

Iowa League of Cities

Financial Report
June 30, 2011

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**Independent Auditor's Report
on the Financial Statements**

To the Executive Board
Iowa League of Cities
Des Moines, Iowa

We have audited the accompanying statements of financial position of the League of Cities as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the League's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Iowa League of Cities as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Des Moines, Iowa
November 7, 2011

Iowa League of Cities

Statements of Financial Position
June 30, 2011 and 2010

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash	\$ 666,264	\$ 646,480
Restricted cash	63,384	64,477
Certificates of deposit	951,725	1,051,276
Receivables:		
Trade	28,578	61,131
Affiliate	27,966	30,611
Interest	1,521	1,866
Prepaid expenses	74,892	39,006
Total current assets	1,814,330	1,894,847
FURNITURE, FIXTURES AND EQUIPMENT, net	100,135	85,520
NON-CURRENT PREPAID EXPENSE	-	10,000
Total assets	\$ 1,914,465	\$ 1,990,367
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 239,555	\$ 312,934
Deferred income	241,587	132,140
Deferred rent	17,946	30,072
Total current liabilities	499,088	475,146
NET ASSETS, unrestricted	1,415,377	1,515,221
Total liabilities and net assets	\$ 1,914,465	\$ 1,990,367

See Notes to Financial Statements.

Iowa League of Cities

Statements of Activities

Years Ended June 30, 2011 and 2010

	2011	2010
Revenue:		
Membership dues	\$ 691,615	\$ 704,469
Associate member dues	50,716	44,035
Advertising	78,188	80,988
Sponsorship	26,688	20,163
Subscriptions	29,068	18,371
Registrations	225,443	217,935
Fees and royalties	1,822,309	2,009,323
Interest	14,738	19,504
Other	25,125	832
	<u>2,963,890</u>	<u>3,115,620</u>
Expenses:		
Salaries, payroll taxes and fringe benefits	2,028,880	1,934,614
Rent and parking	197,268	197,812
Telephone	44,038	40,753
Travel	37,217	47,800
Legal and accounting fees	50,786	46,861
Consulting fees	226,224	229,932
Dues and subscriptions	47,015	38,305
Insurance	35,791	35,487
Equipment and computer	3,924	8,367
Printing	59,165	66,391
Postage	35,254	44,791
Supplies	30,488	25,408
Meeting	183,368	149,378
Training	7,421	11,849
Depreciation	61,309	54,922
Miscellaneous	15,586	90,378
	<u>3,063,734</u>	<u>3,023,048</u>
Increase (decrease) in unrestricted net assets	(99,844)	92,572
Unrestricted net assets, beginning	<u>1,515,221</u>	<u>1,422,649</u>
Unrestricted net assets, ending	<u>\$ 1,415,377</u>	<u>\$ 1,515,221</u>

See Notes to Financial Statements.

Iowa League of Cities

Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in unrestricted net assets	\$ (99,844)	\$ 92,572
Adjustments to reconcile increase (decrease) in unrestricted net assets to net cash provided by (used in) operating activities:		
Depreciation	61,309	54,922
(Gain) on disposal of equipment	(2,525)	-
Change in working capital components:		
(Increase) decrease in receivables	32,898	(22,210)
(Increase) in prepaid expenses	(25,886)	(21,553)
Increase (decrease) in accounts payable and accrued expenses	(73,379)	62,944
Increase (decrease) in deferred income	109,447	(23,350)
(Decrease) in deferred rent	(12,126)	(12,127)
Net cash provided by (used in) operating activities	(10,106)	131,198
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in restricted cash	1,093	13,851
(Increase) decrease in advances on affiliate receivables	2,645	(13,803)
Purchase of furniture, fixtures and equipment	(75,924)	(34,965)
Proceeds from sale of equipment	2,525	-
Purchase of certificates of deposit	(250,000)	(1,000,000)
Proceeds from redemption of certificates of deposit	349,551	600,328
Net cash provided by (used in) investing activities	29,890	(434,589)
Net increase (decrease) in unrestricted cash	19,784	(303,391)
UNRESTRICTED CASH		
Beginning	646,480	949,871
Ending	\$ 666,264	\$ 646,480

See Notes to Financial Statements.

