials or employees were noted.

III-E-11 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-11 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not,

III-G-11 Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy.

III-H-11 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

CITY OF TOLEDO
Schedule of Findings
Year Ended June 30, 2011

III-I-11 Financial Condition – The Special Revenue-Road Use Tax, Capital Projects-Street and Solid Waste Funds had deficit balances of \$166,097, \$20,200 and \$12,312 respectively at June 30, 2011.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition.

Response – The City will close out old funds with remaining balances and make necessary transfers to eliminate deficit balances in the future.

Conclusion – Response accepted.

III-J-11 Transfers – The City periodically transferred money to and from various funds and accounts. However, these transfers were not always approved by the Council prior to the actual transfer.

Recommendation – The City should approve all fund/account transfers prior to the actual transfer and document the approval and amounts in the minutes.

Response – The City will approve and document all future transfers prior to making the actual transfer.

Conclusion – Response accepted.

CITY OF TOLEDO
Audit Staff

This audit was performed by:
Bowman and Miller, P.C.
Certified Public Accountants
Marshalltown, IA 50158

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