

City of Burlington, Iowa

Comprehensive Annual
Financial Report

For the Year Ended
June 30, 2012

City of Burlington, Iowa

Comprehensive Annual Financial Report

For the Year Ended June 30, 2012

Submitted By:

Department of Finance and Accounting
City of Burlington, Iowa

CITY OF BURLINGTON, IOWA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2012

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INTRODUCTORY SECTION



January 15, 2013

To the Honorable Mayor, Members of the City Council,
and Citizens of the Burlington, Iowa:

The City of Burlington is required by various state and federal regulations to publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants or by the State Auditor's Office. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Burlington, Iowa (City), for the fiscal year ended June 30, 2012.

This report consists of management's representations concerning the finances of the City of Burlington. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Burlington has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Burlington's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Burlington's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Burlington's financial statements have been audited by Eide Bailly, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Burlington for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded except for the omission of the Burlington Municipal Waterworks and the Southeast Iowa Regional Airport Authority not recording or disclosing the annual required contribution for other postemployment benefits (OPEB) or the OPEB liability as required by

Governmental Accounting Standards Board Statement No. 45, that the City of Burlington's financial statements for the fiscal year ended June 30, 2012 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Burlington was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited City's controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are contained in the compliance section of this comprehensive annual financial report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Burlington's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Burlington, incorporated in 1836 is located on the Mississippi River in the southeastern corner of the state. Burlington serves as the county seat of Des Moines County and as a regional trade center. The City of Burlington currently occupies a land area of 14 square miles and serves a population of 25,663. The City of Burlington is empowered to levy a property tax on real property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

The City of Burlington has operated under the council-manager form of government since 1982. Policy-making and legislative authority are vested in a governing council consisting of five members elected at large. The mayor is selected by the City Council from their members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the city manager, city clerk, and attorney. The city manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with council members elected every two years.

The City of Burlington provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure, wastewater treatment, refuse collection, and recreational activities and cultural events. The City of Burlington is financially accountable for the legally separate Burlington Municipal Waterworks and the legally separate Southeast Iowa Regional Airport Authority (SEIRAA) both of which are reported separately within the City of Burlington's financial statements. The Friends of the

Burlington Public Library Foundation is reported as a component unit since they raise funds for the exclusive use of the Burlington Public Library.

The annual budget serves as the foundation for the City of Burlington's financial planning and control. All agencies of the City of Burlington are required to submit requests for appropriation to the Finance Director before the end of November of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review prior to the end of January. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than March 15. The appropriated budget is prepared by fund, function (e.g., Public Safety), and department (e.g., police). Department heads may make transfers of appropriations within a department with the manager's approval. Transfers of appropriations between departments, however, require the special approval of the governing council. The legal level of control (the level at which expenditures may not legally exceed appropriations) is the function level for all funds combined rather than at the individual fund level. The nine functions mandated by the State are: (1) Public Safety (2) Culture and Recreation (3) Community and Economic Development (4) Health and Social Services (5) Public Works (6) General Government (7) Debt Service (8) Capital Projects and (9) Business Type Activities. Since the City maintains its budgets at the individual fund level, it is necessary to aggregate the expenditures of the budgeted activities within the individual funds on a function basis and to compare such function totals with the function budgeted totals in order to demonstrate legal compliance with the budget.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Burlington operates.

Local Economy. The local economy continued to make movements in a positive direction during fiscal year 2012 despite economic problems at the State and National levels. Case-New Holland Corporation announced during 2010 that they were moving another line of production to the Burlington facility, which has added nearly 200 jobs to the area with a potential for more.

In addition, the City's agreement with Federal Mogul Ignition Products to utilize the targeted jobs withholding program to keep the Burlington manufacturing plant open appears to have been very successful. As a result of this program, the City was able to save over 350 jobs, the amount of the income tax withholding payments from Federal Mogul have risen, and the company was successful in obtaining additional work from automotive manufacturers including General Motors and Chrysler.

The City also continued to aggressively market the Flint Ridge Business Park and the old Dresser Rand building with moderate success as well as the 28 acres acquired in the Flint Hills area. The Flint Hills property is located near the Catfish Bend Casino and Fun City and near the intersection of Highways 34 and 61. The land is highly attractive for commercial development and is being marketed to developers as one piece of ground rather than being split into smaller parcels.

In addition to these positive developments, the City had continued strength in hotel/motel tax revenues, sales tax receipts, and gambling revenues from the Catfish Bend Casino during the year.

Cash Management Policies and Practices. Cash temporarily idle during the year is primarily invested in certificates of deposit of local financial institutions. This practice is in compliance with the City's investment policy as adopted by the City Council. Bids are informally solicited from those institutions and the funds invested at the best rate obtainable. Daily funds are deposited in money market accounts. Total interest earned during the year amounted to \$48,027 on an accrual basis.

Risk Management. Effective December 1, 2009 the City once again returned to conventional insurance for property and liability coverage after self-insuring those risks for the last 20 years. The City purchased insurance coverage through Cornhusker Casualty with a \$5,000 deductible for property losses and no deductible for general liability losses. The City continues, however, to self-insure its workers compensation coverages with a self-insured retention of \$300,000 per claim. In the aggregate, the City's losses for any one-year cannot exceed \$1,000,000. The City's self-insurance fund is treated as an internal service fund. Claims paid by the City are charged to this fund, which recovers its expenditures from the appropriate fund incurring the claim.

In addition, effective July 1, 1983 the City entered into an Iowa Code Chapter 28E Agreement with Des Moines County to create a pooling arrangement to provide health and dental care benefits for its employees. Premiums, based upon an annual actuarial review, are paid into a trust account out of which claims are paid. Effective July 1, 2003 the pool began to purchase coverage through Wellmark Blue Cross/Blue Shield. That coverage has a \$2,500/\$5,000 deductible. The plan self-insures down to the lower deductible selected by the member. Additionally, prescription drug and dental coverage are still self-insured.

Pension Benefits. The City of Burlington provides pension benefits for its employees, through either the Municipal Fire and Police Retirement System of Iowa (MFPRSI) or The Iowa Public Employees Retirement System (IPERS). These benefits are provided through statewide plans managed by the appropriate State Pension Board. The City of Burlington has no obligation in connection with employee benefits offered through this plan beyond its annual contractual payment to the State Pension Board. Additional information on the City of Burlington's pension arrangements can be found in notes to the financial statements.

Major initiatives

Capital projects for the City include Wastewater treatment plant expansion and Cascade sewer separation.

Acknowledgments

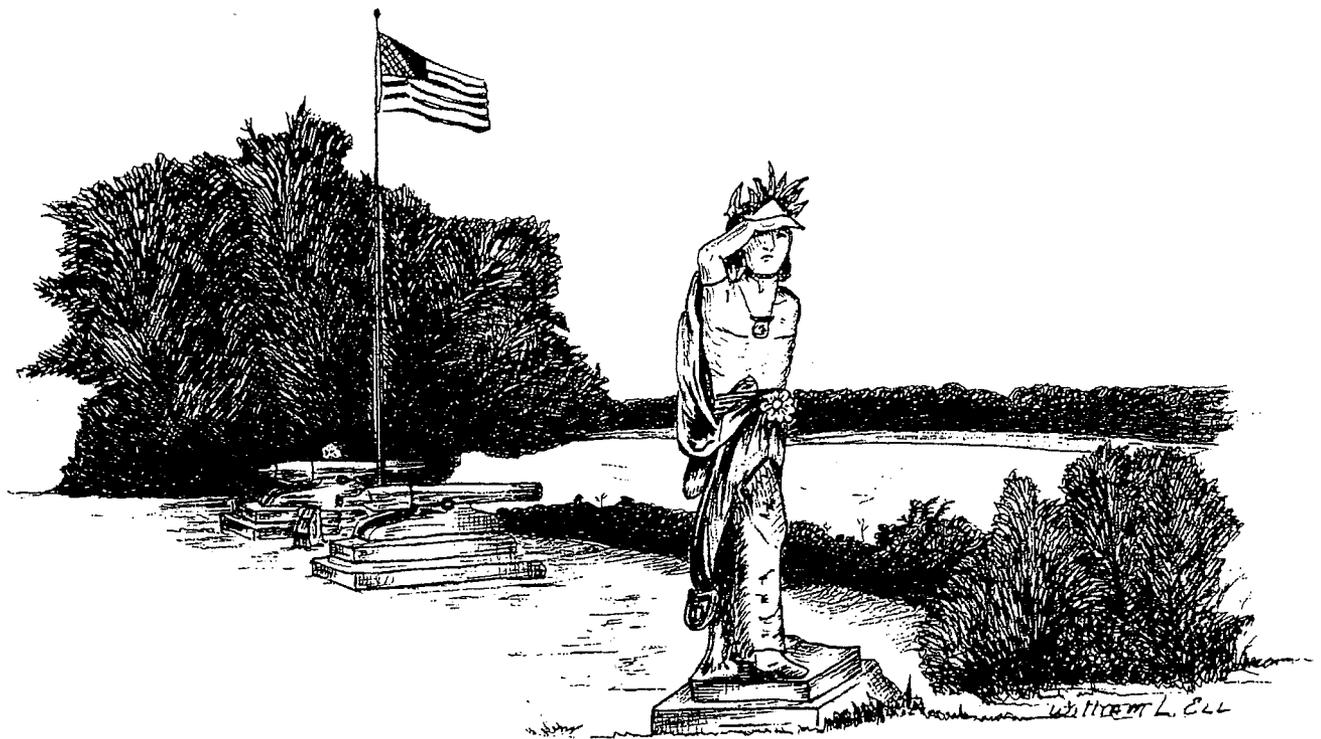
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must also be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Burlington's finances.



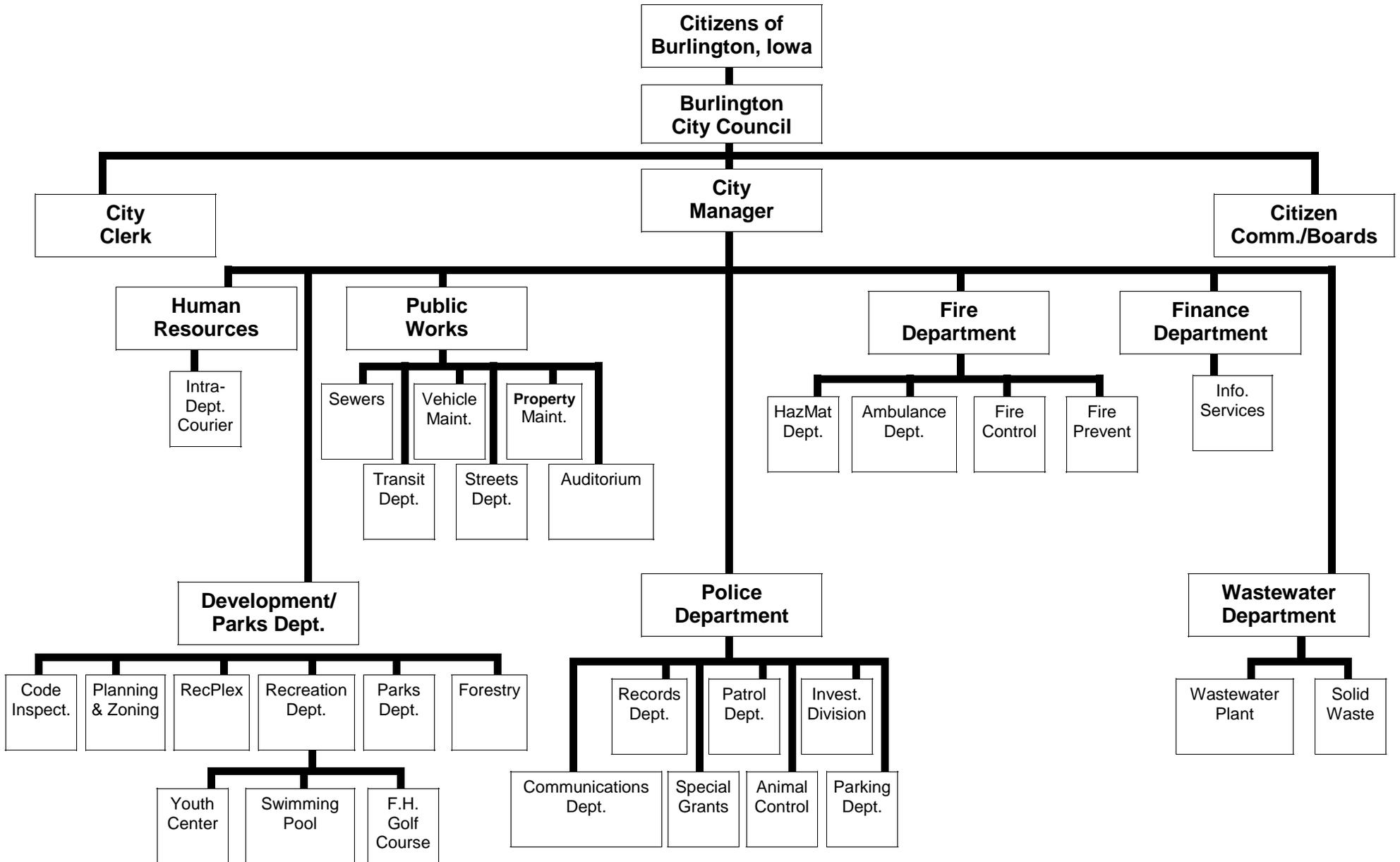
Jim Ferneau
City Manager



Stephanie Stuecker, CPA
Finance Director



City of Burlington Organizational Chart



CITY OF BURLINGTON, IOWA

List of Principal Officials June 30, 2012

ELECTED OFFICIALS

Mayor
Mayor Pro tem
Council Member
Council Member
Council Member

Jim Davidson
Christopher Reed
Robert Fleming
Becky Anderson
Shane McCampbell

APPOINTED OFFICIALS

City Manager
City Attorney
City Clerk
Development and Parks Director
Finance Director
Fire Chief
Library Director
Personnel Director
Police Chief
Public Works Director
Wastewater Treatment Facility Superintendent

Jim Ferneau
Scott Power
Kathleen Salisbury
Eric Tysland
Stephanie Stuecker
Tom Clements
Rhonda Frevert
Bev Hunter
Dan Luttenegger
Ron Knoke
Donald Fitting

CITY OF BURLINGTON

Mission Statement

The Mission of the City of Burlington is to provide consistent quality services to support a safe and healthy community. This commitment to excellence is based on the belief that well informed and involved citizens, in partnership with trained service oriented city employees will maintain and implement cost effective services which enable the community to meet future challenges and opportunities.

Vision Statement

The City of Burlington believes in a strong partnership between customer-service oriented employees and well-informed and involved citizens whose pride and belief in the future encourages investment and progress.

FINANCIAL SECTION



Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Burlington, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Burlington, Iowa. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Burlington Municipal Waterworks, the Southeast Iowa Regional Airport Authority, or the Friends of the Burlington Public Library. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Burlington Municipal Waterworks, the Southeast Iowa Regional Airport Authority, and the Friends of the Burlington Public Library, is based on the reports of the other auditors.

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

The Burlington Municipal Waterworks and the Southeast Iowa Regional Airport Authority did not record or disclose the annual required contribution for other postemployment benefits (OPEB) or the OPEB liability as required by Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The auditors for those entities have issued qualified opinions on the financial statements for those omissions.

In our opinion, based on our audit and the reports of other auditors, except for the omission of the information described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Burlington, Iowa, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management 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's financial statements as a whole. The introductory section, combining nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Dubuque, Iowa
January 15, 2013

Management's Discussion and Analysis

Our discussion and analysis of the City's financial performance for the fiscal year ended June 30, 2012 is intended to give the readers an overview of and additional insight into the financial activities of the City over the past year. This will be done most effectively by reading this discussion in conjunction with the letter of transmittal and the financial statements.

Financial Highlights

- The assets of the City of Burlington exceeded its liabilities at June 30, 2012 by \$43,689,700 (net assets), an increase of \$658,504 from the previous year.
- At June 30, 2012, the City's current assets of \$31,207,360 exceeded its current liabilities of \$20,556,466 – a difference of \$10,650,894, which is an increase of \$8,570,694 from the previous year.
- At the end of the current fiscal year, the City of Burlington's governmental funds reported combined ending fund balance of \$6,802,040, an increase of \$3,543,991 in comparison with the prior year. The Debt Service Fund increased by \$124,572. The General Fund decreased by \$140,091. The Road Use Tax Fund increased by \$200,223, the Local Option Sales Tax Fund decreased by \$15,993, the Tax Increment Financing Fund increased by \$1,426,189, the Capital Projects Fund increased by \$2,040,878, and all other governmental funds decreased by \$91,787.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$279,212 and is 1.68 percent of total General Fund expenditures.

Using this annual report

This discussion and analysis is intended to serve as an introduction to the City of Burlington's basic financial statements. The statements comprise three components: 1) the government-wide financial statements, 2) the fund financial statements, and 3) the notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to be corporate-like in that the governmental and business-type activities are consolidated into statements intended to present the operations of the City as a whole.

The *Statement of Net Assets* presents the City's financial position, in its entirety, as of June 30. All of the City's assets and liabilities are presented with the difference between the two reported as net assets. In order to consolidate and present the City's activities as a whole, it is necessary to convert the governmental fund statements from a measurement focus of financial resources to a measurement focus of economic resources. Essentially, this adds long-term assets and liabilities to the fund financial statements.

On the right side of the statement, the Burlington Municipal Waterworks and the Southeast Iowa Regional Airport Authority are presented. The City appoints a majority of their board members and has a substantial financial responsibility for these organizations. Therefore, the City's financial statements would not be complete without reporting their activities. The focus of the statements, however, is clearly on the primary government. There are separately issued financial statements for these component units. Additionally, the Friends of the Burlington

Public Library Foundation is reported since they raise funds exclusively for the benefit of the Burlington Public Library.

The *Statement of Activities* presents information showing how the City's net assets changed during the fiscal year. It focuses on the gross and net cost of various programs. This is intended to simplify the user's analysis of the cost of providing various government services and their funding sources.

The governmental activities reflect the City's basic services such as police, fire, parks, library, auditorium, public works, and general administration. Primary funding sources include sales and road use taxes, property taxes, service charges, and intergovernmental grants and funds. The business-type activities are intended to be self-funding through user fees and charges.

Fund Financial Statements

Traditional users of the City's financial statements will find the fund financial statements more familiar. The most noticeable change is the shift away from fund types and towards major funds. The City's funds are divided into two major categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities (the government-wide level). However, unlike the government-wide level, governmental funds focus on short-term inflows and outflows of financial resources rather than flow of economic (all) resources. This information is useful in evaluating short-term financing requirements and is typically the basis for which the City's annual budget is developed. A more detailed list of differences between the governmental funds and the governmental activities can be found in the reconciliation provided in the fund financial statements.

The City has seven major funds: the General fund, the Debt Service fund, the Road Use Tax fund, the Local Option Sales Tax fund, the Tax Increment Financing fund, Employee Benefits fund, and the Capital Projects fund. The City also has seven non-major governmental funds. These funds are combined and reported in a single column in the governmental fund financial statements, but are reported individually elsewhere in the report.

The City uses funds to prepare its annual budget, but is not the legal level of control. The State of Iowa instead requires City's to budget at a higher "function" level that crosses funds and fund types. The eight levels are Public Safety, Culture and Recreation, Community and Economic Development, Health and Social Services, Public Works, General Government, Debt Service, and Capital Projects. Legal compliance is demonstrated in the Budget to Actual Schedule in the required supplementary information immediately following the notes to the financial statements.

The basic governmental fund financial statements can be found on pages **29 - 34** of this report.

Proprietary Funds. The City maintains two different types of proprietary funds. They are the enterprise funds and the internal service funds. These funds are called proprietary, because the funds are run in a business-like manner. Enterprise funds primarily serve external customers and are self-funding through user charges. The enterprise funds present the same functions and use the same measurement focus as the business-type activities on the government-wide statements, but in more detail.

The City maintains five enterprise funds: the Sewer fund, the Solid Waste fund, the Recplex fund, the Parking fund, and the Flint Hills Golf Course fund. All are presented as major funds.

The internal service funds primarily serve the City or other governmental entities. The internal service funds are consolidated into the governmental activities at the government-wide level.

The City maintains four internal services funds: the Property Maintenance fund, the Vehicle Maintenance fund, the Safety Coordination fund, and the Self Insurance fund. They are combined into a single, aggregated column in the proprietary fund financial statements, but are reported individually elsewhere in the report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are found on pages **42 - 72** of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining statements and schedules can be found on pages **81 – 86** of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Burlington, assets exceeded liabilities by \$43,689,700 at the close of the most recent fiscal year.

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

City of Burlington Net Assets (000's)

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Current assets	\$ 18,658	\$ 23,178	\$ 2,379	\$ 8,029	\$ 21,037	\$ 31,207
Capital Assets	55,935	54,999	34,119	38,201	90,054	93,200
Total Assets	74,593	78,177	36,498	46,230	111,091	124,407
Current liabilities	17,324	18,427	1,633	2,130	18,957	20,557
Noncurrent liabilities	35,718	37,375	13,385	22,786	49,103	60,161
Total Liabilities	53,042	55,802	15,018	24,916	68,060	80,718
Investment in capital assets, net of related debt	41,867	39,962	20,054	14,606	61,921	54,568
Restricted	1,030	12,369	975	1,351	2,005	13,720
Unrestricted	(21,346)	(29,956)	451	5,357	(20,895)	(24,599)
Total Net Assets	\$ 21,551	\$ 22,375	\$ 21,480	\$ 21,314	\$ 43,031	\$ 43,689

A portion of the City's net assets (31.14%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* may be used to meet the City's ongoing obligations.

At the end of the current fiscal year, the City reported deficit balances in its unrestricted net assets but not in its invested in capital assets, net of related debt or its restricted assets for the government as a whole, as well as for its separate governmental and business-type activities. The net assets of the City increased by \$658,504 during the current fiscal year. Most of this increase was due to an increase in governmental capital grants and contributions.