Iowa League of Cities

Notes to Financial Statements

Note 1. Nature of League and Significant Accounting Policies

Nature of organization: The League of Iowa Municipalities was founded in 1898, changed its name to the Iowa League of Cities (the League) in 1996 and is a grassroots organization controlled by its members. The purpose of the League is the improvement of municipal government and the administration thereof through cooperative effort and the promotion of the general welfare of the cities of Iowa. The members elect the League's officers and Executive Board (the Board of Directors or the Board) and determine, by direct vote, what the League's policies will be from year to year. The League is governed by a 19-member Board of Directors. A majority of the Board members must be elected officials, and representation on the Board must come from cities of all sizes. Officers are elected to a one-year term and Board members are elected to a two-year term at the League's annual meeting each fall.

Significant accounting policies:

Accounting estimates and assumptions: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash: Cash consists of unrestricted funds to be used for operations.

Certificates of deposit: Investments in certificates of deposit are recorded at cost which approximates fair value.

Restricted cash: Restricted cash consists of amounts received by the League that are for the benefit of other agencies. The League will collect registration fees for conferences held by other agencies and these fees are held by the League until the conclusion of the conference.

Trade receivables: Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and current economic conditions. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Furniture, fixtures and equipment: Furniture, fixtures and equipment are stated at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets.

Revenue recognition: Membership dues are recorded in the applicable membership period. Fees and royalties are recorded based on the related contract period (see Note 4). All other revenue is recognized when services are rendered. Restricted assets received in the same year that the restriction is satisfied are classified as unrestricted assets.

Iowa League of Cities

Notes to Financial Statements

Deferred income: Deferred income represents annual dues which are being recognized in the applicable period to which the membership relates.

Deferred rent: The League accrues rent expense on lease agreements with escalating rents in an amount such that the total rent expense under the lease will be recognized ratably over the lease term.

Income taxes: The League is exempt from federal and state income taxes under Section 501(c)(4) of the Internal Revenue Code and a similar section of Iowa law. The League currently has an opinion that it is exempt from IRS requirements for filing any reports, including 990 and 990T. Therefore there is no income tax filing requirements of the League.

Unrestricted net assets: The League's net assets are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. The League's governing Board may earmark portions of its unrestricted net assets as Board-designated for various purposes.

Subsequent events: Subsequent events have been evaluated through November 7, 2011, which is the date financial statements are available for issuance. Through that date, there were no events requiring disclosure.

Note 2. Furniture, Fixtures and Equipment

Detail of furniture, fixtures and equipment is as follows at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Furniture and fixtures	\$ 122,991	\$ 120,369
Computer equipment	253,430	216,056
Autos	80,971	80,644
Other equipment	99,605	83,900
	<u>556,997</u>	<u>500,969</u>
Accumulated depreciation	456,862	415,449
	<u>\$ 100,135</u>	<u>\$ 85,520</u>

Note 3. Retirement Benefits

The League has a noncontributory retirement plan covering all full-time employees who have completed 90 days of service. The League pays approximately 10% of gross salary into the plan in lieu of social security. Employer contributions totaled approximately \$157,000 and \$162,000 for the years ended June 30, 2011 and 2010, respectively. The League also has a contributory retirement plan covering all full-time employees. Employees may contribute a dollar amount or percent per pay period. The League matches fifty cents on the dollar up to 2% of gross salary. Employer contributions totaled approximately \$111,000 and \$102,000 for the years ended June 30, 2011 and 2010, respectively.

Iowa League of Cities

Notes to Financial Statements

Note 4. Related-Party Transactions

The League has a cooperation agreement with the Iowa Communities Assurance Pool (ICAP) that provides for service fees to be paid to the League. Service fees received by the League totaled approximately \$220,000 and \$202,000 for the years ended June 30, 2011 and 2010, respectively. The agreement is subject to termination by either party annually upon 90 days written notice. The League's executive director serves as a non-voting member of the Board of Directors of ICAP.

The League has a management agreement with the Iowa Municipalities Workers' Compensation Association (IMWCA), an affiliate that provides for a management fee of approximately \$105,000 per month at June 30, 2011. During the years ended June 30, 2011 and 2010, the League received approximately \$1,260,000 and \$1,265,000, respectively, in management fees. The agreement is subject to termination by either party upon six months written notice. In addition, the League at times will purchase fixed assets on behalf of IMWCA. At June 30, 2011 and 2010, the League had \$15,000 and \$7,000, respectively, receivable from IMWCA.