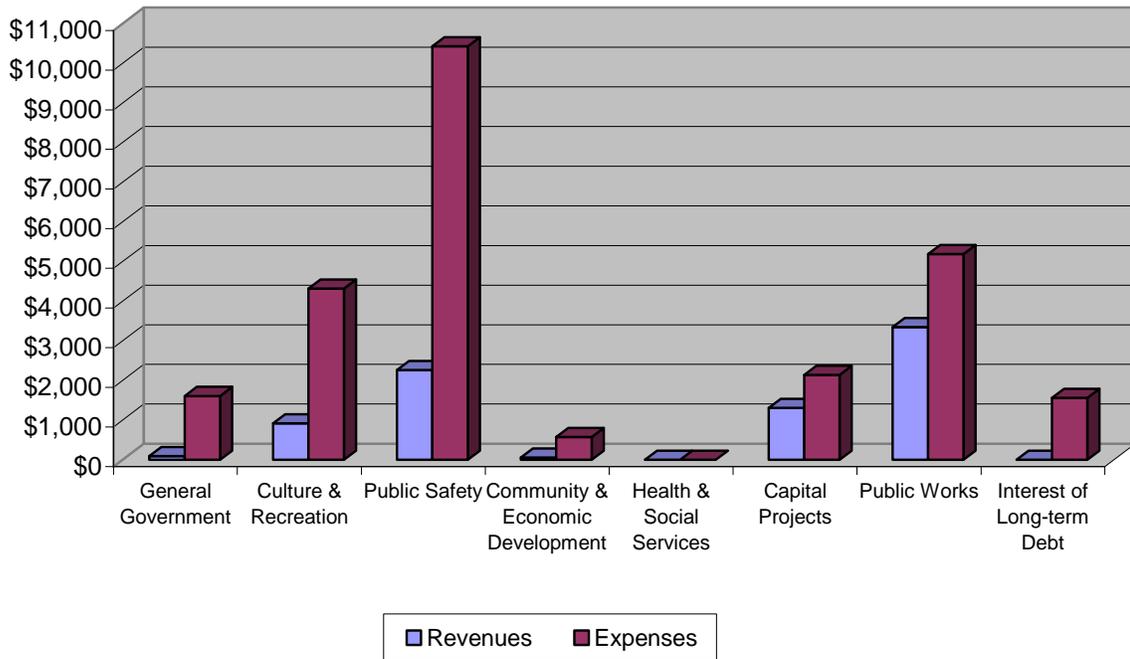
The following table summarizes the City's operating activities for the fiscal year 2012:

City of Burlington's Changes in Net Assets (000's)

	Governmental Activities		Business Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Revenues:						
Program revenues:						
Charges for services	\$ 2,640	\$ 2,613	\$ 7,203	\$ 7,692	\$ 9,843	\$ 10,305
Operating grants and contributions	5,699	3,985			5,699	3,985
Capital grants and contributions	447	1,384	97	35	544	1,419
General revenues:						
Property taxes	11,082	11,443			11,082	11,443
Other taxes	5,179	5,505			5,179	5,505
Other	959	1,215	86	106	1,045	1,321
Total revenues	26,006	26,145	7,386	7,833	33,392	33,978
Expenses:						
General government	1,303	1,609			1,303	1,609
Public safety	9,791	10,424			9,791	10,424
Public works	5,399	5,189			5,399	5,189
Culture and recreation	4,499	4,315			4,499	4,315
Community and economic development	745	572			745	572
Health and social services	2	-			2	-
Capital projects	4,136	2,142			4,136	2,142
Interest on long-term debt	1,607	1,560			1,607	1,560
Sewer			4,709	4,802	4,709	4,802
Solid waste			1,368	1,401	1,368	1,401
Recplex			660	662	660	662
Parking			131	133	131	133
Flint Hills golf course			485	510	485	510
Total expenses	27,482	25,811	7,353	7,508	34,835	33,319
Increase (decrease) in net assets before transfers	(1,476)	334	33	325	(1,443)	659
Transfers in (out)	674	490	(674)	(490)	-	-
Increase (decrease) in net assets	(802)	824	(641)	(165)	(1,443)	659
Net assets beginning	22,353	21,551	22,121	21,480	44,474	43,031
Net assets ending	\$ 21,551	\$ 22,375	\$ 21,480	\$ 21,315	\$ 43,031	\$ 43,690

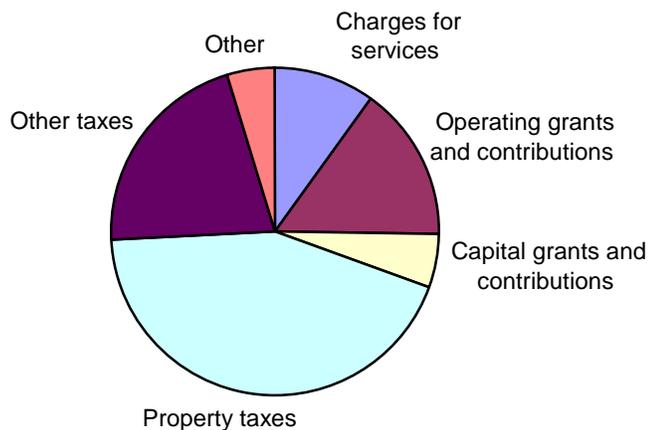
Governmental activities. Governmental activities increased the City of Burlington's net assets by \$823,759, which accounted for the majority of the increase in the City's net assets. Most of this increase is due to an increase in capital grants and contributions of \$937,000. An increase in property tax and other taxes revenues of \$687,000 and a decrease of expenses of \$113,000 also contributed to net assets. The change in net assets due to program activities is represented as follows:

Expenses and Program Revenues - Governmental Activities (000's)

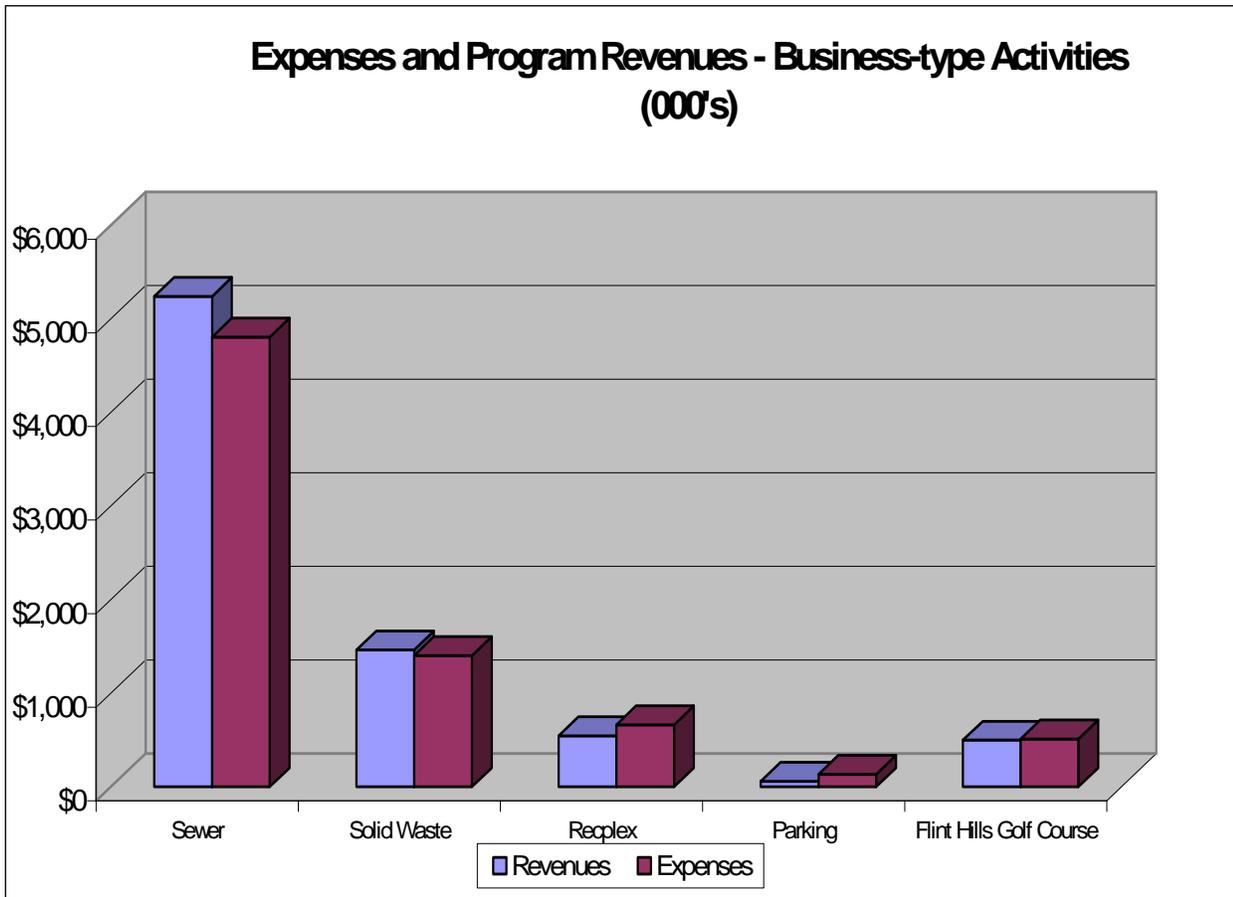


Expenses are higher than revenues for all of these programs due to the fact that many of the governmental activities are supported by general governmental revenues including property taxes and other taxes and other revenues. Revenues for the governmental activities are derived as follows:

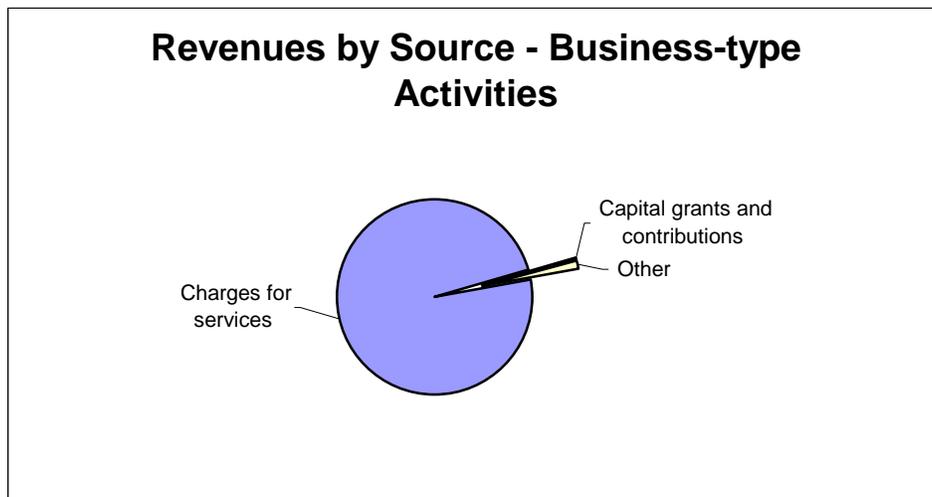
Revenues by Source - Governmental Activities



Business-type activities. Business-type activities decreased the City of Burlington's net assets by \$165,255. The decrease in net assets from all of the business-type activities is primarily due to depreciation expense of \$1,620,808. The business-type funds also recorded transfers out \$490,078 to the governmental funds.



The program revenues were near even with expenses for each business-type activity. The graph reflects the fact that business-type activities are operated in a business-like manner and are intended to be self-supporting through service charges. Service charges by source are reflected in the chart below:



Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,802,040 an increase of \$3,543,991 in comparison with the prior year.

The General fund is the chief operating fund of the City of Burlington. At the end of the current fiscal year, total fund balance of the General Fund was \$379,726, which \$279,212 was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance unassigned to total fund expenditures. Total unassigned fund balance represents 1.68 percent of total General Fund expenditures.

The fund balance of the City of Burlington's General fund decreased by \$140,091 during the current fiscal year to \$379,726. The decrease was primarily due to an increase in operating expenditures in the general fund.

The Debt Service fund increased its fund balance by \$124,572 during the year to \$192,177. The increase was primarily due to the increase of transfers in to cover debt payments.

The Road Use Tax fund has a fund deficit of \$376,558, an increase of \$200,223. The decrease was primarily due to a decrease in expense for snow removal in the current year.

The Local Option Sales Tax fund has a balance of \$1,481,140, which is a decrease from the previous year of \$15,993. This balance represents funds allocated for projects, but not expended as of June 30, 2012, funds received in the prior year and carried forward for property tax relief in the ensuing fiscal year, and funds set aside for economic development purposes and not as of yet committed.

The Tax Increment Financing fund has a fund deficit of \$170,415, which is an increase from the previous year of \$1,426,189. This increase is primarily due to the issuance of bond proceeds for prior year capital and other projects, which will be repaid with future tax increment financing tax collections.

The Capital Projects fund has a fund balance of \$4,966,843 at the end of the current fiscal year. This represents an increase from the previous year of \$2,040,878. The increase in fund balance is primarily due to the issuance of general obligation bonds not spent yet on projects.

The Employee Benefits fund's fund balance \$0. The fund is intended to transfer its revenues to the General fund and finish each year with a fund balance near \$0 each year.

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

Total net assets for the City's enterprise funds as of June 30, 2012 were \$21,314,863, which was a decrease of \$165,255 from the previous year.

The Recplex, Parking, and Golf Course funds all recorded net operating losses before contributions and transfers for the year. Depreciation expense is the primary reason for the operating losses. After removing depreciation expense from each of these funds, the Golf Course had positive net income. The Recplex and the Parking fund still had operating losses or \$18,533 and \$14,729, respectively. Revenue in each of these funds also remained steady or grew.

The Sewer fund recorded a net operating income before contributions and transfers of \$435,216. Revenues increased from the previous year by \$337,347 or 7.04%.

The Recplex fund recorded a net operating loss before contributions and transfers of \$116,896, after recording depreciation of \$98,363. Revenues increased from the previous year by \$33,996 or 6.65%.

The Parking fund recorded a net operating loss before contributions and transfers of \$75,414 after recording depreciation of \$60,685. Parking revenues increased from the previous year by \$4,349 or 8.16%.

The Golf Course fund recorded a net operating loss before contributions and transfers of \$12,066 after recording \$47,852 of depreciation. Golf course revenues increased from the previous year by \$59,039 or 13.47%.

The Solid Waste Fund recorded a net operating income before transfers and contributions of \$58,833. Revenues increased from the previous year by \$53,837 or 3.83%.

Budget Analysis

The amended budget for all funds was \$4,090,000 or 8.72% greater than the original budget. The final amended budget was \$51,001,800. The budget amendment included an increase in expenditures for debt service.

Even with these amendments, the City exceeded the budgeted amounts in the public safety, culture and recreation, community and economic development, general government and business type functions for the year ended June 30, 2012.

Capital Asset and Debt Administration

Capital assets. The City of Burlington's investment in capital assets for its governmental and business type activities as of June 30, 2012, amounts to \$93,199,772 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, and park facilities and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was \$3,145,925 or 3.50% (1.68% decrease for governmental activities and a 11.97% increase for business-type activities).

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

- The capitalization of new assets during the year amounted to \$7,468,406 during the year.
- Major asset additions in the governmental funds include the acquisition of one bus for \$70,518, boom truck for \$105,000 and police cars and equipment totaling \$1,119,257, road use equipment including a dump truck and snow plow totaling \$70,559 and the Flint River trail for \$1,085,427.
- Major asset additions in the business-type funds include the design of the cascade sewer separation project for \$260,908, garbage truck for \$140,101 and \$5,199,525 for the design and construction of the wastewater treatment plant expansion.
- The value of work in progress amounted to \$7,360,257. Of this amount, the Cascade Sewer separation at \$835,195, the design and construction of the wastewater treatment plant expansion at \$6,210,263, two house remodels at \$165,840 and the Crystal Drive concrete street at \$148,959 were incomplete projects at June 30, 2012.

City of Burlington's Capital Assets (000's)
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Land	\$ 2,118	\$ 2,010	\$ 399	\$ 399	\$ 2,517	\$ 2,409
Buildings and system	19,055	18,205	10,160	9,429	29,215	27,634
Improvements other than buildings	251	231	538	464	789	695
Fixtures and equipment	4,203	3,879	1,074	1,104	5,277	4,983
Infrastructure	30,227	30,359	20,363	19,760	50,590	50,119
Construction in progress	81	315	1,585	7,045	1,666	7,360
Total	\$ 55,935	\$ 54,999	\$ 34,119	\$ 38,201	\$ 90,054	\$ 93,200

Additional information on the City of Burlington's capital assets can be found in note IV on pages 55 - 57 of this report.

Long-term debt. At the end of the current fiscal year, the City of Burlington had total long-term bonded debt outstanding of \$63,429,420. Of this amount, \$38,807,000 comprises debt backed by the full faith and credit of the government and \$18,299,000 is revenue bonds and notes repayable with revenues from the City's sewer utility and \$5,525,000 of Urban Renewal Tax Increment Revenue bonds. In addition, the City owes \$559,970 to the Iowa Department of Economic Development for funds advanced for the acquisition of the Dresser-Rand building and \$238,450 to the Waterworks for water mains.

City of Burlington's Outstanding Debt (000's)

General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
General obligation bonds	\$ 31,214	\$ 33,408	\$ 5,528	\$ 5,399	\$ 36,742	\$ 38,807
Sewer revenue bonds			8,654	18,299	8,654	18,299
Notes payable	896	798			896	798
Tax increment revenue bonds	5,985	5,525			5,985	5,525
Total	\$ 38,095	\$ 39,731	\$ 14,182	\$ 23,698	\$ 52,277	\$ 63,429

The City's total long-term debt increased by \$11,151,971 during the current fiscal year. The City of Burlington maintains an "A1" rating from Moody's for general obligation bonds and an "A1" rating for sewer revenue bonds.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total assessed valuation. The current debt limitation for the City of Burlington is \$55,329,141. The City's current applicable debt is \$44,570,450, which is 80.56% of the statutory limit.

Additional information on the City of Burlington's long-term debt can be found in note VIII on pages 59 - 63 of this report.

Economic Factors and Next Year's Budgets and Rates

The City of Burlington had the following economic highlights during fiscal year 2012:

- The unemployment rate for the City of Burlington, as of June 2012 was 6.5%, which was lower than the June 2011 of 8.1%. Total labor force grew from 12,530 in 2011 to 13,350 in 2012.
- Retail sales increased from sales tax year 2011 to sales tax year 2012 by \$13,147,382 or 4.45%, and 2012 is the highest sales tax year ever. The number of sales tax permits increased from 741 to 742.
- Per capita income increased from the 2009 level of \$34,754 to the 2010 level of \$36,965 or 6.36%.

For the fiscal 2012-2013 budget, the City's property tax rate increased from the previous year \$15.01923 to \$15.0573 per \$1,000 of property valuation. Service levels are not budgeted to change significantly from fiscal year 2011-2012.

Requests for Information

This financial report is designed to provide a general overview of the City of Burlington's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, City of Burlington, 400 Washington, Burlington, IA 52601.

**BASIC
FINANCIAL
STATEMENTS**

City of Burlington, Iowa

Statement of Net Assets
June 30, 2012

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Burlington Municipal Waterworks	Southeast Iowa Regional Airport Authority	Friends of the Burlington Public Library
Assets						
Current assets:						
Cash and cash equivalents	\$ 10,523,195	\$ 778,776	\$ 11,301,971	\$ 1,202,991	\$ 164,417	\$ 400,444
Investments, at fair value	-	-	-	-	-	3,275,014
Receivables:						
Taxes	12,228,415	-	12,228,415	-	-	-
Accounts	1,877,712	88,562	1,966,274	471,857	210,864	-
Special assessments	195,087	-	195,087	-	-	-
Intergovernmental	1,772,036	-	1,772,036	-	61,561	-
Interest	240	-	240	72,844	-	5,702
Land held for resale	3,329,445	-	3,329,445	-	-	-
Internal balances	(7,046,671)	7,046,671	-	-	-	-
Inventories	122,942	23,673	146,615	46,771	-	-
Bond issue costs	61,174	33,278	94,452	17,260	-	-
Prepaid contracts	114,604	58,221	172,825	105,656	4,883	-
Total current assets	23,178,179	8,029,181	31,207,360	1,917,379	441,725	3,681,160
Noncurrent assets:						
Restricted cash and cash equivalents	-	-	-	1,027,372	-	-
Deferred Debt Expense	-	-	-	-	2,772	-
Capital assets:						
Land and Work in Progress	2,325,091	7,444,001	9,769,092	151,981	1,786,905	-
Buildings, infrastructure, and equipment, net	52,673,581	30,757,099	83,430,680	10,411,851	11,669,444	-
Total noncurrent assets	54,998,672	38,201,100	93,199,772	11,591,204	13,459,121	-
Total assets	\$ 78,176,851	\$ 46,230,281	\$ 124,407,132	\$ 13,508,583	\$ 13,900,846	\$ 3,681,160
Liabilities						
Current liabilities:						
Accounts payable	\$ 2,478,847	\$ 589,103	\$ 3,067,950	\$ 57,432	\$ 261,498	-
Claims payable	190,684	-	190,684	-	-	-
Accrued expense	-	-	-	-	15,174	1,744
Customers deposits	-	-	-	49,923	-	-
Lime removal liability	-	-	-	510,201	-	-
Unearned revenue	12,061,055	448,042	12,509,097	148,692	11,990	-
Bond interest payable	108,965	59,670	168,635	8,660	-	-
Current portion of long-term obligations	3,587,416	1,032,684	4,620,100	225,192	26,538	-
Total current liabilities	18,426,967	2,129,499	20,556,466	1,000,100	315,200	1,744
Noncurrent liabilities:						
Noncurrent portion of long-term obligations	37,375,047	22,785,919	60,160,966	3,294,000	193,038	-
Total liabilities	55,802,014	24,915,418	80,717,432	4,294,100	508,238	1,744
Net Assets						
Investment in capital assets, net of related debt	39,961,600	14,606,326	54,567,926	7,099,832	13,209,773	-
Restricted for:						
Public Safety	116,446	-	116,446	-	-	-
Culture and Recreation	290,430	-	290,430	-	-	1,522,244
Public Works	10,814	-	10,814	-	-	-
Community and Economic Development	392,979	-	392,979	-	-	-
Capital Projects	9,725,544	-	9,725,544	-	-	-
Other	1,088,161	-	1,088,161	688,505	-	-
Debt service	744,677	1,351,424	2,096,101	338,867	-	-
Unrestricted (deficit)	(29,955,814)	5,357,113	(24,598,701)	1,087,279	182,835	2,157,172
Total net assets	22,374,837	21,314,863	43,689,700	9,214,483	13,392,608	3,679,416
Total liabilities and net assets	\$ 78,176,851	\$ 46,230,281	\$ 124,407,132	\$ 13,508,583	\$ 13,900,846	\$ 3,681,160

The notes to the financial statements are an integral part of this statement.

City of Burlington, Iowa
Statement of Activities
For The Year Ended June 30, 2012

Programs/Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,608,915	\$ 7,044	\$ 88,559	\$ -	\$ (1,513,312)	-	\$ (1,513,312)
Culture and Recreation	4,315,176	595,691	302,688	17,995	(3,398,802)	-	(3,398,802)
Public Safety	10,424,084	1,571,740	689,319	-	(8,163,025)	-	(8,163,025)
Community and Economic Development	571,563	-	54,794	-	(516,769)	-	(516,769)
Health and Social Services	490	-	-	-	(490)	-	(490)
Capital Projects	2,142,386	-	-	1,306,863	(835,523)	-	(835,523)
Public works	5,189,466	438,644	2,849,329	59,004	(1,842,489)	-	(1,842,489)
Interest on long-term debt	1,560,195	-	-	-	(1,560,195)	-	(1,560,195)
Total governmental activities	25,812,275	2,613,119	3,984,689	1,383,862	(17,830,605)	-	(17,830,605)
Business-type activities:							
Sewer	4,802,320	5,131,396	-	-	-	329,076	329,076
Solid waste	1,401,404	1,460,237	-	-	-	58,833	58,833
Recplex	661,996	545,100	-	-	-	(116,896)	(116,896)
Parking	133,062	57,648	-	-	-	(75,414)	(75,414)
Flint Hills golf course	509,546	497,480	-	35,150	-	23,084	23,084
Total business-type activities	7,508,328	7,691,861	-	35,150	-	218,683	218,683
Total primary government	\$ 33,320,603	\$ 10,304,980	\$ 3,984,689	\$ 1,419,012	\$ (17,830,605)	\$ 218,683	\$ (17,611,922)
Component units:							
Burlington Municipal Waterworks	\$ 3,532,912	\$ 3,758,925	\$ -	\$ 914,306	\$ -	\$ -	\$ -
Friends of the Burlington Public Library	50,723	-	15,570	-	-	-	-
Southeast Iowa Regional Airport	1,231,357	248,716	208,764	997,218	-	-	-
Total component units	\$ 4,814,992	\$ 4,007,641	\$ 224,334	\$ 1,911,524	\$ -	\$ -	\$ -
General revenues:							
Taxes:							
Property taxes					11,443,115	-	11,443,115
Local Option Sales					4,103,077	-	4,103,077
Hotel/Motel Taxes					737,052	-	737,052
Other					665,265	-	665,265
Investment Income (loss), Net					19,527	28,500	48,027
Other Revenues					1,196,250	77,640	1,273,890
Transfers					490,078	(490,078)	-
Total general revenues and transfers					18,654,364	(383,938)	18,270,426
Changes in net assets					823,759	(165,255)	658,504
Net assets - beginning					21,551,078	21,480,118	43,031,196
Net assets - ending					\$ 22,374,837	\$ 21,314,863	\$ 43,689,700

The notes to the financial statements are an integral part of this statement.

City of Burlington, Iowa

Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>	<u>Tax Increment Financing</u>
Assets					
Cash and cash equivalents	\$ 99,194	\$ 149,112	\$ -	\$ 393,292	\$ -
Receivables:					
Taxes	6,358,244	1,949,388	-	-	2,224,664
Accounts	342,384	1,530,872	-	-	-
Special assessments	171,747	-	-	-	-
Intergovernmental	391,736	-	180,278	537,987	-
Interest	-	-	-	-	-
Inventory	-	-	56,754	-	-
Land held for resale	-	-	-	-	-
Due from other funds	-	-	-	559,861	-
Prepaid contracts	86,938	-	17,475	-	-
	<u>7,450,243</u>	<u>3,629,372</u>	<u>254,507</u>	<u>1,491,140</u>	<u>2,224,664</u>
Total assets	\$ 7,450,243	\$ 3,629,372	\$ 254,507	\$ 1,491,140	\$ 2,224,664
Liabilities and fund balances (deficits)					
Liabilities					
Accounts payable	\$ 618,352	\$ 81,859	\$ 95,862	\$ 10,000	\$ -
Due to other funds	-	-	535,203	-	175,833
Deferred revenue	6,452,165	3,355,336	-	-	2,219,246
	<u>7,070,517</u>	<u>3,437,195</u>	<u>631,065</u>	<u>10,000</u>	<u>2,395,079</u>
Total liabilities	7,070,517	3,437,195	631,065	10,000	2,395,079
Fund balances (deficits)					
Nonspendable	86,938	-	17,475	-	-
Restricted	-	192,177	-	1,481,140	552,500
Assigned	13,576	-	-	-	-
Unassigned	279,212	-	(394,033)	-	(722,915)
	<u>379,726</u>	<u>192,177</u>	<u>(376,558)</u>	<u>1,481,140</u>	<u>(170,415)</u>
Total fund balances (deficits)	379,726	192,177	(376,558)	1,481,140	(170,415)
Total liabilities and fund balances (deficits)	\$ 7,450,243	\$ 3,629,372	\$ 254,507	\$ 1,491,140	\$ 2,224,664

The notes to the financial statements are an integral part of this statement.

Capital Projects	Employee Benefits	Other Governmental Funds	Total Governmental Funds
\$ 9,084,656	\$ -	\$ 555,009	\$ 10,281,263
-	1,630,941	65,178	12,228,415
39	-	4,417	1,877,712
23,340	-	-	195,087
596,627	-	50,000	1,756,628
-	-	135	135
			56,754
3,329,445	-	-	3,329,445
610,719	-	107,782	1,278,362
-	-	-	104,413
<u>\$ 13,644,826</u>	<u>\$ 1,630,941</u>	<u>\$ 782,521</u>	<u>\$ 31,108,214</u>

\$ 1,364,399	\$ -	\$ 231,060	\$ 2,401,532
7,046,671	24,658	107,782	7,890,147
266,913	1,606,283	114,552	14,014,495
<u>8,677,983</u>	<u>1,630,941</u>	<u>453,394</u>	<u>24,306,174</u>
-	-	-	104,413
9,725,544	-	444,909	12,396,270
-	-	-	13,576
<u>(4,758,701)</u>	<u>-</u>	<u>(115,782)</u>	<u>(5,712,219)</u>
<u>4,966,843</u>	<u>-</u>	<u>329,127</u>	<u>6,802,040</u>
<u>\$ 13,644,826</u>	<u>\$ 1,630,941</u>	<u>\$ 782,521</u>	<u>\$ 31,108,214</u>

City of Burlington, Iowa

**Reconciliation of the Balance Sheet to the
Statement of Net Assets
June 30, 2012**

Fund balances--total governmental funds \$ 6,802,040
 Amounts reported for governmental activities in the statement of net assets are different
 because:

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

Governmental capital assets:

Land	\$ 2,325,091	
Buildings, improvements, and equipment, net of depreciation	52,673,581	
Less: Internal service fund capital assets, net of depreciation	<u>(659,816)</u>	54,338,856

The assets and liabilities of internal service funds are included in the governmental activities in the statement of net assets. Internal service fund net assets:

Property maintenance fund	(283,459)	
Vehicle maintenance fund	(36,253)	
Safety coordination fund	<u>42,794</u>	(276,918)

Deferred revenue is reported in governmental funds for revenues that have been earned but are not yet available to liquidate current liabilities. All earned revenues are reported as income at government-wide level. The following deferred revenues for unavailable items were reported in the governmental funds:

General fund - accounts receivable	28,472	
Debt service fund - accounts receivable	1,436,308	
General fund - special assessments receivable	171,747	
Special contribution fund - intergovernmental receivable	50,000	
Capital projects fund - intergovernmental receivable	243,573	
Capital projects fund - special assessments receivable	<u>23,340</u>	1,953,440

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds	33,408,168	
Less: Amount applicable to internal service funds	(530,037)	
Bond issuance costs	(61,174)	
Deferred amount on refunding	(206,592)	
Less: Amount applicable to internal service funds	22,469	
Tax increment revenue bonds	5,525,000	
Notes payable	798,420	
Compensated absences	1,147,941	
Less: Amount applicable to internal service funds	(59,651)	
Other post-employment benefits payable	289,526	
Bond interest payable	108,965	
Less: Amount applicable to internal service funds	<u>(454)</u>	<u>(40,442,581)</u>

Net assets of governmental activities \$ 22,374,837

The notes to the financial statements are an integral part of this statement.

City of Burlington, Iowa

**Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits)
Governmental Funds
For the Year Ended June 30, 2012**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>	<u>Tax Increment Financing</u>
Revenues:					
Property taxes	\$ 5,908,432	\$ 1,902,483	\$ -	\$ -	\$ 2,153,101
Other taxes and assessments	1,460,536	71,914	-	4,103,077	-
Licenses and permits	659,185	-	-	-	-
Fines and forfeitures	155,293	-	-	-	-
Intergovernmental	1,412,874	-	2,431,195	-	-
Charges for services	1,483,364	-	-	-	-
Use of money and property	145,502	8,070	-	5,058	-
Other	369,911	636,874	3,914	-	-
Total revenues	11,595,097	2,619,341	2,435,109	4,108,135	2,153,101
Expenditures:					
Current operating:					
Public Safety	9,995,940	-	-	-	-
Culture and Recreation	3,133,504	-	-	-	-
Public Works	1,921,185	-	1,917,137	-	-
Community and Economic Development	187,233	-	-	184,634	16,000
Health and Social Services	490	-	-	-	-
General Government	1,406,299	135,417	-	-	-
Debt service:					
Principal	-	3,241,079	-	-	-
Interest and other charges	-	1,543,740	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	16,644,651	4,920,236	1,917,137	184,634	16,000
Excess (deficiency) of revenues over (under) expenditures	(5,049,554)	(2,300,895)	517,972	3,923,501	2,137,101
Other financing sources (uses):					
Issuance of general obligation bonds	-	46,498	-	-	1,416,232
Premium payment for general obligation bonds	-	54,714	-	-	-
Issuance of general refunding bonds	-	4,207,000	-	-	-
Payment of general refunding bonds	-	(4,195,000)	-	-	-
Transfers in	5,681,515	2,312,255	26,407	-	-
Transfers out	(772,052)	-	(344,156)	(3,939,494)	(2,127,144)
Total other financing sources and uses	4,909,463	2,425,467	(317,749)	(3,939,494)	(710,912)
Net change in fund balance	(140,091)	124,572	200,223	(15,993)	1,426,189
Fund balances (deficits), beginning	519,817	67,605	(576,781)	1,497,133	(1,596,604)
Fund balances (deficits), ending	\$ 379,726	\$ 192,177	\$ (376,558)	\$ 1,481,140	\$ (170,415)

The notes to the financial statements are an integral part of this statement.

<u>Capital Projects</u>	<u>Employee Benefits</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 1,415,571	\$ 63,528	\$ 11,443,115
11,551	58,447	-	5,705,525
-	-	1,269	660,454
-	-	-	155,293
1,474,469	-	14,356	5,332,894
-	-	21,028	1,504,392
2,711	501	5,992	167,834
277,753	-	187,340	1,475,792
<u>1,766,484</u>	<u>1,474,519</u>	<u>293,513</u>	<u>26,445,299</u>
-	-	36,949	10,032,889
-	-	726,300	3,859,804
-	-	-	3,838,322
-	-	133,286	521,153
-	-	-	490
-	-	7,279	1,548,995
98,367	-	-	3,339,446
13,266	-	-	1,557,006
3,447,331	-	-	3,447,331
<u>3,558,964</u>	<u>-</u>	<u>903,814</u>	<u>28,145,436</u>
<u>(1,792,480)</u>	<u>1,474,519</u>	<u>(610,301)</u>	<u>(1,700,137)</u>
3,522,270	-	-	4,985,000
-	-	-	54,714
-	-	-	4,207,000
-	-	-	(4,195,000)
823,605	-	737,052	9,580,834
(512,517)	(1,474,519)	(218,538)	(9,388,420)
<u>3,833,358</u>	<u>(1,474,519)</u>	<u>518,514</u>	<u>5,244,128</u>
2,040,878	-	(91,787)	3,543,991
<u>2,925,965</u>	<u>-</u>	<u>420,914</u>	<u>3,258,049</u>
<u>\$ 4,966,843</u>	<u>\$ -</u>	<u>\$ 329,127</u>	<u>\$ 6,802,040</u>

City of Burlington, Iowa

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances (Deficits)
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2012**

Net change in fund balances--total governmental funds		\$	3,543,991
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. Depreciation expense exceeds capital outlays capitalized.			(909,648)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			(373,129)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.			(1,657,940)
Premium/discount/bond issuance costs on issuance of general obligation bonds			(27,519)
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. The following expenses did not require current financial resources:			
Compensated absences	\$	32,509	
Other post-employment benefits payable		(49,125)	
Adjustment to bond interest payable		<u>31,497</u>	14,881
Internal service funds are used by management to charge costs of certain activities, such as vehicle and property maintenance, to individual funds. The net revenue (expense) of the internal service funds is reported with the governmental activities.			<u>233,123</u>
Changes in net assets of governmental activities		\$	<u><u>823,759</u></u>

The notes to the financial statements are an integral part of this statement.

City of Burlington, Iowa

Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business Type Activities - Enterprise Funds					Totals	Governmental Activities- Internal Service Funds
	Sewer	Solid Waste	Recplex	Parking	Flint Hills Golf Course		
Assets							
Current assets:							
Cash and cash equivalents	\$ 778,776	\$ -	\$ -	\$ -	\$ -	\$ 778,776	\$ 241,932
Receivables:							
Accounts	76,556	6,731	4,585	690	-	88,562	-
Intergovernmental	-	-	-	-	-	-	15,408
Interest	-	-	-	-	-	-	105
Due from other funds	8,853,441	-	-	-	-	8,853,441	-
Inventories	-	-	-	-	23,673	23,673	66,188
Bond issue costs	33,278	-	-	-	-	33,278	-
Prepaid contracts	31,133	14,128	6,704	1,810	4,446	58,221	10,191
Total current assets	9,773,184	20,859	11,289	2,500	28,119	9,835,951	333,824
Noncurrent assets:							
Capital assets:							
Land and Work in Progress	7,045,459	-	262,980	129,162	6,400	7,444,001	-
Buildings, infrastructure, and equipment, net	27,219,125	390,818	2,478,257	435,292	233,607	30,757,099	659,816
Total noncurrent assets	34,264,584	390,818	2,741,237	564,454	240,007	38,201,100	659,816
Total assets	\$ 44,037,768	\$ 411,677	\$ 2,752,526	\$ 566,954	\$ 268,126	\$ 48,037,051	\$ 993,640
Liabilities							
Current liabilities:							
Accounts payable	\$ 381,350	\$ 109,541	\$ 62,460	\$ 3,912	\$ 31,840	\$ 589,103	\$ 77,315
Claims payable	-	-	-	-	-	-	190,684
Due to other funds	-	217,119	677,265	261,185	651,201	1,806,770	434,886
Unearned revenue	338,192	104,785	-	5,065	-	448,042	-
Bond interest payable	59,567	103	-	-	-	59,670	454
Current portion of long-term obligations	1,002,869	19,734	6,644	-	3,437	1,032,684	66,366
Total current liabilities	1,781,978	451,282	746,369	270,162	686,478	3,936,269	769,705
Noncurrent liabilities:							
Noncurrent portion of long-term obligations	22,627,429	128,246	19,934	-	10,310	22,785,919	500,853
Total liabilities	24,409,407	579,528	766,303	270,162	696,788	26,722,188	1,270,558
Net Assets							
Invested in capital assets, net of related debt	10,790,689	269,939	2,741,237	564,454	240,007	14,606,326	152,248
Restricted for:							
Debt service	1,351,424	-	-	-	-	1,351,424	-
Unrestricted (deficit)	7,486,248	(437,790)	(755,014)	(267,662)	(668,669)	5,357,113	(429,166)
Total net assets	19,628,361	(167,851)	1,986,223	296,792	(428,662)	21,314,863	(276,918)
Total liabilities and net assets	\$ 44,037,768	\$ 411,677	\$ 2,752,526	\$ 566,954	\$ 268,126	\$ 48,037,051	\$ 993,640

The notes to the financial statements are an integral part of this statement.

City of Burlington, Iowa

Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Business Type Activities - Enterprise Funds					Totals	Governmental Activities- Internal Service Funds
	Sewer	Solid Waste	Recplex	Parking	Flint Hills Golf Course		
Operating revenues:							
Charges for services	\$ -	\$ 1,460,237	\$ 545,100	\$ 57,648	\$ 489,118	\$ 2,552,103	\$ 1,557,526
Sewer Charges Pledged as Security for Revenue Bonds	5,131,396	-	-	-	-	5,131,396	-
Irrigation Surcharge	-	-	-	-	8,362	8,362	-
Other	-	-	-	-	-	-	15,948
Total operating revenues	<u>5,131,396</u>	<u>1,460,237</u>	<u>545,100</u>	<u>57,648</u>	<u>497,480</u>	<u>7,691,861</u>	<u>1,573,474</u>
Operating expenses:							
Personal services	1,668,481	499,335	261,317	28,220	225,887	2,683,240	783,871
Contractual services	632,166	801,122	111,663	42,576	84,210	1,671,737	112,214
Operating supplies	376,757	49,053	190,653	1,581	151,597	769,641	704,814
Depreciation	1,364,456	49,452	98,363	60,685	47,852	1,620,808	26,466
Total operating expenses	<u>4,041,860</u>	<u>1,398,962</u>	<u>661,996</u>	<u>133,062</u>	<u>509,546</u>	<u>6,745,426</u>	<u>1,627,365</u>
Operating income (loss)	<u>1,089,536</u>	<u>61,275</u>	<u>(116,896)</u>	<u>(75,414)</u>	<u>(12,066)</u>	<u>946,435</u>	<u>(53,891)</u>
Nonoperating revenues (expenses):							
Interest revenue	28,500	-	-	-	-	28,500	315
Intergovernmental	77,640	-	-	-	-	77,640	-
Interest expense	(760,460)	(2,442)	-	-	-	(762,902)	(10,965)
Total nonoperating revenues (expenses)	<u>(654,320)</u>	<u>(2,442)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(656,762)</u>	<u>(10,650)</u>
Net income (loss) before contributions and transfers	435,216	58,833	(116,896)	(75,414)	(12,066)	289,673	(64,541)
Capital contributions	-	-	-	-	35,150	35,150	-
Transfers in	47,256	150,000	22,666	-	-	219,922	323,854
Transfers out	(575,000)	(135,000)	-	-	-	(710,000)	(26,190)
Change in net assets	<u>(92,528)</u>	<u>73,833</u>	<u>(94,230)</u>	<u>(75,414)</u>	<u>23,084</u>	<u>(165,255)</u>	<u>233,123</u>
Total net assets - beginning	<u>19,720,889</u>	<u>(241,684)</u>	<u>2,080,453</u>	<u>372,206</u>	<u>(451,746)</u>	<u>21,480,118</u>	<u>(510,041)</u>
Total net assets - ending	<u>\$ 19,628,361</u>	<u>\$ (167,851)</u>	<u>\$ 1,986,223</u>	<u>\$ 296,792</u>	<u>\$ (428,662)</u>	<u>\$ 21,314,863</u>	<u>\$ (276,918)</u>

The notes to the financial statements are an integral part of this statement.

City of Burlington, Iowa
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Business Type Activities - Enterprise Funds					Totals	Governmental Activities- Internal Service Funds
	Sewer	Solid Waste	Recplex	Parking	Flint Hills Golf Course		
Cash flows from operating activities:							
Receipts from customers	\$ 5,147,208	\$ 1,459,404	\$ 543,817	\$ 58,728	\$ 498,633	\$ 7,707,790	\$ 1,598,989
Payments to suppliers	(755,522)	(824,168)	(285,769)	(44,295)	(255,888)	(2,165,642)	(782,594)
Payments to employees	(1,644,448)	(481,564)	(256,256)	(27,279)	(212,584)	(2,622,131)	(681,714)
Claims paid to outsiders	-	-	-	-	-	-	(35,280)
Net cash provided (used) by operating activities	<u>\$ 2,747,238</u>	<u>\$ 153,672</u>	<u>\$ 1,792</u>	<u>\$ (12,846)</u>	<u>\$ 30,161</u>	<u>\$ 2,920,017</u>	<u>\$ 99,401</u>
Cash flows from noncapital financing activities:							
Operating subsidies and transfers to other funds	\$ (575,000)	\$ (135,000)	\$ -	\$ -	\$ -	\$ (710,000)	(26,190)
Operating subsidies and transfers from other funds	47,256	150,000	22,666	-	-	219,922	323,854
Proceeds (payments) from/to interfund accounts	(5,058,447)	(21,379)	(18,281)	12,846	(22,211)	(5,107,472)	(174,490)
Net cash provided (used) by noncapital financing activities	<u>\$ (5,586,191)</u>	<u>\$ (6,379)</u>	<u>\$ 4,385</u>	<u>\$ 12,846</u>	<u>\$ (22,211)</u>	<u>\$ (5,597,550)</u>	<u>\$ 123,174</u>
Cash flows from capital and related financing activities:							
Proceeds from capital debt	\$ 10,313,000	\$ -	\$ -	\$ -	\$ -	\$ 10,313,000	\$ -
Purchase of capital assets	(5,513,468)	(140,101)	(6,177)	-	(7,950)	(5,667,696)	-
Principal paid on capital debt	(791,960)	(5,016)	-	-	-	(796,976)	(21,994)
Intergovernmental bond rebates	77,640	-	-	-	-	77,640	-
Interest paid on capital debt	(719,130)	(2,176)	-	-	-	(721,306)	(9,544)
Net cash provided (used) by capital and related financing activities	<u>\$ 3,366,082</u>	<u>\$ (147,293)</u>	<u>\$ (6,177)</u>	<u>\$ -</u>	<u>\$ (7,950)</u>	<u>\$ 3,204,662</u>	<u>\$ (31,538)</u>
Cash flows from investing activities:							
Interest received	\$ 28,500	\$ -	\$ -	\$ -	\$ -	\$ 28,500	\$ 230
Net increase in cash and cash equivalents	<u>\$ 555,629</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 555,629</u>	<u>\$ 191,267</u>
Balances - beginning of year	223,147	-	-	-	-	223,147	50,665
Balances - end of year	<u>\$ 778,776</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 778,776</u>	<u>\$ 241,932</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ 1,089,536	\$ 61,275	\$ (116,896)	\$ (75,414)	\$ (12,066)	\$ 946,435	\$ (53,891)
Adjustments to reconcile operating income(loss) to net cash provided (used) by operating activities:							
Depreciation	1,364,456	49,452	98,363	60,685	47,852	1,620,808	26,466
Changes in assets and liabilities:							
Receivables, net	(1,135)	(3,847)	(1,283)	(190)	1,152	(5,303)	25,826
Inventories	-	-	-	-	(6,019)	(6,019)	9,938
Prepaid contracts	(1,866)	(1,069)	(1,085)	(85)	(538)	(4,643)	(1,774)
Accounts and other payables	279,300	44,703	22,693	888	(220)	347,364	92,836
Unearned revenue	16,947	3,158	-	1,270	-	21,375	-
Net cash provided (used) by operating activities	<u>\$ 2,747,238</u>	<u>\$ 153,672</u>	<u>\$ 1,792</u>	<u>\$ (12,846)</u>	<u>\$ 30,161</u>	<u>\$ 2,920,017</u>	<u>\$ 99,401</u>
Noncash capital and related financing activities:							
Contribution of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,150</u>	<u>\$ 35,150</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

I. Summary of significant accounting policies

A. Financial Reporting Entity

The City operates under the Council/Manager form of government. A wide variety of services are provided by the City of Burlington including garbage and sewer collection, wastewater treatment, police and fire protection, library facilities, street maintenance, public transportation, parks and recreation facilities, planning and zoning, and general administration.

As required by accounting principles generally accepted in the United States of America, these financial statements are to include the primary government and its component units--organizations for which the primary government is financially accountable or for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City of Burlington, Iowa is a municipal corporation governed by a Board of Trustees, which is elected by the public and has the exclusive responsibility and accountability for the decisions it makes. The City has the statutory authority to adopt its own budget, to levy taxes, and to issue bonded debt without the approval of another government. It has the right to sue and be sued, and has the right to buy, sell, lease, or mortgage property in its own name. Based on these criteria, the City is considered a primary government.

Discretely Presented Component Units

The Burlington Municipal Waterworks supplies water to the homes, businesses, and industries throughout the City of Burlington, the City of West Burlington, and to limited areas in Des Moines County.

The Burlington Municipal Waterworks and the City of Burlington are considered separate legal entities. The Burlington Municipal Waterworks meets the component unit definition as a voting majority of the Waterworks' Board of Trustees is appointed by the City, and the Waterworks is fiscally dependent upon the City. The Waterworks is a business-type activity.

Complete financial statements for the component unit may be obtained at the Burlington Municipal Waterworks, 500 North 3rd Street, Burlington, Iowa, 52601.

The Southeast Iowa Regional Airport Authority (SIRAA) operates the airport within the City of Burlington's city limits. The City of West Burlington and the City of Burlington formed the SIRAA on July 1, 1996. Commercial air service from one commercial airline as well as other air transportation and recreation services is offered to the regions of southeast Iowa and western Illinois.