The League also has an agreement with IMWCA which provides the League a fee for institutional value equal to 1.5% of the annual net premium for the participating member cities of the workers' compensation program for as long as the agreement is in effect. The annual premiums received totaled approximately \$122,000 and \$131,000 and for the years ended June 30, 2011 and 2010, respectively. The IMWCA Board stipulated that money paid to the League for institutional value be used to promote the League and affiliated programs.

The League and Iowa Public Agency Investment Trust (IPAIT) have a license agreement which provides for royalty payments. Royalty payments received by the League totaled approximately \$180,000 and \$331,000 for the years ended June 30, 2011 and 2010, respectively. This agreement is subject to termination by either party upon 60 days written notice. The League's executive director serves as a non-voting board member for IPAIT.

The League has a contract with the Iowa City Management Association (IaCMA) to provide membership services. Service fees received by the League totaled approximately \$4,000 and \$400 for the years ended June 30, 2011 and 2010, respectively. The contract is subject to termination annually with 60 days written notice. The League's executive director serves as the non-voting secretary/treasurer of IaCMA.

The League was party to an agreement among three associations that establishes the Drug and Alcohol Testing Alliance (DATA) in order to provide drug and alcohol testing services to local government entities required to conduct such tests by federal regulation. The agreement provided that the League perform administrative oversight to the third party administrator on behalf of the associations. Effective January 2010, the League became a member of DATA, LLC and transferred the administrative oversight function to a third party. The League received approximately none and \$3,000 of administrative fees for the years ended June 30, 2011 and 2010, respectively. Under the equity method, the League's share of the net income (loss) of the investee is recognized as income (loss) in the League's income statement and added to (deducted from) the investment account, and dividends received from the investee are treated as a reduction of the investment account. The League received approximately \$11,000 and none of investment income for the years ended June 30, 2011 and 2010, respectively.

Iowa League of Cities

Notes to Financial Statements

Note 5. Lease Commitments and Rent Expense

The League leases office space under a noncancelable operating lease agreement expiring November 2012, requiring minimum monthly rentals of approximately \$13,000 through November 2012. Additional monthly rent may be required for taxes, insurance and utilities if actual expenses exceed limits originally set forth in the agreement.

Approximate future minimum lease payments are as follows:

Year ending June 30:	
2012	\$ 160,000
2013	67,000
	<u>\$ 227,000</u>

Related rent expense for the years ended June 30, 2011 and 2010 totaled approximately \$163,000 and \$164,000, respectively.

Note 6. Functional Expenses

Approximate expenses for program service and general and administrative supporting activities for the years ended June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Program service	\$ 2,788,000	\$ 2,751,000
Supporting activities, general and administrative	276,000	272,000
	<u>\$ 3,064,000</u>	<u>\$ 3,023,000</u>



**Independent Auditor's Report
on the Supplementary Information**

To the Executive Board
Iowa League of Cities
Des Moines, Iowa

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

McGladrey & Pullen, LLP

Des Moines, Iowa
November 7, 2011

Iowa League of Cities

Executive Board and Staff

<u>Name</u>	<u>Title</u>	<u>Board Term Expires</u>
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EXECUTIVE BOARD

Ruth Randleman	President	September 2011
Thomas Hanafan	Past President	September 2011
Dale Uehling	Immediate Past President	September 2011
Kris Glick	President-elect	September 2011
Jim Fausett	Past President	September 2012
Greg Adamson	Director	September 2011
Craig Block	Director	September 2011
Guy Brace	Director	September 2012
Ann Campbell	Director	September 2012
Buck Clark	Director	September 2012
Terry L. Cox	Director	September 2011
James J. Gourley	Director	September 2011
Paula Gunter	Director	September 2011
Elizabeth Hansen	Director	September 2012
Brent Hinson	Director	September 2012
Andy Lent	Director	September 2012
Allen McKinley	Director	September 2011
Reynold Peterson	Director	September 2011

STAFF

Alan Kemp	Executive Director	Indefinite
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