The SIRAA and the City of Burlington are considered separate legal entities. The SIRAA meets the discretely presented component unit definition as a voting majority of the SIRAA's Board of Trustees is appointed by the City, and the SIRAA is fiscally dependent upon the City. The SIRAA is a business-type activity.

Complete financial statements for the component unit may be obtained at the Southeast Iowa Regional Airport Authority, 2515 Summer Street, Burlington, Iowa, 52601.

The Friends of the Burlington Public Library Foundation, a separate legal entity, exists for the purpose of attracting funds to benefit the Public Library, which serves the Burlington area and to disburse those funds in a manner that will benefit the Library. The Friends meets the definition of a component unit since it raises funds on behalf of the Library. The Foundation is reported as a business type activity. The Foundation's fiscal year ended on May 31, 2012.

Complete financial statements for the component unit may be obtained from the Board of Directors of the Friends of the Burlington Public Library Foundation, 210 Court Street, Burlington, Iowa, 52601.

There are no other organizations or agencies whose financial statements should be combined and presented with the City's financial statements.

B. Measurement focus and basis of accounting

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The City has the following fund types:

Governmental funds are used to account for the City's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means that the amount of the transaction can be determined and "available" means collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year-end.

Property taxes, service charges, special assessments, and fines and forfeitures are susceptible to accrual. Sales taxes are considered susceptible to accrual at

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

the time the underlying transaction occurs. Road use, and other taxes collected and being held by the state or other levying authority at year-end on behalf of the City are recognized as revenue. Licenses and permits and other receipts become measurable and available when cash is received by the City and are recognized as revenue at that time.

Intergovernmental revenues are recognized at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met, if the susceptible to accrual criteria are met.

Expenditures are recorded when the related fund liability is incurred, except for certain long-term obligations including debt service principal and interest, compensated absences, and claims and judgments. Expenditures related to such liabilities are only recognized under modified accrual accounting when they mature (when due).

Governmental funds include the following fund types:

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

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including revenues restricted for general fund activities, debt service expenditures, or capital projects) and are not fiduciary.

The *Debt Service Fund* accounts for the servicing of general long-term debt not being financed by proprietary funds.

The *Capital Projects Fund* accounts for acquisition of capital assets or construction of major capital projects not being financed by proprietary or fiduciary funds.

Proprietary funds are accounted for using the flow of economic resources measurement focus and the full accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized at the time the liabilities are incurred. The City applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements. The City also has the option of following subsequent FASB guidance, subject to the same limitation. The City has elected not to follow subsequent FASB guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 from the City's proprietary funds are charges to customers for sales, rentals and services. Operating expenses for the proprietary funds include cost of personal services, contractual services, operating supplies, self insurance claims, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Proprietary funds include the following fund types:

The *enterprise funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the City Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The *internal service funds* account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

Fiduciary funds account for assets held by the City in a trustee or agency capacity for the benefit of others. Fiduciary funds account for assets held by the City under the terms of a formal trust agreement and which cannot be used to support City activities. Fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. The City has no fiduciary funds.

C. Financial statement presentation

The basic financial statements include the government-wide financial statements (based on the City as a whole) and the fund financial statements. The government-wide statements present consolidated information from both the governmental and business-type activities using the economic resource measurement focus and the accrual basis of accounting. The government-wide statements are the Statement of Net Assets and the Statement of Activities.

The Statement of Activities presents, for each City activity, the extent to which direct expenses are being supported by program revenues or by general revenues. Direct expenses are those that are clearly identifiable with the specific activity (including depreciation). Program revenues are charges for services, grants, contributions, or other revenues that are either restricted for use or are directly associated with the particular activity. General revenues include interest, taxes, and other revenues used to support City operations that are not directly associated with a particular activity.

The City does not employ an indirect cost allocation system. Administrative transfers are made to the General Fund by other operating funds to cover General Fund services such as finance, legal, management, and information services. These transfers are eliminated for government-wide reporting by reducing revenues and expenses in the General fund.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Governmental activities in the government-wide statements include the operations from the governmental funds: the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund adjusted from the modified accrual to the full accrual basis of accounting. Governmental activities also include the activities from the internal service funds. Business-type activities in the government-wide statements are comprised of the Enterprise Funds. Fiduciary funds are not reported in the government-wide statements, because these funds cannot be used to support City activities. As a general rule, interfund activity has been eliminated from the government-wide statements.

The government-wide statements apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements. The City also has the option of following subsequent FASB guidance, subject to the same limitation. The City has elected not to follow subsequent FASB guidance.

The fund financial statements present the City's activities at the fund level rather than on a city-wide basis. The fund financial statements report the governmental funds using the modified accrual basis of accounting and the proprietary funds using the full accrual basis of accounting. Fund financial statements would also include statements for the fiduciary funds. The fund financial statements for both the governmental and the proprietary funds report the major funds individually and the non-major funds combined.

GASB statement number 34 sets forth the minimum criteria for the determination of major funds. If a fund's assets, liabilities, revenues, or expenditures/expenses are at least ten percent of those of its fund type and at least five percent of those of both governmental and proprietary fund types, then it must be a major fund. The City also elects to report certain funds as major funds that did not meet the percentage test, but are of a special interest to the City Council and the community.

The City has the following major governmental funds:

The General Fund, the Debt Service Fund, the Capital Projects Fund, and the following Special Revenue Funds:

The *Road Use Tax Fund* accounts for state road use taxes allocated to the City to be used to maintain and improve the City's street system.

The *Local Option Sales Tax Fund* accounts for revenue received from a one percent sales tax levied by the City to be used for community protection, property tax relief, and capital improvements.

The *Tax Increment Financing Fund* accounts for taxes collected on the incremental increase in the value of property located within the tax increment financing districts and to be used for activities within those districts.

The *Employee Benefits Fund* accounts for taxes levied to pay the cost of benefits such as health care, retirement plans, worker's compensation, FICA, Medicare, etc. for employees paid through the City's General Fund.

The City has the following major proprietary funds:

The *Sewer Fund* accounts for the operations of a municipally owned wastewater treatment plant and its related sewer infrastructure.

The *Solid Waste Fund* accounts for the activities associated with the collection and disposal of solid waste.

The *Recplex Fund* accounts for the operations of the municipally owned family recreation complex.

The *Parking Fund* accounts for the activities associated with the City's parking system.

The *Flint Hills Golf Course Fund* accounts for the operation of the municipally owned golf course.

The non-major funds are shown combined in the fund financial statements but are presented individually in the combining statements following the notes to the financial statements.

The internal service funds are shown combined at the far right of the proprietary fund financial statements. The individual internal service funds are presented in the combining statements. The City has the following internal service funds:

The *Property Maintenance Fund* accounts for the activities associated with maintaining and servicing the City's buildings and grounds beyond traditional janitorial service on a cost reimbursement basis.

The *Vehicle Maintenance Fund* accounts for the operations of a central vehicle maintenance garage and fuel distribution system. All costs incurred for vehicle maintenance, operations, and fuel are charged to departments and other governments on a cost reimbursement basis.

The *Safety Coordination Fund* accounts for the operations of the safety coordinator. All costs incurred for such activities are charged to funds and other governments on a cost reimbursement basis.

The *Self Insurance Fund* accounts for insurance claims against the City and the administration of the self insurance plan. All paid claims and administration costs are charged to departments as premiums based on departmental claims experience. Premiums are designed on a cost reimbursement basis.

The modified accrual basis of accounting as employed by the governmental funds and the full accrual basis of accounting as employed by the proprietary and fiduciary funds have numerous timing and treatment differences. Differences that include the recording of long-term liabilities, the recording of capital asset purchases and disposals, and the timing of recognized revenues. Reconciliations are provided for governmental funds to reconcile fund balance to net assets and to reconcile the changes in fund balance to the changes in net assets. The reconciliations are a part of the fund financial statements.

D. Assets, liabilities, and fund equity

Cash, Cash Equivalents and Investments

The City maintains a cash pool in order to maximize interest returns. Income from the cash pool is allocated to individual funds based on the fund's average monthly cash balance and legal requirements. Accounting records are maintained to show the portion of the pooled account attributable to each participating fund. Fund cash deficits are treated as interfund loans.

The City, the SIRAA, the Waterworks, and Library Foundation consider all highly liquid investments with maturities of three months or less to be considered cash equivalents.

Investments are stated at their fair value or amortized cost. The Waterworks and the City invested in only certificates of deposit at June 30, 2012. GASB Statement 31 does not require fair value reporting for these types of investments. The SIRAA has investments at June 30, 2012 for a deferred compensation plan, which are invested in an annuity account and are recorded at their fair value. The Library Foundation has investments in U.S. Government agency obligations, corporate debt securities and equity securities, and fixed income and equity mutual funds. All investments are stated at fair market value.

Interfund Balances

Transactions between funds that are representative of long-term lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds" to indicate the non-current nature of the interfund loans. All other outstanding balances between funds are expected to be repaid within one year and reported as "due to/from other funds."

Interfund balances are eliminated at the government-wide level. Those that are between governmental and business-type activities are shown as internal balances and eliminated from the totals column. Those that are between funds that are within the same activity are eliminated altogether.

Property Taxes

Property taxes are recognized in the year in which the levy is due and collectable. No property tax levy date is established by the State of Iowa, however, the current tax levy, which is due and collectable during the year ending June 30, 2012 was certified on March 15, 2011 by the local taxing authority, Des Moines County, based on January 1, 2010 valuations establishing a lien date of March 15, 2011. Property taxes are due in two installments with the first half becoming delinquent after September 30 and the second half after March 31 of the following year. Property taxes are accrued at year-end if they are measurable and are available to pay current liabilities.

Property taxes certified on March 15, 2012 for the fiscal year beginning on July 1, 2012 are accrued as of June 30, 2012 because a lien attaches at the date of certification. This portion of the receivable is offset by deferred revenue, because these taxes are not permitted for use until July 1, 2012.

Inventories and Prepaid Contracts

City inventories are carried at cost using the first-in/first-out (FIFO) method. The Waterworks' inventory is valued at cost using the FIFO method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Restricted Assets

Certain proceeds of the City's sewer fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet. These assets are restricted due to revenue bond covenants requiring that monies be set aside and used solely for the protection and repayment of the revenue bond holders.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Capital Assets

Capital assets used in governmental and business-type activities of the City are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date of donation.

The City capitalizes new public domain (infrastructure) capital assets (e.g., roads, bridges, sidewalks, street lights, etc.) used in governmental activities beginning with the year ending June 30, 2001. All such assets acquired between June,

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

1981 and July, 2000 were capitalized, net of depreciation, in fiscal year 2006. This was accomplished by adjusting the beginning balances of capital assets \$18,974,189 and accumulated depreciation by \$4,771,960, for a net increase of \$14,202,229. All infrastructure assets for business-type activities that meet the capitalization threshold are reported.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as construction-in-progress as the projects are constructed.

All assets capitalized by the City must have a useful life of two years or more and have a cost that exceeds the following minimum thresholds:

<u>Assets</u>	<u>Threshold</u>
Infrastructure	\$ 50,000
Land Improvements	50,000
Buildings	20,000
Building Improvements	20,000
Intangible Assets	20,000
Vehicles	5,000
Machinery and Equipment	2,500

Property, plant and equipment are depreciated using the straight line method of depreciation with half-year convention over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	50
Land Improvements	12-20
Buildings	40
Building Improvements	20
Vehicles	4-12
Machinery and Equipment	5-10

Capital assets are reported at the fund level for proprietary funds, but not for governmental funds.

The SIRAA records property and equipment at cost and depreciation is computed using the straight-line method at rates based on the following useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	5-38
Buildings and Improvements	5-40
Furniture and Equipment	5-10

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

The Waterworks computes depreciation using the 150% declining balance method using the following useful lives:

<u>Assets</u>	<u>Years</u>
Distribution System	10-50
Land Improvements	15-30
Buildings and improvements	10-33
Furniture and Equipment	3-10

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is payable to employees upon termination or retirement while sick pay is payable only upon retirement. Additionally, since Firefighters are regularly scheduled to work in excess of 136 hours per regular work period as established under the Fair Labor Standards Act (FLSA) they shall accrue twelve (12) hours compensatory time per regular pay period. Compensatory time is scheduled time off on the same basis as overtime, however is accrued in lieu of overtime pay. A liability has been recorded for all earned but unused vacation benefits, Firefighter compensatory time benefits and for those earned but unused sick leave benefits that are considered eligible in the governmental and business-type activities at the government-wide level. For governmental activities, compensated absences are generally liquidated in the General and Road Use Tax funds.

Accrued vacation and sick leave benefits are reported as a liability in the proprietary funds using the same basis as the activities at the government-wide level. In governmental funds, however, these accrued benefits, including Firefighter compensatory time, are considered long-term liabilities similar to that of long-term debt and are not reported as a fund liability.

Long-term Debt

In the government-wide financial statements the City reports long-term debt of governmental and business-type activities at face value net of the applicable premiums or discounts. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Issuance costs are reported as deferred charges. The same treatment is applied to proprietary fund types in the fund financial statements.

In the governmental fund statements, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds, premiums, and discounts are reported as an *other financing source*. Issuance costs are reported as expenditures. Long-term debt and associated accrued interest are not reported in governmental funds.

Fund Equity and Net Assets

The City implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* effective with the June 30, 2011 financial statements. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – Amounts which cannot be spent 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 are 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. 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 intend to use for specific purposes

Unassigned – All amounts not included in other classifications.

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

Restricted net assets directly related to restricted assets from revenue bond covenants are reported in an amount equal to the restricted assets less any related liabilities.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The following City funds have a deficit in fund balance or net assets as of June 30, 2012:

	<u>Deficit Balance</u>
Special Revenue:	
Road Use Tax	\$ 376,558
Tax Increment Financing	170,415
Community Development	85,242
Internal Service:	
Property Maintenance	283,459
Vehicle Maintenance	36,253
Enterprise:	
Solid Waste	167,851
Flint Hills Golf Course	428,662

III. CASH AND INVESTMENTS

As of June 30, 2012, the carrying amount of the City's cash deposits, which includes certificates of deposit, total \$11,301,971 with bank balances of \$12,442,928. The bank balances are covered entirely by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

As of June 30, 2012, the carrying amount of deposits, related bank balances, and other cash, including fiduciary funds, were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand Deposits	\$ 11,239,853	\$ 12,385,305
Certificates of Deposit	57,623	57,623
Petty Cash	4,495	-
Total	<u>\$ 11,301,971</u>	<u>\$ 12,442,928</u>

The SIRAA's deposits at June 30, 2012 are entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of funds. Cash balances as of June

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

30, 2012, consisted of unrestricted cash of \$164,417. The cash balances are entirely from checking and savings deposits.

The Waterworks' carrying amount of deposits was \$2,230,363 all of which are 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 funds.

The Library foundation had cash deposits of \$400,444. Investments held by the foundation were as follows:

U. S. Agency obligations	\$ 67,979
Corporate debt securities	392,209
Fixed income funds	658,223
Equity securities	881,812
Equity funds	<u>1,274,791</u>
Total	<u>\$ 3,275,014</u>

The City, the SIRAA, and the Waterworks are authorized by statute to invest in 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 City Council, Board of Trustees, Authority Board, or Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

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

Concentration of Credit Risk. The City's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

of its total deposits and investments. The City held no such investments during the year.

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

Custodial Credit Risk - Investment. For an investment, this is the risk that, in the event of the failure the counterparty, the government will not to be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City did not hold any investment during the year.

IV. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, is as follows:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Governmental activities:				
Not being depreciated:				
Land	\$ 2,117,552	\$ 0	\$ 107,260	\$ 2,010,292
Work-in-progress	81,104	314,799	81,104	314,799
Total, undepreciated	<u>2,198,656</u>	<u>314,799</u>	<u>188,364</u>	<u>2,325,091</u>
Depreciated:				
Land improvements	1,325,197	0	0	1,325,197
Infrastructure	43,097,693	1,147,552	0	44,245,245
Buildings	19,710,692	0	44,664	19,666,028
Building improvements	7,387,859	0	43,732	7,344,127
Fixtures and equipment	6,484,064	58,507	57,937	6,484,634
Vehicles	6,844,485	320,803	335,935	6,829,353
Total, depreciated	<u>84,849,990</u>	<u>1,526,862</u>	<u>482,268</u>	<u>85,894,584</u>
Accumulated depreciation:				
Land improvements	1,074,186	20,065	0	1,094,251
Infrastructure	12,870,636	1,015,906	0	13,886,542
Buildings	4,024,659	476,410	2,233	4,498,836
Building improvements	4,018,578	290,642	3,280	4,305,940
Fixtures and equipment	4,679,543	284,883	51,653	4,912,773
Vehicles	4,446,258	409,529	333,126	4,522,661
Total accumulated depreciation	<u>31,113,860</u>	<u>2,497,435</u>	<u>390,292</u>	<u>33,221,003</u>
Governmental activities fixed assets, net	<u>\$ 55,934,786</u>	<u>\$ (655,774)</u>	<u>\$ 280,340</u>	<u>\$ 54,998,672</u>

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Business-type activities:				
Not being depreciated:				
Land	\$ 398,543	\$ 0	\$ 0	\$ 398,543
Work-in-progress	1,585,024	5,460,434	0	7,045,458
Total, undepreciated	<u>1,983,567</u>	<u>5,460,434</u>	<u>0</u>	<u>7,444,001</u>
Depreciated:				
Land improvements	2,315,613	0	0	2,315,613
Infrastructure	27,779,026	0	0	27,779,026
Buildings	25,313,523	0	0	25,313,523
Building improvements	2,550,348	0	0	2,550,348
Fixtures and equipment	2,705,250	49,277	217,746	2,536,781
Vehicles	1,483,504	193,135	98,210	1,578,429
Total, depreciated	<u>62,147,264</u>	<u>242,412</u>	<u>315,956</u>	<u>62,073,720</u>
Accumulated depreciation:				
Land improvements	1,776,954	74,524	0	1,851,478
Infrastructure	7,415,995	602,469	0	8,018,464
Buildings	16,652,225	610,382	0	17,262,607
Building improvements	1,051,664	120,856	0	1,172,520
Fixtures and equipment	1,871,691	134,395	217,746	1,788,340
Vehicles	1,243,241	78,181	98,210	1,223,212
Total accumulated depreciation	<u>30,011,770</u>	<u>1,620,807</u>	<u>315,956</u>	<u>31,316,621</u>
Business-type activities fixed assets, net	<u>\$ 34,119,061</u>	<u>\$ 4,082,039</u>	<u>\$ 0</u>	<u>\$ 38,201,100</u>

Depreciation expense was charged to the activities of the primary government as follows:

Public Safety	\$ 441,347
Cultural and Recreation	634,462
Public Works	1,378,775
Community and Economic Development	1,126
General government	27,749
Internal Service	13,976
Total depreciation expense - governmental activities	<u>\$ 2,497,435</u>
Business-type activities:	
Sewer	\$ 1,364,456
Solid waste	49,452
Recplex	98,363
Parking	60,684
Flint Hills golf course	47,852
Total depreciation expense - business-type activities	<u>\$ 1,620,807</u>

The following is a summary of capital assets for the Burlington Municipal Waterworks for the year ended June 30, 2012:

CITY OF BURLINGTON, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Not being depreciated:				
Land	\$ 151,981	\$ 0	\$ 0	\$ 151,981
Depreciated:				
Land improvements	715,580	60,015	0	775,595
Buildings and filter equipment	2,298,823	20,756	0	2,319,579
Purification equipment	962,823	0	0	962,823
Power/pumping equipment	5,511,140	0	0	5,511,140
Distribution system and equipment	12,991,822	58,114	0	13,049,936
Furniture and fixtures	179,326	32,584	0	211,910
Vehicles	477,463	1,119	0	478,582
Total, depreciated	23,288,958	172,588	0	23,461,546
Accumulated depreciation:	12,323,075	574,639	0	12,897,714
Fixed assets, net	<u>\$ 10,965,883</u>	<u>\$ (402,051)</u>	<u>\$ 0</u>	<u>\$ 10,563,832</u>

The following is a summary of capital assets for the Southeast Iowa Regional Airport Authority for the year ended June 30, 2012:

	Southeast Iowa Regional Airport Authority
Land	\$ 1,786,905
Land Improvements	16,892,290
Buildings and Improvements	2,707,583
Furniture and Fixtures	<u>1,538,432</u>
Total	21,138,305
Accumulated Depreciation	<u>9,468,861</u>
Net	<u>\$ 13,456,349</u>

V. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Local option sales tax	Road use tax	\$ 535,203
	Employee benefits	24,658
Nonmajor, special revenue	Nonmajor, special revenue	107,782
Capital projects	Tax increment financing	175,833
	Nonmajor, internal service	434,886
Sewer	Capital projects	7,046,671
	Solid Waste	217,119
	Parking	261,185
	RecPlex	677,265
	Flint Hills Golf Course	651,201
		<u>\$ 10,131,803</u>

Generally, interfund balances reflect the internal borrowing between funds to cover cash shortages.

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

At the government-wide level, interfund receivables and payables are eliminated that are within the same activity. The remaining interfund loans are eliminated as internal balances in the Statement of Net Assets.

Transfers generally move resources from the fund statutorily required to collect resources to the fund statutorily required to expend resources. In addition, payments in lieu of taxes from enterprise funds to the general fund are treated as a transfer between those funds. Interfund transfers for the year ended June 30, 2012 were as follows:

	Transfers In:				
	General Fund	Road Use	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds
Transfers out:					
General	\$ -	\$ -	\$ -	\$ -	\$ 737,052
Road use tax	265,000	-	79,156	-	-
Local option sales tax	3,056,058	-	69,830	813,605	-
Tax increment financing	-	-	2,127,144	-	-
Capital projects	-	26,407	-	-	-
Employee benefits	1,474,519	-	-	-	-
Nonmajor governmental	149,747	-	36,125	10,000	-
Sewer	575,000	-	-	-	-
Solid waste	135,000	-	-	-	-
Internal service	26,190	-	-	-	-
	<u>\$ 5,681,514</u>	<u>\$ 26,407</u>	<u>\$ 2,312,255</u>	<u>\$ 823,605</u>	<u>\$ 737,052</u>

	Transfers In:				
	Sewer Fund	Solid Waste Fund	Recplex Fund	Internal Service Funds	Total
Transfers out:					
General	\$ -	\$ -	\$ -	\$ 35,000	\$ 772,052
Road use tax	-	-	-	-	344,156
Local option sales tax	-	-	-	-	3,939,493
Tax increment financing	-	-	-	-	2,127,144
Capital projects	47,256	150,000	-	288,854	512,517
Employee benefits	-	-	-	-	1,474,519
Nonmajor governmental	-	-	22,666	-	218,538
Sewer	-	-	-	-	575,000
Solid waste	-	-	-	-	135,000
Internal service	-	-	-	-	26,190
	<u>\$ 47,256</u>	<u>\$ 150,000</u>	<u>\$ 22,666</u>	<u>\$ 323,854</u>	<u>\$ 10,124,609</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

VI. DEFERRED REVENUE

Under both the accrual and the modified accrual methods of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset with a corresponding liability for deferred (unearned) revenue. The following funds had deferred (unearned) revenue at June 30, 2012:

General	Succeeding Year Taxes	\$ 6,251,946
Debt Service	Succeeding Year Taxes	1,919,028
Tax Increment Financing	Succeeding Year Taxes	2,219,246
Employee Benefits Fund	Succeeding Year Taxes	1,606,283
Other Governmental	Succeeding Year Taxes	64,552
Parking	Unearned Lease Charges	5,065
Sewer	Unearned Sewer Fees	338,192
Solid Waste	Unearned Trash Fees	104,785
		<u>\$ 12,509,097</u>

Governmental funds also record deferred (unavailable) revenue for revenues that have been earned but are not available to liquidate current liabilities. The following funds had deferred (unavailable) revenues at June 30, 2012:

General	Accounts receivable	\$ 28,472
	Special assessments receivable	171,747
Debt Service	Accounts receivable	1,436,308
Capital Projects	Intergovernmental receivable	243,573
	Special assessments receivable	23,340
	Comprehensive plan	50,000
		<u>\$ 1,953,440</u>

The Waterworks had deferred revenue for unearned water fees of \$148,692 and the SIRAA had deferred revenue for unearned rent of \$11,990.

VII. SHORT-TERM DEBT

During the fiscal year ending June 30, 2012, the City entered into a short-term borrowing arrangement with Two Rivers Bank & Trust to assist with the City's cash flow management. The City entered into one line of credit agreement that did not have to be drawn on during the fiscal year.

VIII. LONG-TERM DEBT

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of infrastructure, major capital facilities, and other major capital assets. General obligation bonds have been issued for

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

both general government and proprietary activities. These bonds are reported in proprietary funds if they are expected to be repaid from proprietary fund revenues.

During Fiscal Year 2012, the City issued \$4,207,000 to current refund two outstanding issuances. The refunding was undertaken to reduce total future debt service payments. The transactions resulted in an economic gain of \$289,825 and a reduction of \$315,874 in future debt service payments.

General obligation bonds as of June 30, 2012 consist of the following individual issues:

<u>Debt</u>	<u>Issue Date</u>	<u>Amount Issued</u>	<u>Interest Rates</u>	<u>Balance June 30, 2012</u>
General corporate	06/01/04	\$ 3,425,000	3.75-4.10%	\$ 1,540,000
G. O. Sewer	07/01/03	5,000,000	2.75-4.25	4,500,000
G.O. Refunding	07/01/06	4,520,000	3.90-4.15	3,450,000
General corporate	07/18/05	5,000,000	3.50-3.875	3,945,000
General corporate	11/01/07	3,350,000	4.00	3,150,000
G.O. Urban renewal	07/01/08	2,165,000	4.25-5.80	1,405,000
General corporate	07/01/08	3,455,000	3.50-4.50	1,315,000
General corporate	01/06/10	1,785,000	1.60-4.60	1,310,000
General corporate	02/01/11	9,000,000	2.70-3.40	9,000,000
G.O. Refunding	03/15/12	3,390,000	1.00-1.25	3,390,000
General Obligation BAN	06/28/12	1,362,000	1.42	1,362,000
General Obligation BAN	06/28/12	1,431,000	2.30	1,431,000
General Obligation BAN	06/28/12	2,192,000	2.50	2,192,000
G.O. Refunding	06/28/12	817,000	1.37	817,000
		<u>\$ 46,892,000</u>		<u>\$ 38,807,000</u>

Future debt service requirements for the outstanding general obligation bonded indebtedness are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ 2,738,800	\$ 1,022,839	\$ 191,200	\$ 203,620	\$ 4,156,459
2014	2,995,152	968,230	394,848	166,487	4,524,717
2015	8,119,504	877,743	488,496	156,288	9,642,031
2016	3,214,856	672,228	507,144	142,833	4,537,061
2017	3,170,992	571,632	527,008	128,455	4,398,087
2018-2022	11,613,864	1,273,139	2,760,138	391,140	16,038,281
2023	1,555,000	56,050	530,000	21,200	2,162,250
	<u>\$ 33,408,168</u>	<u>\$ 5,441,861</u>	<u>\$ 5,398,834</u>	<u>\$ 1,210,023</u>	<u>\$ 45,458,886</u>

Sewer revenue bonds. The City issues sewer revenue bonds to provide for the construction of sewer system infrastructure. These bonds are reported in the sewer fund in the enterprise funds.

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Sewer revenue bonds as of June 30, 2012 consist of the following issues:

<u>Debt</u>	<u>Date</u>	<u>Issued</u>	<u>Rates</u>	<u>June 30, 2012</u>
Sewer revenue	09/01/98	\$ 3,050,000	4.50-4.65%	\$ 275,000
Sewer revenue	07/01/01	1,160,000	4.50-4.90	295,000
Sewer capital loan	07/01/08	3,846,000	3.00	3,401,000
Sewer revenue	01/06/10	4,350,000	3.00	4,020,000
Sewer revenue	07/19/11	5,340,000	1.00-4.20	5,340,000
Sewer revenue BAN	06/28/12	4,968,000	1.95	4,968,000
		<u>\$ 22,714,000</u>		<u>\$ 18,299,000</u>

Future debt service requirements for the outstanding sewer revenue bonded indebtedness are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 793,000	\$ 604,925	\$ 1,397,925
2014	748,000	583,474	1,331,474
2015	5,531,000	559,791	6,090,791
2016	578,000	445,705	1,023,705
2017	599,000	427,655	1,026,655
2018-2022	3,333,000	1,817,915	5,150,915
2023-2027	4,050,000	1,105,600	5,155,600
2028-2031	2,667,000	243,655	2,910,655
	<u>\$ 18,299,000</u>	<u>\$ 5,788,720</u>	<u>\$ 24,087,720</u>

The following provisions are included in the sewer revenue bond indenture:

That cash from the Sewer Fund shall be transferred monthly into the Sewer Revenue Bond Sinking Fund to pay the interest on, and to redeem the principal amount of, the bonds at maturity. The monthly transfers must be equal to one-sixth of the interest due on the next payment date, plus one-twelfth of the principal maturing on the next retirement date.

The Sewer Reserve Fund maintains an amount equal to \$1,234,930, which is the maximum principal and interest coming due any fiscal year on all sewer revenue bonds.

That on or before the beginning of each fiscal year City Council will adopt or continue in effect rates for all services rendered by the Utility sufficient to produce "net revenues" for the next succeeding fiscal year sufficient to meet the requirements of the sinking funds and to create "net revenues" equal to at

NOTES TO FINANCIAL STATEMENTS
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least 1.25 times the maximum annual combined debt service of the revenue bonds then outstanding. "Net revenues" are defined as gross revenues less operating expenses which shall include salaries, wages, cost of maintenance and operation, materials and supplies, and insurance, as well as other items that are normally included under recognized accounting practices, but shall not include allowance for depreciation in the value of physical properties.

Urban Renewal Tax Increment Revenue Bonds. In November 2006 the City issued \$6,520,000 of Urban Renewal Tax Increment Revenue Bonds to finance acquisition, demolition, and redevelopment of a World War II era housing development adjacent to Roosevelt Avenue (U. S. Highway 61). In addition this issue included funds to finance the construction of a street within Flint Ridge Business Park and economic development incentives for Dresser Rand Corporation. These bonds will be repaid with incremental property taxes generated by development within the area.

The following provisions are included in the tax increment revenue bond indenture:

That the Debt Service Reserve shall be funded to a balance equal to the lesser of 1) the maximum amount of principal and interest becoming due on the bonds in any succeeding year, 2) 125% of the average amount of principal and interest becoming due on the bonds in any succeeding year, or 3) 10% of the principal amount of the bonds then outstanding. The amount reserved at June 30, 2012 under this bond provision is \$552,500.

Future Debt Service requirements for the Urban Renewal Tax Increment bonded indebtedness is as follows:

Year Ending June 30	Principal	Interest	Total
2013	\$ 485,000	\$ 360,245	\$ 845,245
2014	515,000	328,720	843,720
2015	545,000	295,245	840,245
2016	575,000	259,820	834,820
2017	605,000	222,445	827,445
2018-2021	2,800,000	472,120	3,272,120
	\$ 5,525,000	\$ 1,938,595	\$7,463,595

Notes payable. On July 2, 2007 the city entered into a Physical Infrastructure Assistance Agreement with the Iowa Department of Economic Development (IDED). This agreement provided \$1,000,000 at two percent (2%) interest for ten years to assist the city in purchasing a building from Dresser- Rand Corporation to be resold or utilized for redevelopment. The remaining balance on the note at June 30, 2012 is \$559,970. The City will make monthly payments of \$9,233.56 to IDED until November 2017. Estimated principal and interest payments are as follows:

NOTES TO FINANCIAL STATEMENTS
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Year Ending June 30	Principal	Interest	Total
2013	\$ 100,352	\$ 11,281	\$ 111,633
2014	102,378	9,255	111,633
2015	104,444	7,189	111,633
2016	106,552	5,081	111,633
2017	108,703	2,930	111,633
2018	37,541	1,059	38,600
	<u>\$ 559,970</u>	<u>\$ 36,795</u>	<u>\$ 596,765</u>

The City and the Burlington Municipal Waterworks entered an agreement in 1997 for the construction of five water main extensions in the Flint Hills Business Park. The water main extensions are to be repaid utilizing tax increment financing when tax increment financing revenue becomes available. Interest shall accrue annually based on the Public funds rate set by the State of Iowa for the one year to 397 day category. As of June 30, 2012 the principal of amount of \$165,606 and accrued interest of \$72,844 is outstanding. These amounts are classified as long term and do not have a payment schedule.

Changes in Long-term Debt. The following is a summary of the changes in the long-term debt of the City for the year ended June 30, 2012. Typically, long-term liabilities of the governmental activities, other than debt, are liquidated by the fund incurring the debt.

	June 30, 2011	Additions	Retirements	June 30, 2012	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 31,214,240	\$ 9,192,000	\$ 6,998,072	\$ 33,408,168	\$ 2,738,800
Less: bond deferrals	(239,520)	-	(24,558)	(214,962)	(24,558)
Add: bond premiums	9,207	-	837	8,370	837
Notes payable	896,401	386	98,367	798,420	100,352
Urban Renewal Revenue	5,985,000	-	460,000	5,525,000	485,000
Other post-employment benefits	240,401	49,125	-	289,526	-
Compensated absences	1,187,331	296,833	336,223	1,147,941	286,985
Total governmental activities	<u>39,293,060</u>	<u>9,538,344</u>	<u>7,868,941</u>	<u>40,962,463</u>	<u>3,587,416</u>
Business-type activities:					
General obligation bonds	5,527,808	-	128,974	5,398,834	191,200
Less: bond deferrals	(39,158)	-	(4,351)	(34,807)	(4,351)
Sewer revenue bonds	8,654,000	10,313,000	668,000	18,299,000	793,000
Less: bond deferrals	(77,210)	-	(4,289)	(72,921)	(4,289)
Compensated absences	236,318	59,080	66,901	228,497	57,124
Total business-type activities	<u>14,301,758</u>	<u>10,372,080</u>	<u>855,235</u>	<u>23,818,603</u>	<u>1,032,684</u>
Total long-term debt	<u>\$ 53,594,818</u>	<u>\$ 19,910,424</u>	<u>\$ 8,724,176</u>	<u>\$ 64,781,066</u>	<u>\$ 4,620,100</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

IX. COMPONENTS OF FUND BALANCE

	General	Debt Service	Capital Projects	Special Revenues	Total
Nonspendable:					
Prepaid Items	\$ 86,938	\$ -	\$ -	\$ 17,475	\$ 104,413
Total Nonspendable	<u>86,938</u>	<u>-</u>	<u>-</u>	<u>17,475</u>	<u>104,413</u>
Restricted for:					
Debt Service	-	192,177	-	552,500	744,677
Street and other construction	-	-	5,998,732	-	5,998,732
Building and equipment	-	-	3,726,812	-	3,726,812
Public Safety	-	-	-	116,446	116,446
Economic Development	-	-	-	392,979	392,979
Library Programs & Projects	-	-	-	158,735	158,735
Local Option Sales Tax	-	-	-	1,088,161	1,088,161
Hotel/motel tax	-	-	-	55,795	55,795
Other	-	-	-	113,933	113,933
Total Restricted	<u>-</u>	<u>192,177</u>	<u>9,725,544</u>	<u>2,478,549</u>	<u>12,396,270</u>
Assigned to:					
Equipment Replacement	13,576	-	-	-	13,576
Total Assigned	<u>13,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,576</u>
Unassigned:	<u>279,212</u>	<u>-</u>	<u>(4,758,701)</u>	<u>(1,232,730)</u>	<u>(5,712,219)</u>
Total Fund Balances	<u>\$ 379,726</u>	<u>\$ 192,177</u>	<u>\$ 4,966,843</u>	<u>\$ 1,263,294</u>	<u>\$ 6,802,040</u>

X. RESTRICTED NET ASSETS AND RESTRICTED ASSETS ACCOUNTS

The City's sewer revenue bond covenants and the Waterworks' revenue bond covenants require certain restrictions of net assets. Restrictions of net assets are also created by grant restrictions, legal restrictions, and donor restrictions. Restrictions of net assets related to bond covenants are shown net of the related debt. The restricted portions of net assets as of June 30, 2012 are as follows:

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Burlington Municipal Waterworks</u>	<u>Friends of The Public Library</u>
Public Safety:				
Donor restrictions	\$ 116,446	\$ -	\$ -	\$ -
Cultural and Recreation:				
Donor restrictions	234,635	-	-	1,522,244
Hotel/motel taxes	55,795	-	-	-
Public Works:				
Donor restrictions	10,188	-	-	-
SSMID taxes	626	-	-	-
Community and Economic Development:				
Local option sales tax	392,979	-	-	-
Capital Projects:	9,725,544	-	-	-
Other:				
Local option sales tax	1,088,161	-	-	-
Depreciation, extensions, and Improvements	-	-	688,505	-
Debt service:	192,177	-	-	-
Urban Renewal Revenue Bonds	552,500	-	-	-
Sewer revenue bond sinking	-	1,351,424	-	-
Water revenue bond sinking	-	-	338,867	-
Total	<u>\$ 12,369,051</u>	<u>\$ 1,351,424</u>	<u>\$ 1,027,372</u>	<u>\$ 1,522,244</u>

The balances of the restricted asset accounts as of June 30, 2012 are as follows:

	<u>Burlington Municipal Waterworks</u>
Restricted assets, cash and cash equivalents	\$ 1,027,372

XI. RETIREMENT SYSTEMS

Iowa Public Employees Retirement System (IPERS)

The City of Burlington, the Burlington Municipal Waterworks, and the Southeast Iowa Regional Airport Authority contribute 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. This report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the City, the Waterworks, and the SIRAA are required to contribute 8.07% of

annual covered payroll. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010, were \$553,419, \$490,467, and \$452,031, respectively, equal to the required contributions for each year. The Waterworks contributions to IPERS for the years ended June 30, 2012, 2011, and 2010, were \$20,391, \$12,076, and \$9,400, respectively. The SIRAA's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010, were \$7,294, \$6,272, and \$6,285, respectively.

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

The City contributes to the Municipal Fire and Police Retirement System of Iowa (MFPRSI), which is a cost-sharing, multiple-employer defined benefit plan administered by a Board of Trustees. MFPRSI provides retirement, disability and death benefits, which are established by State statute to plan members and beneficiaries. MFPRSI issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to MFPRSI, 2836 104th Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.4% of their earnable compensation and the City's contribution rate may not be less than 17% of earnable compensation. For fiscal year 2011-2012 the City's contribution rate was 24.76%. Contribution requirements are established by State statute. The City's contributions to MFPRSI for the years ended June 30, 2012, 2011, and 2010 were \$1,129,606, \$903,565, and \$743,001, respectively, which met the required minimum contributions for each year.

Waterworks' Defined Contribution Pension Plan

The Waterworks established a defined contribution pension plan on February 1, 1989. The Waterworks' Board of Trustees establishes and amends the plan provisions, which is administered by the Principal Financial Group.

The plan members and the Waterworks are required to contribute 5% of the plan members' total pay on a monthly basis. The Waterworks contributed \$48,097, \$49,190, and \$49,308; net of forfeitures, to the plan for the years ended June 30, 2012, 2011, and 2010, respectively.

XII. RISK MANAGEMENT

The City, in conjunction with Des Moines County, Iowa, the Burlington Municipal Waterworks, the Southeast Iowa Regional Airport Authority, and other organizations participates in a multi-government pool for health insurance, which is funded through employer premiums. The City, the County, the Waterworks, the SIRAA, and the other organizations are contingently liable as to medical claims made by the participants in the plan. Effective July 1, 2003 the plan began purchasing coverage through Wellmark Blue Cross/Blue Shield. Coverage purchased includes a \$2,000/\$4,000 deductible, with the plan self-insuring the

NOTES TO FINANCIAL STATEMENTS
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difference between those amounts and the deductible elected by the employee. Dental and Prescription Drug claims are self-insured. Claims based on occurrences prior to July 1, 2003 remain insured under the previous insurance policies. An independent claims administrator performs the handling of all claims and procedures. Settled claims have not exceeded the planned coverage during any of the past three fiscal years.

The City is insured for general and automotive liability, property, and other coverage through insurance purchased from Cornhusker Casualty. The City purchased insurance coverage of \$83,214,083 for buildings and contents with a deductible of \$5,000. The City purchased liability coverage of \$1,000,000 per occurrence and \$2,000,000 in aggregate with no deductible. The City also purchased an additional \$4,000,000 in umbrella coverage per incident and in aggregate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The City is self-insured for worker's compensation. Self-insurance is in effect up to a stop loss amount of approximately \$300,000 per incident for worker's compensation. Worker's compensation premiums and claims are accounted for in an internal service fund. Charges are billed to the operating funds based upon estimated workers compensation premiums based on budgeted wages. Unemployment claims are charged quarterly to the applicable funds based upon actual claims as assessed by the State. The estimated liability does not include any allocated or unallocated claims adjustment expense.

The changes in the aggregate liability for claims for the years ended June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Claims payable, beginning of year	\$ 124,936	\$ 139,041
Incurred claims and other adjustments (including IBNR)	102,577	43,735
Claim payments	<u>(36,829)</u>	<u>(57,840)</u>
Claims payable, end of year	<u>\$ 190,684</u>	<u>\$ 124,936</u>

XIII. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The City participates in a multi-government health insurance pool that provides medical, dental benefits, and prescription drug coverage to employees and retirees. Full-time fire fighters and police officers participate in MFPRSI and may retire after the age of 55 with 22 years of service or if disabled. All other full-time employees participate in IPERS and may retire with health coverage after the age of 55 with 33 years of service, under the Rule of 88, age 62 with 20 years of service or if disabled.

NOTES TO FINANCIAL STATEMENTS
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The City pays 100% of the health and dental insurance premiums for employees for the standard health and dental package. Premium growth is limited to 5% annually on a cumulative basis over the next five years. Employees must contribute premium costs above this level or change health and dental plan provision to reduce premium costs to less than 5% growth. Retirees pay 102% of the employee premium rates. Retirees may elect to stay on the City's group health and dental plan until they reach the age of 65.

Funding policy – The City's current funding policy is to pay health and dental costs as they occur or a pay-as-you-go basis. The City establishes and amends contribution requirements.

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

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 89,680
Interest on net OPEB obligation	7,651
Adjustment to annual required contribution	<u>(11,061)</u>
Annual OPEB cost	86,270
Contributions made	<u>37,145</u>
Increase in net OPEB obligation	49,125
Net OPEB obligation, beginning of year	<u>240,401</u>
Net OPEB obligation, end of year	<u><u>\$ 289,526</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations are as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 89,680	43.1%	\$ 289,526
6/30/2011	89,680	43.1%	240,401
6/30/2010	108,670	12.0%	191,276

Funding Status and Funding Progress – As of June 30, 2012, the actuarial accrued liability was \$748,043, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$748,043. The covered payroll (annual payroll of covered employees by the plan) was approximately

NOTES TO FINANCIAL STATEMENTS
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\$11,829,800 and the ratio of UAAL to covered payroll was approximately 6%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and the health care 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 the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the Plan as understood by the employer and the Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are used to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. As of the June 30, 2011 actuarial valuation date, the projected unit credit with linear proration to decrement cost method was used. The actuarial assumptions include a 4% discount rate based on the City's funding policy. The projected annual medical trend rate is 10% with an ultimate medical trend rate of 5%. The medical trend rate is reduced .5% each year until reaching the ultimate medical trend rate.

XIV. JOINTLY GOVERNED ORGANIZATIONS

The City participates in several jointly governed organizations. The City is a member of the Des Moines County Regional Solid Waste Commission (DMCRSWC). The Solid Waste Commission manages the landfill and the recycling center in Des Moines County. The City, along with ten other governmental entities, forms the DMCRSWC. The City provides three board members while each of the other entities provides one board member creating a thirteen member board. The City paid \$399,961 in recycling fees and \$268,864 in landfill charges in fiscal year 2012.

The City also participates in the Joint Safety Committee (JSC). The JSC is a cooperative effort by the City, Des Moines County, the Des Moines County Regional Solid Waste Commission, and the Burlington Municipal Waterworks to monitor and improve on-the-job safety conditions and to assist in complying with OSHA regulations. Board members are based on number of employees covered with the City appointing two members, the County two members, the DMCRSC one member, and the Waterworks one member. The City contributed \$52,886

and the Waterworks contributed \$5,704 in fiscal year 2012 to the JSC for operating expenses and also provided accounting services at no cost.

XV. SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS

In 2001 the City entered into an agreement with the Southeast Iowa Regional Airport Authority to help fund the re-construction of a taxiway. The construction was funded 90% from a Federal Aviation Administration grant. The City issued \$540,000 in general obligation bonds to assist the SIRAA with their share of the project of \$716,000. In fiscal year 2009, the general obligation bonds were refunded, and the SIRAA's payment plan to the City was extended. The SIRAA is making annual payments over ten years to the City to cover the debt service. As of June 30, 2012 the outstanding balance due the city was \$162,695.

XVI. COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

In 1984, under the terms of the Small Cities Community Development Block Grant Program, the City advanced \$1,200,000 to a local construction company for the redevelopment and operation of a housing project in the Flint Hills Manor subdivision of the City. The contract is guaranteed by the officers of the construction company and is due on October 16, 2014.

For the City to receive cash under this agreement, the construction company must meet the principal and interest requirements on all other debt relating to the project as well as all "normal" operating expenses of the project. In addition, the construction company is guaranteed ten percent return on its equity in the project. Funds available after satisfying the above conditions will be divided between the construction company and the City, sixty percent (60%) and 40 percent (40%), respectively.

Any amounts received by the City under these conditions will be considered interest. In no case will the City's rate of return on the \$1,200,000 advance exceed the greater of: (1) the bond rate as of December 31 of the subject year on the First Mortgage Revenue bonds to be issued by the Iowa Housing Finance Authority in conjunction with the project, or (2) the cost of rollover financing on the project, or (3) ten percent (10%). Any funds received from the housing project in excess of the above limitations belong to the construction company. As of June 30, 2012, the City has not received any cash under this contract.

XVII. COMMITMENTS AND CONTINGENCIES

The City also has outstanding commitments for construction projects including street and sewer improvements, and other miscellaneous construction. The City's commitment to these contracts, net of amounts funded through state and federal grants, is \$4,340,115.

The City has outstanding commitments for purchase orders that have been issued to various vendors. For budgetary purposes, these commitments are considered encumbrances. The City's encumbrances at June 30, 2012 totaled \$187,325.

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

XVIII. SUBSEQUENT EVENTS

On July 16, 2012, the City paid \$447,642 for the Physical Infrastructure Assistance Agreement with the Iowa Department of Economic Development (IDED). This amount was 80% of the remaining principal balance owed and the remaining 20% of the agreement was forgiven.

XIX. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARDS (GASB) STANDARDS

The City implemented the following GASB statements during the year:

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), issued June 2011, and is effective for the City beginning with its year ending June 30, 2012. This statement clarifies that when certain conditions are met, the use of hedge accounting should not be terminated.

The City's financial statements were not affected by the implementation of Statements No. 64.

As of June 30, 2012, the GASB has issued the following statements not yet implemented by the City:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the City beginning with its year ending June 30, 2013. This statement addresses issues related to service concession arrangements (SCA), which are a type of public-private or public-public partnership.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, issued November 2010, will be effective for the City beginning with its year ending June 30, 2013. This statement is intended to improve guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA*

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Pronouncements, issued December 2010, will be effective for the City beginning with its year ending June 30, 2013. This statement incorporates guidance that previously could only be found in certain FASB and AICPA pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011, will be effective for the City with its year ending June 30, 2013. This statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements).

Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

Statement No. 66, *Technical Corrections - 2012*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. This statement is an amendment of GASB Statement No. 10 and No. 62. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity.

Statement No. 67, *Financial Reporting for Pension Plans* - an amendment of GASB Statement No. 25, issued June 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to establish accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans.

Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27, issued June 2012, will be effective for the fiscal year ending June 30, 2015. The objective of this Statement is to improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

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

**REQUIRED
SUPPLEMENTARY
INFORMATION**

City of Burlington, Iowa

Schedule of Funding Progress
City of Burlington, Iowa Retiree Health Care Plan

Required Supplementary Information

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded 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>
6/30/2012	\$ -	\$ 748,043	\$ 748,043	0.00%	\$ 11,829,800	6.32%
6/30/2011	\$ -	\$ 748,043	\$ 748,043	0.00%	\$ 11,829,800	6.32%
6/30/2010	\$ -	\$ 983,759	\$ 983,759	0.00%	\$ 9,639,650	10.21%

Note: Fiscal year 2009 is the transition year for GASB Statement No. 45

City of Burlington, Iowa

**Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances-
Budget and Actual (Budget Basis)
Governmental Funds and Proprietary Funds**

Required Supplementary Information

For the Year Ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final To Actual Variance
				Original	Final	
Resources (inflows):						
Property taxes	\$ 9,290,014	\$ -	\$ 9,290,014	\$ 9,401,924	\$ 9,401,924	\$ 111,910
Tax increment revenues	2,153,101	-	2,153,101	2,215,163	2,215,163	62,062
Other taxes	5,705,525	-	5,705,525	4,988,555	5,488,555	(216,970)
Licenses and permits	660,454	-	660,454	690,795	690,795	30,341
Use of money and property	167,834	11,197	179,031	213,490	213,490	34,459
Intergovernmental revenue	5,384,734	142,912	5,527,646	4,964,864	4,964,864	(562,782)
Charges for services	1,504,392	11,449,236	12,953,628	12,614,025	12,614,025	(339,603)
Miscellaneous	1,631,085	-	1,631,085	1,152,850	1,152,850	(478,235)
Total Receipts	26,497,139	11,603,345	38,100,484	36,241,666	36,741,666	(1,358,819)
Disbursements:						
Public Safety	10,055,506	-	10,055,506	10,007,593	10,022,564	(32,942)
Public Works	3,838,623	-	3,838,623	4,048,392	4,058,604	219,981
Health and Social Services	490	-	490	2,050	2,050	1,560
Culture and Recreation	3,859,502	-	3,859,502	3,706,645	3,711,232	(148,270)
Community and Economic Development	490,769	-	490,769	476,274	477,479	(13,290)
General Government	1,421,346	-	1,421,346	1,321,254	1,323,210	(98,136)
Debt Service	8,310,234	-	8,310,234	5,163,225	9,253,225	942,991
Capital Projects	8,820,883	-	8,820,883	12,242,209	12,242,209	3,421,326
Business Type Activities	-	10,516,680	10,516,680	9,904,882	9,911,227	(605,453)
Total Disbursements	36,797,353	10,516,680	47,314,033	46,872,524	51,001,800	3,687,767
Excess(deficiency) of receipts over (under) disbursements	(10,300,214)	1,086,665	(9,213,549)	(10,630,858)	(14,260,134)	(5,046,586)
Other financing sources (uses):						
Bond proceeds	19,559,714	-	19,559,714	8,579,709	11,969,709	(7,590,005)
Transfers in	13,254,462	219,922	13,474,384	9,691,082	9,691,082	(3,783,302)
Transfers out	(12,764,384)	(710,000)	(13,474,384)	(9,691,082)	(9,691,082)	3,783,302
Other financing sources (uses)	20,049,792	(490,078)	19,559,714	8,579,709	11,969,709	(7,590,005)
Excess(deficiency) of receipts and other financing sources over(under) disbursements and other financing uses	9,749,578	596,587	10,346,165	(2,051,149)	(2,290,425)	(12,636,590)
Balances beginning of year	2,721,149	5,240,816	7,961,965	7,939,170	7,939,170	(22,795)
Balances end of year	\$ 12,470,727	\$ 5,837,403	\$ 18,308,130	\$ 5,888,021	\$ 5,648,745	\$ (12,659,385)

City of Burlington, Iowa
Budgetary Basis to GAAP Reconciliation
For the Year Ended June 30, 2012

	Governmental Funds			Proprietary Funds		
	Budget Basis	Adjustments	Modified Accrual Basis	Budget Basis	Adjustments	Modified Accrual Basis
Revenues & other financing sources	\$ 59,311,315	\$ (18,245,468)	\$ 41,065,847	\$ 11,823,267	\$ (3,770,194)	\$ 8,053,073
Expenditures & other financing uses	<u>49,561,737</u>	<u>(12,027,881)</u>	<u>37,533,856</u>	<u>11,226,680</u>	<u>(3,008,352)</u>	<u>8,218,328</u>
Excess revenues & other sources over (under) expenditures & other uses	9,749,578	(6,217,587)	3,531,991	596,587	(761,842)	(165,255)
Balances beginning of year	<u>2,721,149</u>	<u>536,900</u>	<u>3,258,049</u>	<u>5,240,816</u>	<u>16,239,302</u>	<u>21,480,118</u>
Balances end of year	<u><u>\$ 12,470,727</u></u>	<u><u>\$ (5,680,687)</u></u>	<u><u>\$ 6,790,040</u></u>	<u><u>\$ 5,837,403</u></u>	<u><u>\$ 15,477,460</u></u>	<u><u>\$ 21,314,863</u></u>

The notes to the required supplementary information are an integral part of this schedule.

JUNE 30, 2012

The City prepares, adopts and submits to the State of Iowa an annual budget on a program basis for all combined funds, except the internal service funds, as prescribed by Iowa statutes. The State of Iowa requires that annual budgets for the year beginning July 1 be certified to the County Auditor no later than March 15 preceding the beginning of the fiscal year. The adopted budget constitutes the City's appropriation for each program and purpose specified therein until amended.

After the initial budget is adopted, the budget may be amended for specific purposes. Budget amendments are required for budget transfers between funds as well as between programs. Management is not authorized to amend the budget without the approval of City Council. The City filed one budget amendment for the fiscal year ended June 30, 2012 for an increase in expenditures of \$4,090,000. The budget amendment included an increase in expenditures for debt service.

The City Council also approves a five-year capital improvement program. This capital improvement program is reviewed and revised annually by the City Council. A public hearing is held in regard to proposed capital improvements for the City. The first year of this plan is integrated into the City's accounting and reporting system along with the annual operating budget.

The State of Iowa allows the total cost of a construction project to be budgeted in one annual budget even if the project extends beyond that fiscal year. The remaining appropriation continues until the project is completed as long as (1) the total cost of the project is adopted after a public hearing as required by State code, (2) the cost must be included in an adopted or amended city budget, and (3) if the cost of a project exceeds the continuing appropriation, an additional appropriation must be included in a subsequent budget or amendment.

The legal level of control (the level at which expenditures may not legally exceed appropriations) is the function level for all funds combined rather than at the individual fund level. The nine functions mandated by the State are: (1) Public Safety, (2) Culture and Recreation, (3) Community and Economic Development, (4) Health and Social Services, (5) Public Works, (6) General Government, (7) Debt Service, (8) Capital Projects, and (9) Business Type Activities. Since the City maintains its budgets at the individual fund level, it is necessary to aggregate the expenditures of the budgeted activities within the individual funds on a function basis and to compare such function totals with the function budgeted totals in order to demonstrate legal compliance with the budget.

Revenues are credited to the individual fund types while expenditures/expenses are classified according to function areas within the individual funds for budgetary control purposes. Encumbrances and expenditures/expenses are compared to budget appropriations according to the nine general function designations.

JUNE 30, 2012

For budgetary purposes, encumbrances are recognized as a valid and proper charge against the budget appropriations in the year in which the commitment was issued. Encumbrances do not lapse at yearend and provide authorization for expenditure in the following year. Unencumbered appropriations, other than amounts appropriated for capital projects, lapse at yearend. Appropriations for unfinished capital projects are carried forward indefinitely

All general obligation bond payments, including those for which financial reporting purposes are accounted for through the enterprise funds, are budgeted through the debt service fund.

A comparison of the actual expenditures/expenses with the City's final amended program budget amounts is presented as Required Supplementary Information.

A reconciliation of the expenditures as presented in accordance with generally accepted accounting principles (GAAP), to the amounts presented on the budgetary basis is also presented as Required Supplementary Information.

During the year ended June 30, 2012, disbursements exceed the amounts budgeted in the public safety, culture and recreation, community and economic development, general government and business type functions.

**SUPPLEMENTARY
INFORMATION**

Nonmajor Governmental Funds

Special revenue funds are used to account for specific revenues that are legally or administratively restricted to expenditure for a particular purpose.

Hotel/Motel Tax Fund - Accounts for the expenditure of available monies from the City's tax on hotel and motel rooms.

Library Fund - Accounts for donations restricted by donors to specific activities and purposes for the library only.

Community Development Fund - Accounts for block grants received to rehabilitate and improve designated declining areas within the City.

SEINT Operating Fund - Accounts for the activities of the Southeast Iowa Narcotics Task Force.

Bridge Fund - Accounts for the funds retained by the City following the replacement of the MacArthur Bridge, to be used for maintenance of the new bridge and the revenues and expenses related to the annual Great River Bridge Run/Walk.

Downtown SSMID District Fund - Accounts for the self-imposed property tax levy by a downtown district, to be used for the promotion and improvement of that district.

Special Contribution Fund - Accounts for donations restricted by donors to specific activities and purposes.

City of Burlington, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue							Total Governmental Funds
	Hotel/Motel Tax	Library	Community Development	SEINT Operating	Bridge	Downtown SSMID District	Special Contribution	
Assets								
Cash and cash equivalents	\$ 240,494	\$ 158,735	\$ -	\$ 58,507	\$ 7,218	\$ 31,168	\$ 58,887	\$ 555,009
Receivables:								
Taxes	-	-	-	-	-	65,178	-	65,178
Accounts	-	-	-	115	4,300	-	2	4,417
Special assessments	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	50,000	50,000
Interest	-	-	-	-	-	-	135	135
Due from Other Funds	-	-	-	-	-	-	107,782	107,782
Total assets	\$ 240,494	\$ 158,735	\$ -	\$ 58,622	\$ 11,518	\$ 96,346	\$ 216,806	\$ 782,521
Liabilities and fund balances (deficits)								
Liabilities								
Accounts payable	\$ 184,699	\$ -	\$ -	\$ 598	\$ 1,330	\$ 31,168	\$ 13,265	\$ 231,060
Due to other funds	-	-	85,242	-	-	-	22,540	107,782
Deferred revenue	-	-	-	-	-	64,552	50,000	114,552
Total liabilities	184,699	-	85,242	598	1,330	95,720	85,805	453,394
Fund balances (deficits)								
Restricted	55,795	158,735	-	58,024	10,188	626	161,541	444,909
Unassigned	-	-	(85,242)	-	-	-	(30,540)	(115,782)
Total fund balances (deficits)	55,795	158,735	(85,242)	58,024	10,188	626	131,001	329,127
Total liabilities and fund balances (deficits)	\$ 240,494	\$ 158,735	\$ -	\$ 58,622	\$ 11,518	\$ 96,346	\$ 216,806	\$ 782,521

City of Burlington, Iowa

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits)
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2012

	Special Revenue						Total Governmental Funds	
	Hotel/Motel Tax	Library	Community Development	SEINT Operating	Bridge	Downtown SSMID District		Special Contribution
Revenues:								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,528	\$ -	\$ 63,528
Licenses and permits	-	-	-	-	-	-	1,269	1,269
Intergovernmental	-	12,616	-	-	-	-	1,740	14,356
Charges for services	-	11,083	-	-	9,945	-	-	21,028
Use of money and property	78	4,795	-	207	11	-	901	5,992
Other	-	83,314	-	36,812	3,400	-	63,814	187,340
Total revenues	78	111,808	-	37,019	13,356	63,528	67,724	293,513
Expenditures:								
Current operating:								
Public Safety	-	-	-	36,434	-	-	515	36,949
Culture and Recreation	503,016	135,875	-	-	13,412	-	73,997	726,300
Community and Economic Development	-	-	-	-	-	65,286	68,000	133,286
General Government	-	-	-	-	-	-	7,279	7,279
Total expenditures	503,016	135,875	-	36,434	13,412	65,286	149,791	903,814
Excess (deficiency) of revenues over (under) expenditures	(502,938)	(24,067)	-	585	(56)	(1,758)	(82,067)	(610,301)
Other financing sources (uses):								
Transfers in	737,052	-	-	-	-	-	-	737,052
Transfers out	(188,791)	-	-	-	-	-	(29,747)	(218,538)
Total other financing sources and uses	548,261	-	-	-	-	-	(29,747)	518,514
Net change in fund balance	45,323	(24,067)	-	585	(56)	(1,758)	(111,814)	(91,787)
Fund balances (deficits), beginning	10,472	182,802	(85,242)	57,439	10,244	2,384	242,815	420,914
Fund balances (deficits), ending	\$ 55,795	\$ 158,735	\$ (85,242)	\$ 58,024	\$ 10,188	\$ 626	\$ 131,001	\$ 329,127

Internal Service Funds

Internal service funds are used to finance and account for goods or services provided by one department or agency of the City to other departments or agencies of the City and to other government units, on a cost reimbursement basis.

Property Maintenance Fund - Accounts for the activities associated with maintaining and servicing the City's buildings and grounds beyond traditional janitorial service on a cost reimbursement basis.

Vehicle Maintenance Fund - Accounts for the operations of a central vehicle maintenance garage and fuel distribution system. All costs incurred for vehicle maintenance, operations, and fuel are charged to departments and other governments on a cost reimbursement basis.

Safety Coordination Fund - Accounts for the operations of the safety coordinator. All costs incurred for such activities are charged to funds and other governments on a cost reimbursement basis.

Self Insurance Fund - Accounts for insurance claims against the City and the administration of the self insurance plan. All paid claims and administration costs are charged to departments as premiums based on departmental claims experience. Premiums are designed on a cost reimbursement basis.

City of Burlington, Iowa

Combining Statement of Net Assets
Internal Service Funds
June 30, 2012

	<u>Property Maintenance</u>	<u>Vehicle Maintenance</u>	<u>Safety Coordination</u>	<u>Self Insurance</u>	<u>Total</u>
Assets					
Current assets:					
Cash and cash equivalents	\$ -	\$ -	\$ 47,360	\$ 194,572	\$ 241,932
Receivables:					
Intergovernmental	-	15,408	-	-	15,408
Interest	-	-	105	-	105
Inventories	-	66,188	-	-	66,188
Prepaid contracts	3,249	6,942	-	-	10,191
Total current assets	3,249	88,538	47,465	194,572	333,824
Noncurrent assets:					
Capital assets:					
Buildings, infrastructure, and equipment, net	118,213	540,597	1,006	-	659,816
Total assets	<u>\$ 121,462</u>	<u>\$ 629,135</u>	<u>\$ 48,471</u>	<u>\$ 194,572</u>	<u>\$ 993,640</u>
Liabilities					
Current liabilities:					
Accounts payable	\$ 12,886	\$ 56,750	\$ 3,791	\$ 3,888	\$ 77,315
Claims payable	-	-	-	190,684	190,684
Due to other funds	270,703	164,183	-	-	434,886
Bond interest payable	78	376	-	-	454
Current portion of long-term obligations	17,436	48,458	472	-	66,366
Total current liabilities	301,103	269,767	4,263	194,572	769,705
Noncurrent liabilities:					
Noncurrent portion of long-term obligations	103,818	395,621	1,414	-	500,853
Total liabilities	<u>404,921</u>	<u>665,388</u>	<u>5,677</u>	<u>194,572</u>	<u>1,270,558</u>
Net Assets					
Invested in capital assets, net of related debt	31,570	119,672	1,006	-	152,248
Unrestricted (deficit)	(315,029)	(155,925)	41,788	-	(429,166)
Total net assets	<u>(283,459)</u>	<u>(36,253)</u>	<u>42,794</u>	<u>-</u>	<u>(276,918)</u>
Total liabilities and net assets	<u>\$ 121,462</u>	<u>\$ 629,135</u>	<u>\$ 48,471</u>	<u>\$ 194,572</u>	<u>\$ 993,640</u>

City of Burlington, Iowa

Combining Statement of Revenues, Expenses, and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2012

	Property Maintenance	Vehicle Maintenance	Safety Coordination	Self Insurance	Total
Operating revenues:					
Charges for services	\$ 443,129	\$ 964,341	\$ 103,478	\$ 46,578	\$ 1,557,526
Other	-	15,948	-	-	15,948
Total operating revenues	443,129	980,289	103,478	46,578	1,573,474
Operating expenses:					
Personal services	353,447	239,365	90,982	100,077	783,871
Contractual services	52,947	13,713	9,824	35,730	112,214
Operating supplies	20,075	678,293	6,446	-	704,814
Depreciation	5,756	20,308	402	-	26,466
Total operating expenses	432,225	951,679	107,654	135,807	1,627,365
Operating income (loss)	10,904	28,610	(4,176)	(89,229)	(53,891)
Nonoperating revenues (expenses):					
Interest revenue	-	-	315	-	315
Interest expense	(1,873)	(9,092)	-	-	(10,965)
Total nonoperating revenues (expenses)	(1,873)	(9,092)	315	-	(10,650)
Net income (loss) before contributions and transfers	9,031	19,518	(3,861)	(89,229)	(64,541)
Transfers in	-	-	-	323,854	323,854
Transfers out	(4,468)	(21,722)	-	-	(26,190)
Change in net assets	4,563	(2,204)	(3,861)	234,625	233,123
Total net assets - beginning	(288,022)	(34,049)	46,655	(234,625)	(510,041)
Total net assets - ending	\$ (283,459)	\$ (36,253)	\$ 42,794	-	\$ (276,918)

City of Burlington, Iowa
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2012

	Property Maintenance	Vehicle Maintenance	Safety Coordination	Self Insurance	Totals
Cash flows from operating activities:					
Receipts from customers	\$ 443,129	\$ 997,090	\$ 103,478	\$ 55,292	\$ 1,598,989
Payments to suppliers	(73,166)	(660,181)	(16,017)	(33,230)	(782,594)
Payments to employees	(355,720)	(234,998)	(90,996)	-	(681,714)
Claims paid to outsiders	-	-	-	(35,280)	(35,280)
Net cash provided (used) by operating activities	<u>14,243</u>	<u>101,911</u>	<u>(3,535)</u>	<u>(13,218)</u>	<u>99,401</u>
Cash flows from noncapital financing activities:					
Operating subsidies and transfers to other funds	(4,468)	(21,722)	-	-	(26,190)
Operating subsidies and transfers from other funds	-	-	-	323,854	323,854
Proceeds (payments) from/to interfund accounts	(4,391)	(54,035)	-	(116,064)	(174,490)
Net cash provided (used) by noncapital financing activities	<u>(8,859)</u>	<u>(75,757)</u>	<u>-</u>	<u>207,790</u>	<u>123,174</u>
Cash flows from capital and related financing activities:					
Principal paid on Capital Debt	(3,754)	(18,240)	-	-	(21,994)
Interest paid on capital debt	(1,630)	(7,914)	-	-	(9,544)
Net cash provided (used) by capital and related financing activities	<u>(5,384)</u>	<u>(26,154)</u>	<u>-</u>	<u>-</u>	<u>(31,538)</u>
Cash flows from investing activities:					
Interest received	\$ -	\$ -	\$ 230	\$ -	\$ 230
Net increase (decrease) in cash and cash equivalent	-	-	(3,305)	194,572	191,267
Balances - beginning of year	-	-	50,665	-	50,665
Balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,360</u>	<u>\$ 194,572</u>	<u>\$ 241,932</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 10,904	\$ 28,610	\$ (4,176)	\$ (89,229)	\$ (53,891)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	5,756	20,308	402	-	26,466
Changes in assets and liabilities:					
Receivables, net	-	17,112	-	8,714	25,826
Inventories	-	9,938	-	-	9,938
Prepaid contracts	(159)	(1,615)	-	-	(1,774)
Accounts and other payables	(2,258)	27,558	239	67,297	92,836
Net cash provided (used) by operating activities	<u>\$ 14,243</u>	<u>\$ 101,911</u>	<u>\$ (3,535)</u>	<u>\$ (13,218)</u>	<u>\$ 99,401</u>
Noncash capital and related financing activities:					
Contribution of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Burlington, Iowa

**Statistical Section
Contents**

The statistical section of the City's comprehensive annual financial report represents detailed information as a context for understanding what the information presented in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain information to help the reader understand how the City's financial performance and well being have changed over time.	88
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	98
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	104
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment with which the City's financial activities take place.	111
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	114

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The City implemented GASB 34 in fiscal year 2001; schedules presenting government-wide information include information beginning in that year.

**City of Burlington
Primary Government Net Assets
Last Ten Fiscal Years
(Accrual Basis of Accounting)**

Activity	Fiscal Year Ended June 30				
	2012	2011	2010	2009	2008
Governmental Activities					
Invested in Capital Assets, net of related debt	\$ 39,961,600	\$ 41,867,298	\$ 43,862,027	\$ 41,203,425	\$ 36,794,281
Restricted	12,369,051	1,030,213	1,108,623	1,215,209	2,080,057
Unrestricted	(29,955,814)	(21,346,433)	(22,618,131)	(21,365,155)	(12,756,557)
Total governmental activities net assets	<u>\$ 22,374,837</u>	<u>\$ 21,551,078</u>	<u>\$ 22,352,519</u>	<u>\$ 21,053,479</u>	<u>\$ 26,117,781</u>
Business Type Activities					
Invested in Capital Assets, net of related debt	\$ 14,606,326	\$ 20,053,622	\$ 23,323,859	\$ 24,354,343	\$ 24,867,169
Restricted	1,351,424	975,690	979,720	501,000	501,000
Unrestricted	5,357,113	450,806	(2,182,581)	(1,928,899)	(1,702,655)
Total business type activities net assets	<u>\$ 21,314,863</u>	<u>\$ 21,480,118</u>	<u>\$ 22,120,998</u>	<u>\$ 22,926,444</u>	<u>\$ 23,665,514</u>
Primary Government					
Invested in Capital Assets, net of related debt	\$ 54,567,926	\$ 61,920,920	\$ 67,185,886	\$ 65,557,768	\$ 61,661,450
Restricted	13,720,475	2,005,903	2,088,343	1,716,209	2,581,057
Unrestricted	(24,598,701)	(20,895,627)	(24,800,712)	(23,294,054)	(14,459,212)
Total primary government net assets	<u>\$ 43,689,700</u>	<u>\$ 43,031,196</u>	<u>\$ 44,473,517</u>	<u>\$ 43,979,923</u>	<u>\$ 49,783,295</u>

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 32,087,346	\$ 26,242,817	\$ 24,457,107	\$ 6,252,498	\$ 14,285,994
644,761	498,028	394,133	699,833	(253,347)
<u>(5,716,176)</u>	<u>(880,509)</u>	<u>(1,442,056)</u>	<u>(542,790)</u>	<u>(12,816,927)</u>
<u>\$ 27,015,931</u>	<u>\$ 25,860,336</u>	<u>\$ 23,409,184</u>	<u>\$ 6,409,541</u>	<u>\$ 1,215,720</u>
\$ 25,375,875	\$ 26,089,607	\$ 27,046,807	\$25,770,720	\$ 24,537,333
501,000	541,760	541,760	541,760	541,760
<u>(1,603,052)</u>	<u>(1,480,324)</u>	<u>(1,101,168)</u>	<u>1,259,248</u>	<u>911,693</u>
<u>\$ 24,273,823</u>	<u>\$ 25,151,043</u>	<u>\$ 26,487,399</u>	<u>\$27,571,728</u>	<u>\$ 25,990,786</u>
\$ 57,463,221	\$ 52,332,424	\$ 51,503,914	\$32,023,218	\$ 38,823,327
1,145,761	1,039,788	935,893	1,241,593	288,413
<u>(7,319,228)</u>	<u>(2,360,833)</u>	<u>(2,543,224)</u>	<u>716,458</u>	<u>(11,905,234)</u>
<u>\$ 51,289,754</u>	<u>\$ 51,011,379</u>	<u>\$ 49,896,583</u>	<u>\$33,981,269</u>	<u>\$ 27,206,506</u>

**City of Burlington, Iowa
Change in Net Assets
Last Ten Fiscal Years
(Accrual Basis of Accounting)**

Expenses	Fiscal Year Ending June 30									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities:										
General government	\$ 1,608,915	\$ 1,302,747	\$ 1,432,096	\$ 1,407,686	\$ 1,314,315	\$ 1,525,097	\$ 1,466,664	\$ 1,468,785	\$ 1,221,354	\$ 1,289,403
Culture and Recreation	4,315,176	4,499,063	4,377,852	4,288,883	4,073,422	4,004,287	3,552,327	3,560,012	3,402,667	3,337,826
Public Safety	10,424,084	9,791,474	9,304,686	8,925,533	9,236,690	9,405,488	9,383,857	8,622,916	8,242,972	7,567,778
Community and Economic Development	571,563	745,160	809,430	405,557	380,320	307,679	321,534	304,048	716,776	712,066
Health and Social Services	490	2,185	2,143	2,223	2,420	3,470	1,027	2,052	1,481	3,014
Capital Projects	2,142,386	4,136,038	3,672,762	6,916,875	2,559,567	3,674,836	4,767,471	3,433,235	882,424	2,380,881
Public works	5,189,466	5,399,149	6,929,289	6,300,014	8,118,733	6,214,676	6,155,706	5,504,824	5,471,958	4,544,594
Interest on long-term debt	1,560,195	1,606,771	1,728,474	1,783,112	1,720,794	1,457,941	1,180,074	1,059,329	1,071,062	1,127,628
Total governmental activities expenses	25,812,275	27,482,587	28,256,732	30,029,883	27,406,261	26,593,474	26,828,660	23,955,201	21,010,694	20,963,190
Business-type activities:										
Sewer	4,802,320	4,709,385	4,511,560	4,187,831	4,240,121	4,194,161	4,196,415	4,072,268	3,887,074	3,608,945
Solid waste	1,401,404	1,368,098	1,213,741	1,171,645	1,163,318	1,111,637	1,102,774	1,188,290	1,088,093	1,079,827
Recplex	661,996	659,849	653,524	632,083	618,287	595,717	527,352	520,097	508,042	478,823
Parking	133,062	130,902	127,429	131,822	162,354	164,361	143,453	137,152	134,993	144,608
Flint Hills golf course	509,546	485,277	463,066	479,613	456,565	480,494	500,965	536,944	534,187	489,245
Total business-type activities expenses	7,508,328	7,353,511	6,969,320	6,602,994	6,640,645	6,546,370	6,470,959	6,454,751	6,152,389	5,801,448
Total primary government expenses	\$ 33,320,603	\$ 34,836,098	\$ 35,226,052	\$ 36,632,877	\$ 34,046,906	\$ 33,139,844	\$ 33,299,619	\$ 30,409,952	\$ 27,163,083	\$ 26,764,638
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 7,044	\$ 7,005	\$ 10,697	\$ 11,090	\$ 18,824	\$ 171,294	\$ 125,216	\$ -	\$ -	\$ 27,629
Culture and recreation	595,691	585,441	602,282	569,138	561,058	142,746	164,952	346,628	39,513	48,417
Public Safety	1,571,740	1,462,616	1,780,131	1,252,305	1,379,173	1,096,761	1,082,990	771,955	927,148	662,600
Community and Econ. Development	-	-	-	-	-	-	925	9,429	-	-
Public works	438,644	585,257	2,667,977	2,222,313	3,523,969	1,883,189	1,788,023	1,563,778	1,510,916	1,422,352
Operating Grants and Contributions	3,984,689	5,699,128	3,856,539	3,192,005	3,135,254	2,832,876	2,740,265	2,476,106	2,904,168	2,241,392
Capital grants and contributions	1,383,862	447,239	3,688,661	1,532,159	1,980,230	4,539,926	7,058,709	5,915,051	4,290,517	2,364,284
Total governmental activities program revenue	\$ 7,981,670	\$ 8,786,686	\$ 12,606,287	\$ 8,779,010	\$ 10,598,508	\$ 10,666,792	\$ 12,961,080	\$ 11,082,947	\$ 9,672,262	\$ 6,766,674
Business type activities:										
Charges for services:										
Sewer	\$ 5,131,396	\$ 4,794,049	\$ 4,498,611	\$ 4,094,765	\$ 3,952,836	\$ 3,790,159	\$ 3,282,090	\$ 3,096,581	\$ 3,016,446	\$ 2,839,264
Solid Waste	1,460,237	1,406,400	1,285,986	1,226,281	1,218,442	1,146,690	1,114,072	1,127,757	1,048,070	1,064,666
Recplex	545,100	511,104	488,979	465,324	457,403	123,916	83,818	81,097	80,793	81,462
Parking	57,648	53,299	57,546	54,752	63,771	36,573	39,163	36,076	36,778	36,065
Flint Hills golf course	497,480	438,441	424,317	425,870	414,011	200,303	207,782	209,340	197,677	186,944
Capital grants and contributions	35,150	97,551	59,454	11,238	386,000	292,049	275,206	727,233	3,066,811	251,724
Total business type activities program revenues	\$ 7,727,011	\$ 7,300,844	\$ 6,814,893	\$ 6,278,230	\$ 6,492,463	\$ 5,589,690	\$ 5,002,131	\$ 5,278,084	\$ 7,446,575	\$ 4,460,125

Total primary government program revenues.	<u>\$ 15,708,681</u>	<u>\$ 16,087,530</u>	<u>\$ 19,421,180</u>	<u>\$ 15,057,240</u>	<u>\$ 17,090,971</u>	<u>\$ 16,256,482</u>	<u>\$ 17,963,211</u>	<u>\$ 16,361,031</u>	<u>\$ 17,118,837</u>	<u>\$ 11,226,799</u>
Net (expense)/revenues										
Governmental Activities	\$ (17,830,605)	\$ (18,695,901)	\$ (15,650,445)	\$ (21,250,873)	\$ (16,807,753)	\$ (15,926,682)	\$ (13,867,580)	\$ (12,872,254)	\$ (11,338,432)	\$ (14,196,516)
Business-type activities	218,683	(52,667)	(154,427)	(324,764)	(148,182)	(956,680)	(1,468,828)	(1,176,667)	1,294,186	(1,341,323)
Total primary government net expense	<u>\$ (17,611,922)</u>	<u>\$ (18,748,568)</u>	<u>\$ (15,804,872)</u>	<u>\$ (21,575,637)</u>	<u>\$ (16,955,935)</u>	<u>\$ (16,883,362)</u>	<u>\$ (15,336,408)</u>	<u>\$ (14,048,921)</u>	<u>\$ (10,044,246)</u>	<u>\$ (15,537,839)</u>
General Revenues and Other Change in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 11,443,115	\$ 11,082,102	\$ 10,614,886	\$ 10,068,175	\$ 9,778,727	\$ 9,603,728	\$ 9,707,204	\$ 9,256,709	\$ 8,592,113	\$ 8,348,421
Other city taxes	5,505,394	5,179,181	4,917,868	5,037,847	5,115,362	4,931,632	4,427,377	4,028,019	4,305,038	4,327,020
Unrestricted grants and contributions	-	-	-	-	45,067	116,944	1,460	10,451	229,926	1,373,206
Interest	19,527	28,354	17,778	19,569	21,534	24,897	22,421	11,482	21,848	76,842
Other	1,196,250	930,599	742,179	636,075	464,153	1,908,950	1,652,584	2,023,883	2,997,518	2,090,737
Gain(loss) on disposal of capital assets	-	-	-	-	-	-	-	(17,112)	34,389	-
Transfers	490,078	674,224	656,774	424,905	484,760	496,126	507,686	483,675	351,421	492,649
Total Governmental revenues and transfers	<u>\$ 18,654,364</u>	<u>\$ 17,894,460</u>	<u>\$ 16,949,485</u>	<u>\$ 16,186,571</u>	<u>\$ 15,909,603</u>	<u>\$ 17,082,277</u>	<u>\$ 16,318,732</u>	<u>\$ 15,797,107</u>	<u>\$ 16,532,253</u>	<u>\$ 16,708,875</u>
Business-type activities										
Interest	\$ 28,500	\$ 7,072	\$ 5,755	\$ 10,599	\$ 17,776	\$ 13,322	\$ 11,873	\$ 7,374	\$ 15,333	\$ 51,578
Other	\$ 77,640	78,939	-	-	6,857	562,264	642,027	584,702	539,929	509,260
Gain(loss) on disposal of capital assets	-	-	-	-	-	-	(13,743)	-	66,852	-
Transfers	(490,078)	(674,224)	(656,774)	(424,905)	(484,760)	(496,126)	(507,686)	(483,675)	(351,421)	(492,649)
Total business-type activities	<u>\$ (383,938)</u>	<u>\$ (588,213)</u>	<u>\$ (651,019)</u>	<u>\$ (414,306)</u>	<u>\$ (460,127)</u>	<u>\$ 79,460</u>	<u>\$ 132,471</u>	<u>\$ 108,401</u>	<u>\$ 270,693</u>	<u>\$ 68,189</u>
Total Primary Government	<u>\$ 18,270,426</u>	<u>\$ 17,306,247</u>	<u>\$ 16,298,466</u>	<u>\$ 15,772,265</u>	<u>\$ 15,449,476</u>	<u>\$ 17,161,737</u>	<u>\$ 16,451,203</u>	<u>\$ 15,905,508</u>	<u>\$ 16,802,946</u>	<u>\$ 16,777,064</u>
Change in Net Assets										
Governmental activities	\$ 823,759	\$ (801,441)	\$ 1,299,040	\$ (5,064,302)	\$ (898,150)	\$ 1,155,595	\$ 2,451,152	\$ 2,924,853	\$ 5,193,821	\$ 2,512,359
Business-type activities	(165,255)	(640,880)	(805,446)	(739,070)	(608,309)	(877,220)	(1,336,356)	(1,068,266)	1,564,879	(1,273,134)
Total primary government	<u>\$ 658,504</u>	<u>\$ (1,442,321)</u>	<u>\$ 493,594</u>	<u>\$ (5,803,372)</u>	<u>\$ (1,506,459)</u>	<u>\$ 278,375</u>	<u>\$ 1,114,796</u>	<u>\$ 1,856,587</u>	<u>\$ 6,758,700</u>	<u>\$ 1,239,225</u>

**City of Burlington, Iowa
Governmental Funds Fund Balance
Last Ten Fiscal Years**

Fund	Fiscal Year End June 30				
	2012	2011	2010	2009	2008
General					
Reserved for Encumbrances (1)	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	574,305	610,706
Nonspendable (2)	86,938	83,404	77,280	-	-
Assigned	13,576	13,108	12,720	-	-
Unassigned	279,212	423,305	375,625	-	-
Total General Fund	<u>379,726</u>	<u>519,817</u>	<u>465,625</u>	<u>574,305</u>	<u>610,706</u>
All Other Governmental Funds					
Reserved for Encumbrances (1)	-	-	-	-	-
Unreserved In:					
Debt service Fund	-	-	-	95,677	(1,000)
Special revenue funds	-	-	-	981,955	190,141
Capital Projects Funds	-	-	-	(1,219,316)	2,276,237
Nonspendable (2)	17,475	16,681	16,262	-	-
Restricted	12,396,270	7,199,121	3,792,438	-	-
Unassigned	(5,991,431)	(4,477,570)	(7,205,671)	-	-
Total All Other Governmental Funds	<u>6,422,314</u>	<u>2,738,232</u>	<u>(3,396,971)</u>	<u>(141,684)</u>	<u>2,465,378</u>
Total All Governmental Funds	<u>\$ 6,802,040</u>	<u>\$ 3,258,049</u>	<u>\$ (2,931,346)</u>	<u>\$ 432,621</u>	<u>\$ 3,076,084</u>

(1) Reserve for encumbrances eliminated in fiscal year 2008.

(2) The City implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, in fiscal year 2011.

2007	2006	2005	2004	2003
\$ 31,345	\$ 54,657	\$ 11,641	\$ 53,548	\$ 63,570
857,630	878,067	894,764	1,017,109	1,264,231
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>888,975</u>	<u>932,724</u>	<u>906,405</u>	<u>1,070,657</u>	<u>1,327,801</u>
17,602	75,560	9,884	86,053	70,154
59,911	(169,158)	(166,201)	(140,249)	1,264,231
706,657	570,711	617,232	764,755	(431,833)
1,442,283	(383,977)	(1,132,112)	(322,393)	(1,521,170)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>2,226,453</u>	<u>93,136</u>	<u>(671,197)</u>	<u>388,166</u>	<u>(618,618)</u>
<u>\$ 3,115,428</u>	<u>\$ 1,025,860</u>	<u>\$ 235,208</u>	<u>\$ 1,458,823</u>	<u>\$ 709,183</u>

City of Burlington
Change in Fund Balance-Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30			
	2012	2011	2010	2009
Revenues:				
Property taxes	\$ 11,443,115	\$ 11,082,102	\$ 10,625,143	\$ 10,057,918
Other taxes and assessments	5,705,525	5,401,120	5,064,691	4,995,182
Licenses and permits	660,454	624,937	742,564	561,608
Fines and forfeitures	155,293	159,122	125,483	129,262
Intergovernmental	5,332,894	4,361,254	6,885,070	3,917,695
Charges for services	1,504,392	1,618,526	1,643,967	1,567,066
Use of money and property	167,834	172,701	187,579	171,242
Other	1,475,792	1,308,001	1,292,933	949,163
Total revenues	26,445,299	24,727,763	26,567,430	22,349,136
Expenditures:				
Current operating:				
Public Safety	10,032,889	9,558,168	9,307,639	8,622,210
Culture and Recreation	3,859,804	3,869,042	3,764,134	3,809,686
Public Works	3,838,322	4,025,977	4,589,875	4,039,784
Community and Economic Development	521,153	377,499	811,015	405,557
Health and Social Services	490	2,185	2,143	2,223
General Government	1,548,995	1,305,088	1,334,200	1,283,283
Debt service:				
Principal	3,339,446	3,079,936	4,310,041	2,349,849
Interest and other charges	1,557,006	1,569,278	1,775,423	1,731,934
Capital outlay	3,447,331	4,291,098	6,156,766	6,916,875
Total expenditures	28,145,436	28,078,271	32,051,236	29,161,401
Excess (deficiency) of revenues over (under) expenditures	(1,700,137)	(3,350,508)	(5,483,806)	(6,812,265)
Other financing sources (uses):				
Proceeds from notes payable	-	-	-	-
Proceeds from general obligation refunding bonds net of bond discount/bond premium	4,207,000	-	-	3,545,000
Proceeds from general obligation bonds net of bond discount/bond premium	5,039,714	8,910,000	1,775,092	2,699,020
Refunding payment for general obligation bonds	(4,195,000)	-	-	(3,485,000)
Transfers in	9,580,834	8,535,980	9,990,370	8,526,118
Transfers out	(9,388,420)	(7,906,077)	(9,347,464)	(8,116,336)
Total other financing sources and uses	5,244,128	9,539,903	2,417,998	3,168,802
Net change in fund balance	\$ 3,543,991	\$ 6,189,395	\$ (3,065,808)	\$ (3,643,463)
Debt service as a percentage of noncapital expenditures	19.83%	19.55%	23.50%	18.35%

Note: Fiscal Year 2003 was the first year the City reporting utilizing the nine functions. Prior to that time the City reported utilizing four program areas required by the State of Iowa. Therefore data is not available on a comparable basis for the prior fiscal years.

2008	2007	2006	2005	2004	2003
\$ 9,798,256	\$ 9,585,099	\$ 9,706,907	\$ 9,240,703	\$ 8,592,113	\$ 8,245,018
5,130,107	4,685,584	4,427,377	4,182,801	4,305,038	4,327,020
786,634	310,543	324,326	260,275	219,816	344,680
123,896	108,916	92,629	92,958	102,293	74,210
4,293,553	4,805,047	5,720,967	2,989,316	3,593,726	6,331,877
1,469,105	1,517,622	1,488,086	1,425,570	1,465,067	1,202,008
200,578	329,962	303,075	308,962	310,965	294,826
430,630	1,127,200	1,016,001	578,515	1,621,280	1,387,975
<u>22,232,759</u>	<u>22,469,973</u>	<u>23,079,368</u>	<u>19,079,100</u>	<u>20,210,298</u>	<u>22,207,614</u>
8,900,098	8,515,122	8,431,159	7,990,261	7,550,767	7,364,258
3,490,816	3,443,628	3,281,080	3,234,453	3,098,643	3,284,973
3,860,364	3,626,934	3,836,492	3,454,777	3,329,587	3,285,576
454,933	303,682	315,418	231,124	524,932	703,826
2,420	3,470	1,027	2,052	1,481	3,014
1,293,138	1,242,467	1,184,274	1,285,467	1,138,810	1,253,311
2,016,234	2,357,602	2,225,094	2,024,600	2,041,615	2,281,128
1,802,276	1,183,286	1,139,196	1,014,855	1,036,722	1,097,877
4,288,778	6,641,559	7,312,284	4,278,342	3,419,463	7,918,756
<u>26,109,057</u>	<u>27,317,750</u>	<u>27,726,024</u>	<u>23,515,931</u>	<u>22,142,020</u>	<u>27,192,719</u>
<u>(3,876,298)</u>	<u>(4,847,777)</u>	<u>(4,646,656)</u>	<u>(4,436,831)</u>	<u>(1,931,722)</u>	<u>(4,985,105)</u>
1,000,000	-	-	-	-	-
-	-	-	-	-	-
3,361,718	6,454,800	4,937,507	2,925,000	1,827,613	2,203,250
-	-	-	-	-	-
7,608,995	8,152,912	7,131,640	6,998,729	6,797,721	6,591,101
<u>(7,133,759)</u>	<u>(7,670,366)</u>	<u>(6,631,828)</u>	<u>(6,531,856)</u>	<u>(6,453,829)</u>	<u>(6,116,347)</u>
<u>4,836,954</u>	<u>6,937,346</u>	<u>5,437,319</u>	<u>3,391,873</u>	<u>2,171,505</u>	<u>2,678,004</u>
<u>\$ 960,656</u>	<u>\$ 2,089,569</u>	<u>\$ 790,663</u>	<u>\$ (1,044,958)</u>	<u>\$ 239,783</u>	<u>\$ (2,307,101)</u>
17.50%	17.13%	16.48%	15.80%	16.44%	17.53%

City of Burlington, Iowa

General Governmental Revenues by Source (1)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Tax Increment Revenues</u>	<u>Local Option Sales Tax</u>	<u>Hotel/Motel Tax</u>	<u>Total All Taxes</u>
2003	7,371,721	873,297	3,117,731	341,364	11,704,113
2004	7,624,027	968,086	3,356,044	352,669	12,300,826
2005	8,026,705	1,231,998	2,993,058	335,145	12,586,906
2006	8,394,598	1,312,309	3,207,906	404,495	13,319,308
2007	8,296,663	1,288,436	3,492,988	496,684	13,574,771
2008	8,432,783	1,365,473	3,671,507	663,900	14,133,663
2009	8,684,020	1,373,898	3,564,857	632,740	14,255,515
2010	9,165,850	1,459,293	3,691,986	598,231	14,915,360
2011	9,428,724	1,653,377	4,005,732	666,127	15,753,960
2012	9,290,014	2,153,101	4,103,077	737,052	16,283,244

(1) Includes General, Special Revenue, and Debt Service Funds.

City of Burlington, Iowa

Actual and Taxable Valuation
Last Ten Fiscal Years

Actual Valuation

	As of January 1:				
	2010	2009	2008	2007	2006
Residential	\$ 757,629,741	\$ 755,175,191	\$ 753,231,209	\$ 744,730,429	\$ 670,546,753
Agricultural land	2,972,374	3,522,066	2,235,266	2,213,041	1,440,510
Agricultural buildings	38,360	55,200	104,200	104,200	103,765
Commercial	195,419,838	208,426,151	206,130,311	192,506,454	190,687,821
Industrial	49,264,944	51,985,261	52,080,624	50,107,443	55,113,390
Personal/Real estate		-	-	-	-
Railroad	2,849,604	2,486,839	2,119,074	2,210,969	2,064,419
Utilities	4,383,507	4,173,976	4,058,479	4,279,674	3,943,387
Utility Reimburse	44,529,685	39,466,851	35,255,739	34,042,228	34,776,945
Other		-	-	-	-
Gross valuation	\$ 1,057,088,053	\$ 1,065,291,535	\$ 1,055,214,902	\$ 1,030,194,438	\$ 958,676,990
Less: Military exemption	3,362,306	3,478,056	3,568,804	3,681,776	3,760,484
Net valuation	\$ 1,053,725,747	\$ 1,061,813,479	\$ 1,051,646,098	\$ 1,026,512,662	\$ 954,916,506
Incremental value	55,867,807	41,991,662	38,731,464	37,385,413	36,554,199
Actual valuation	\$ 1,109,593,554	\$ 1,103,805,141	\$ 1,090,377,562	\$ 1,063,898,075	\$ 991,470,705
Percent change	0.524%	1.231%	2.489%	7.305%	1.183%

Taxable Valuation

	As of January 1:				
	2010	2009	2008	2007	2006
Residential	\$ 362,049,069	\$ 349,989,812	\$ 340,312,409	\$ 324,480,255	\$ 302,344,999
Agricultural land	1,784,615	2,203,669	2,081,910	1,967,598	1,440,510
Agricultural buildings	21,257	36,583	97,799	93,886	103,765
Commercial	195,419,838	208,426,151	206,130,311	191,920,964	190,687,821
Industrial	49,264,944	51,985,261	52,080,624	50,107,443	55,113,390
Personal/Real estate		-	-	-	-
Railroad	2,849,604	2,486,839	2,119,074	2,205,026	2,064,419
Utilities	4,383,507	4,173,976	4,058,479	4,279,674	3,943,387
Utility Reimburse	17,394,745	17,097,426	19,451,004	21,834,155	20,925,681
Other		-	-	-	-
Gross valuation	\$ 633,167,579	\$ 636,399,717	\$ 626,331,610	\$ 596,889,001	\$ 576,623,972
Less: Military exemption	3,341,344	3,470,711	3,568,804	3,668,812	3,760,484
Net valuation	\$ 629,826,235	\$ 632,929,006	\$ 622,762,806	\$ 593,220,189	\$ 572,863,488
Incremental value	55,849,287	41,984,317	38,731,464	37,372,449	36,554,199
Taxable valuation	\$ 685,675,522	\$ 674,913,323	\$ 661,494,270	\$ 630,592,638	\$ 609,417,687
Percent change	1.595%	2.029%	4.900%	3.475%	0.864%

Total Direct Tax Rate \$ 15.0192 \$ 15.0192 \$ 14.9278 \$ 14.9278 \$ 14.9835

Taxable Valuation as a percentage of Actual Valuation 61.80% 61.14% 60.67% 59.27% 61.47%

Note: Property in Des Moines County is assessed by the Des Moines County Assessors Office. By law property is assessed at it's market value(Actual Valuation). Annually, the Iowa Department of Revenue issues rollback orders to be applied to Actual Valuation to determine taxable valuation. The rollback is intended to keep the Property tax burden from shifting between residential and agricultural property owners.

2005	2004	2003	2002	2001
\$ 661,281,405	\$ 648,201,598	\$ 638,948,275	\$ 627,881,056	\$ 623,912,452
1,619,367	1,397,977	1,367,127	1,975,080	2,229,005
103,780	108,460	108,040	107,625	112,502
192,116,644	191,298,473	183,565,011	172,873,480	169,054,432
52,276,172	52,400,469	57,267,613	55,639,205	55,891,772
-	-	-	-	6,876,354
1,792,442	1,516,071	1,682,459	1,985,670	2,059,156
5,149,950	4,782,920	4,488,137	5,297,421	4,885,266
34,912,231	22,188,694	24,924,177	28,996,535	27,966,227
-	-	-	-	506,300
\$ 949,251,991	\$ 921,894,662	\$ 912,350,839	\$ 894,756,072	\$ 893,493,466
3,838,452	-	-	-	4,519,996
\$ 945,413,539	\$ 921,894,662	\$ 912,350,839	\$ 894,756,072	\$ 888,973,470
34,468,312	34,978,222	36,444,742	29,806,623	29,903,510
\$ 979,881,851	\$ 956,872,884	\$ 948,795,581	\$ 924,562,695	\$ 918,876,980
2.405%	0.851%	2.621%	0.619%	8.549%

2005	2004	2003	2002	2001
\$ 300,555,797	\$ 310,904,711	\$ 309,607,498	\$ 322,651,750	\$ 322,360,590
1,619,367	1,397,977	1,367,127	1,975,080	2,229,005
103,780	108,040	108,040	107,625	112,502
190,280,895	191,298,473	182,201,123	172,873,480	165,296,369
52,276,172	52,400,469	57,267,613	55,639,205	55,891,772
-	-	-	-	6,876,354
1,777,223	1,516,071	1,669,958	1,985,670	2,013,239
5,142,950	4,782,920	4,488,137	5,297,421	4,885,266
21,809,175	22,188,694	24,924,177	28,996,535	27,966,227
-	-	-	-	506,300
\$ 573,565,359	\$ 584,597,355	\$ 581,633,673	\$ 589,526,766	\$ 588,137,624
3,827,340	3,969,898	4,318,457	4,399,923	4,519,996
\$ 569,738,019	\$ 580,627,457	\$ 577,315,216	\$ 585,126,843	\$ 583,617,628
34,457,200	34,978,222	36,444,742	29,806,623	29,903,510
\$ 604,195,219	\$ 615,605,679	\$ 613,759,958	\$ 614,933,466	\$ 613,521,138
-1.854%	0.301%	-0.191%	0.230%	1.059%

\$ 14.8937 \$ 14.7560 \$ 14.2324 \$ 13.2841 \$ 13.1348

61.66% 64.34% 64.69% 66.51% 66.77%

City of Burlington, Iowa

Property Tax Rates - All Direct and Overlapping Governments
Per \$1,000 Assessed Valuation
Last Ten Fiscal Years

Fiscal Year	City Direct Rates				Overlapping Rates*			Percent of City of Burlington Levy to Total Levy
	General Fund	City of Burlington Debt Service	Other Levies	Total	Burlington School District Levy	Des Moines County Levies	Total Levy	
2003	8.1000	2.5711	2.4637	13.1348	14.2585	8.8979	36.2912	36.19%
2004	8.1000	2.9096	2.2745	13.2841	14.1205	8.8183	36.2229	36.67%
2005	8.1000	2.7048	3.4276	14.2324	15.5650	10.1901	39.9875	35.59%
2006	8.1000	2.6825	3.9735	14.7560	16.5145	10.2681	41.5387	35.52%
2007	8.1000	2.7343	4.0594	14.8937	16.7898	9.7491	41.4326	35.95%
2008	8.1000	2.8522	4.0313	14.9835	16.4811	9.7551	41.2197	36.35%
2009	8.1000	2.8880	3.9398	14.9278	16.3269	9.4329	40.6876	36.69%
2010	8.1000	2.8880	3.9398	14.9278	16.3564	10.1954	41.4797	35.99%
2011	8.1000	2.8880	4.0312	15.0192	17.8346	10.3847	43.2386	34.74%
2012	8.1000	2.8880	4.0693	15.0573	16.2457	10.1502	41.4532	36.32%

Source: Des Moines County Auditor's Office

Note: The General Fund Levy is established by State Code and may only be exceeded by a vote of the people. The City is allowed to levy for specific items outside of the \$8.10 limit. Some of those levies may be levied upon approval of the City Council, others require a vote of the public.

* Overlapping rates are those of the Burlington Community School District and Des Moines County, which are paid by citizens of Burlington.

City of Burlington, Iowa

Principal Taxpayers
Current Year and Nine Years Prior

Taxpayer	2012			2003		
	January 1, 2010 Taxable Valuation	Rank	Percent of Total Taxable Value	January 1, 2001 Taxable Valuation	Rank	Percent of Total Taxable Value
Huckleberry Holdings LLC	\$ 27,817,900	1	4.06%			
Interstate Power and Light	16,131,989	2	2.35%			
Case New Holland (CNH)	11,000,000	3	1.60%	\$ 14,624,400	1	2.38%
Midwest Biscuit Company	7,393,400	4	1.08%	6,196,500	5	1.01%
Winegard Realty Company	6,971,989	5	1.02%	9,144,800	2	1.49%
Carlisle Real Estate Group	6,714,500	6	0.98%			
Mesker Investment Co	5,942,900	7	0.87%	5,606,700	6	0.91%
Dr Steam LLC	5,442,300	8	0.79%	5,086,800	9	0.83%
The Mt Pleasant Street Bakery	4,726,500	9	0.69%	5,527,600	7	0.90%
Federal Mogul Company	4,700,000	10	0.69%	7,240,859	4	1.18%
Qwest Communications				5,097,287	8	0.83%
Burlington Norther & Sante Fe Railroad				8,700,980	3	1.42%
	<u>\$ 96,841,478</u>		<u>14.12%</u>	<u>\$ 67,225,926</u>		<u>10.95%</u>

Source: Des Moines County Auditor

City of Burlington, Iowa

Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Property Taxes Collected</u>	<u>Delinquent Property Tax Collections</u>	<u>Total Property Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>
2003	7,414,455	7,274,017	98.11%	3,203	7,277,220	98.15%
2004	7,511,062	7,536,167	100.33%	87,211	7,623,378	101.50%
2005	8,018,819	7,998,364	99.74%	4,124	8,002,488	99.80%
2006	8,381,044	8,394,700	100.16%	(102)	8,394,598	100.16%
2007	8,307,683	8,291,334	99.80%	5,329	8,296,663	99.87%
2008	8,420,461	8,423,123	100.03%	1,422	8,424,545	100.05%
2009	8,677,890	8,667,634	99.88%	934	8,668,568	99.89%
2010	9,156,917	9,163,772	100.07%	-	9,163,772	100.07%
2011	9,408,434	9,420,639	100.13%	3,558	9,424,197	100.17%
2012	9,401,924	9,126,007	97.07%	5,094	9,131,101	97.12%

City of Burlington, Iowa

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Population (1)	General Government			Business Type Activities			Total Primary Government	Debt Per Capita
		General Obligation Bonds	Notes Payable	Urban Renewal Revenue	General Obligation Bonds	Sewer Revenue Bonds	Leases Payable		
2003	26,839	23,269,976	260,400	-	1,650,024	3,645,000	-	28,825,400	1,074.01
2004	26,839	23,349,644	223,200	-	6,233,516	3,310,000	30,255	33,146,615	1,235.02
2005	26,839	24,334,438	268,085	-	6,185,562	2,955,000	15,543	33,758,628	1,257.82
2006	26,839	27,135,916	227,043	-	6,150,322	2,585,000	-	36,098,281	1,344.99
2007	26,839	25,177,377	148,800	6,520,000	6,078,679	2,195,000	-	40,119,856	1,494.83
2008	26,839	26,549,597	1,016,411	6,520,000	5,936,188	1,900,000	-	41,922,196	1,561.99
2009	26,839	27,137,406	894,218	6,470,000	5,793,472	4,491,837	-	44,786,933	1,668.73
2010	26,839	24,782,291	754,757	6,420,000	5,660,640	9,244,404	-	46,862,092	1,746.04
2011	25,663	31,214,240	896,401	5,985,000	5,527,808	8,654,000	-	52,277,449	2,037.07
2012	25,663	33,408,168	798,420	5,525,000	5,398,834	18,299,000	-	63,429,422	2,471.63

(1) Source: U.S. Census Bureau.

City of Burlington, Iowa

Ratio of Net General Obligation Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Population (1)	Taxable Valuation	Gross General Obligation Bonded Debt	Less Debt Service Fund	Debt Payable from Proprietary Funds	Debt Payable from TIF Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Taxable Valuation	Net Bonded Debt Per Capita
2003	26,839	513,521,138	24,980,000	1,595,430	1,499,646	3,434,334	18,450,590	3.5930%	687.45
2004	26,839	614,933,466	29,585,000	(152,490)	6,860,010	5,386,238	17,491,242	2.8444%	651.71
2005	26,839	613,759,958	30,520,000	(166,201)	6,185,562	4,771,091	19,729,548	3.2145%	735.11
2006	26,839	615,605,679	33,286,238	(169,158)	6,137,296	3,816,141	23,501,959	3.8177%	875.66
2007	26,839	604,195,219	31,256,055	59,911	6,078,679	3,040,000	22,077,465	3.6540%	822.59
2008	26,839	607,873,412	32,485,785	(1,000)	5,936,188	5,568,483	20,982,114	3.4517%	781.78
2009	26,839	628,531,154	32,930,878	95,677	5,793,472	5,948,315	21,093,414	3.3560%	785.92
2010	26,839	659,314,561	30,442,931	137,303	5,660,640	5,769,853	18,875,135	2.8628%	703.27
2011	25,663	672,673,071	36,742,048	67,605	5,527,808	5,117,531	26,029,104	3.8695%	1,014.27
2012	25,663	683,869,650	38,807,002	192,177	5,398,834	8,252,765	24,963,226	3.6503%	972.73

(1) Source: U.S. Census Bureau.

City of Burlington, Iowa

**Computation of Direct and Overlapping Bonded Debt
June 30, 2012**

	<u>Net Bonded Debt June 30, 2012</u>	<u>Percent Applicable to City</u>	<u>Direct and Overlapping Bonded Debt</u>
City of Burlington	\$ 26,029,104 (1)	100.00%	\$ 26,029,104
Great Prairie Education Agency	1,682,665	8.18%	137,711
Southeastern Community College	7,255,000	19.51%	1,415,661
West Burlington Community School District	955,000	11.67%	111,420
Des Moines County	2,300,000	49.43%	1,136,796
Burlington Community School District	<u>-</u>	76.38%	<u>-</u>
Total direct and overlapping bonded debt	<u>\$ 38,221,769</u>		<u>\$ 28,830,692</u>

(1) Excludes general obligation bonds reported in proprietary funds and general obligation bonds payable from TIF revenues.

Note: The percent applicable is calculated based upon the amount of assessed valuation within the city limits of Burlington as a percent of that entity's total assessed valuation. The assessed valuation utilized is provided by the Des Moines County Assessor's Office.

City of Burlington, Iowa

**Computation Of Legal Debt Margin
June 30, 2012**

Total assessed valuation as of January 1, 2010	<u>\$ 1,106,582,820</u>
Debt limit - 5% of assessed valuation	<u>55,329,141</u>
Amount of debt applicable to limit:	
General obligation bonds	38,807,000
Tax increment revenue bonds	<u>5,763,450</u>
Total Applicable to Limit	<u>44,570,450</u>
Legal debt margin	<u>\$ 10,758,691</u>
Percent of debt limit	19.44%

**City of Burlington, Iowa
Legal Debt Margin Information
Last Ten Fiscal Years**

	Fiscal Year					
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Debt Limit	\$ 55,329,141	\$ 55,011,394	\$ 54,401,905	\$ 53,194,904	\$ 49,573,535	\$ 48,994,093
Total Net Debt Applicable to Limit	<u>44,570,450</u>	<u>42,965,112</u>	<u>41,362,931</u>	<u>43,938,078</u>	<u>39,085,765</u>	<u>31,404,855</u>
Legal Debt Margin	<u>\$10,758,691</u>	<u>\$12,046,282</u>	<u>\$ 13,038,974</u>	<u>\$9,256,826</u>	<u>\$10,487,770</u>	<u>\$17,589,238</u>
Total debt applicable to the limit as a percentage of debt limit	80.56%	78.10%	76.03%	82.60%	78.84%	64.10%

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$47,843,644	\$47,439,779	\$46,228,135	\$45,943,849
<u>33,472,238</u>	<u>30,706,000</u>	<u>29,808,200</u>	<u>25,180,400</u>
<u>\$14,371,406</u>	<u>\$16,733,779</u>	<u>\$16,419,935</u>	<u>\$20,763,449</u>
69.96%	64.73%	64.48%	54.81%

City of Burlington, Iowa

Revenue Bond Coverage
Sewer Fund
Last Ten Years

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Maximum Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
2003	2,960,478	2,518,196	442,282	390,000	117,608	507,608	0.871
2004	3,071,163	2,457,700	613,463	390,000	117,608	507,608	1.209
2005	3,181,296	2,513,876	667,420	390,000	117,608	507,608	1.315
2006	3,416,009	2,524,771	891,238	390,000	117,608	507,608	1.756
2007	3,807,777	2,552,565	1,255,212	370,000	100,273	470,273	2.669
2008	3,975,408	2,604,768	1,370,640	340,000	59,088	399,088	3.434
2009	4,105,364	2,525,815	1,579,549	493,000	174,618	667,618	2.366
2010	4,504,366	2,740,974	1,763,392	658,000	400,158	1,058,158	1.666
2011	4,801,121	2,704,402	2,096,719	678,000	376,340	1,054,340	1.989
2012	5,159,896	2,677,404	2,482,492	793,000	604,925	1,397,925	1.776

(1) Total revenues (including interest) exclusive of tap fees.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal and interest of revenue bonds only.

City of Burlington, Iowa

**Major Area Employers
Current and Nine Years Ago**

2012		2003	
Name	Approximate Number of Employees	Name	Approximate Number of Employees
		Aldi, Inc	100-200
Alfa Gomma America	Under 100	Alfa Gomma America	Under 100
American Ordinance	500-1,000	American Ordinance	Over 1,000
Antennacraft, Division of RadioShack Corporation	Under 100	Antennacraft, Division of RadioShack Corporation	Under 100
		APAC Customer Service & Sales	100-200
Big River Resources, LLC	100-200		
Borghini International	100-200	Borghini International	Under 100
Burlington Basket Company	Under 100	Burlington Basket Company	100-200
Burlington Northern Santa Fe, Inc.	Under 100	Burlington Northern Santa Fe, Inc.	200-500
Case New Holland	500-1,000	Case New Holland	200-500
Chitenden & Eastman Company	Under 100	Chitenden & Eastman Company	Under 100
		Cessford Construction Company	100-200
Cobo International	100-200		
Champion Spark Plug, Division of Federal Mogul	500-1,000	Champion Spark Plug	500-1,000
CSI Employment	Under 100	CSI Employment	200-500
Diamond Vogel Paint Company	Under 100	Diamond Vogel Paint Company	Under 100
Dresser Rand	100-200	Tuthill Corporation, Murray Turbo Division	100-200
Flint Cliffs Mfg.	Under 100	Flint Cliffs Mfg.	Under 100
General Electric Company	200-500	General Electric	500-1,000
Great River Medical Center	Over 1,000	Great River Medical Center	Over 1,000
Hawk Eye, The	100-200	Hawk Eye, The	100-200
Hawkeye Concrete Products	100-200	Hawkeye Concrete Products	100-200
Hope Haven	100-200	Hope Haven	100-200
Industrial Service Corp	100-200	Industrial Service Corp	100-200
Lamont Limited	200-500	Lamont Limited	200-500
Lance Private Brand Inc.	500-1,000	Vista Bakery	500-1000
Manpower Temporary Services	100-200	Manpower Temporary Services	100-200
Modern Welding Company	Under 100	Modern Welding Company	Under 100
P.P.G. Industries	Under 100	P.P.G. Industries	Under 100
Precision Resistive Products	Under 100	Precision Resistive Products	Under 100
PCI	Under 100	Raider Precast Concrete	200-500
Ron Weber & Associates	Under 100	Ron Weber & Associates	Under 100
Sterzing Food Company	Under 100	Sterzing Food Company	Under 100
The Baking Company	100-200		
U.S. Gypsum Company	200-500	U.S. Gypsum Company	200-500
Wal-Mart Stores	200-500	Wal-Mart Stores	200-500
Winegard Company	200-500	Winegard Company	200-500

Source: Grow Greater Burlington

Note: Since the only information available is estimated ranges, we are unable to calculate the percentages of total employment for each employer.

City of Burlington, Iowa

**Historical Economic Data
Last Ten Years**

Employment				Retail Sales (3)		
Calendar Year	Population (1)	Labor Force (2)	Unemployment Rate (2)	Fiscal Year	Retail Permits	Retail Sales
2003	26,839	13,365	8.2%	2003	745	262,295,174
2004	26,839	12,740	7.1%	2004	736	264,138,149
2005	26,839	12,686	5.1%	2005	712	255,202,262
2006	26,839	12,820	4.7%	2006	703	264,365,555
2007	26,839	12,847	4.4%	2007	686	282,230,876
2008	26,839	12,685	6.1%	2008	696	289,150,021
2009	26,839	12,841	7.4%	2009	724	297,807,457
2010	26,839	12,740	8.9%	2010	709	293,256,724
2011	25,663	12,530	8.1%	2011	741	295,246,223
2012	25,663	13,350	6.5%	2012	742	308,393,605

(1) U.S. Census Bureau

(2) Iowa Workforce Development

(3) Iowa Department of Revenue

(4) Iowa Workforce Development; Des Moines County

Buliding Permits			Personal Income (4)	
Fiscal Year	Number of Permits Issued	Dollar Value of Permits Issued	Calendar Year	Per Capita Income
2003	223	23,637,000	2001	27,129
2004	223	18,739,000	2002	27,799
2005	206	27,179,000	2003	27,802
2006	209	28,203,162	2004	29,372
2007	237	26,498,176	2005	29,973
2008	226	41,092,033	2006	32,507
2009	184	9,085,283	2007	34,357
2010	222	31,908,276	2008	34,928
2011	222	17,305,279	2009	34,754
2012	292	18,489,664	2010	36,965

City of Burlington, Iowa
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	Full-Time Equivalent Employees as of June 30					
	2012	2011	2010	2009	2008	2007
General Government						
Executive Administration	4.35	4.35	4	4	3	3
Finance	5	5	5	5	6	6
City Clerk	1.75	2	2	2	2	2
Public Safety						
Police Officers	42	42	42	42	42	42
Firefighters and Officers	46	46	46	46	46	46
Civilian Employees	16.8	16.8	17	16.5	16.5	16.5
Building Code	4.6	5.6	5.25	5.25	5.25	5.25
Public Works						
Administration/Engineering	8.75	9	8.8	8.8	8.8	8.8
Streets	14.07	15.07	15.55	15.55	15.55	15.55
Property Maintenance	5.75	5.75	5	5	5	5
Vehicle Maintenance	3.8	3.8	4	4	4	4
Transit	9	9	9	9	9	9
Other	6.07	6.27	4.5	4.5	4.5	5.2
Culture and Recreation						
Parks	13.02	14.02	13.1	13.1	13.1	13.1
Recreation/Pool	4.7	4.7	3.25	3.25	3.25	3.25
Library	19.68	19.68	20.27	20.27	20.27	20.27
Community and Economic Development						
	3	3.8	4	4	4	4
Business Type Activities						
Sewer	24.57	23.57	23.8	23.8	23.8	24.8
Solid Waste	7.8	7.8	7.75	7	7	7.75
Parking	0.8	0.8	1.15	1.15	1.15	1.15
Flint Hills Golf	6.64	6.64	6.15	6.15	6.15	6.4
RecPlex	6.05	6.05	9.25	9.25	9.25	9.25
Total	254.2	257.7	256.82	255.57	255.57	258.27

Information obtained from City of Burlington Budgets.

Full-time equivalent employment is calculated by dividing total part-time and temporary labor hours available by 2080.

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
3	3	3	3
6	6	6.4	6.6
2	2	2	2
42	42	42	44
46	46	46	49
16.5	16.5	16.5	17.25
5.25	4	4	4
8.8	8.8	8.8	9.75
15.55	15.55	16.55	17.5
5	5	5	5
4	4	4	4
9	9	9	9
5.2	5.2	5.2	5.4
13.1	13.1	14.1	14.1
3.25	3.25	3.25	3.25
20.27	20.27	20.27	21.27
4	4	5	5.8
24.8	25.8	25.8	26.3
7.75	8	8	8
1.15	1.15	1.15	1.15
6.4	6.4	6.4	6.4
9.25	9.25	9.25	9.25
<u>258.27</u>	<u>258.27</u>	<u>261.67</u>	<u>272.02</u>

**City of Burlington, Iowa
Miscellaneous Statistical Data
Last Ten Fiscal Years**

	2012	2011	2010	2009	2008	2007	2006
Police							
Number of Stations	1	1	1	1	1	1	1
Number of Officers	42	42	42	42	42	42	42
Fire							
Number of Stations	2	2	2	2	2	2	2
Number of Firefighting Personnel	46	46	46	46	46	46	46
Parks							
Number of parks	13	13	13	13	13	13	13
Acres	220	220	220	220	220	220	220
Golf Courses	1	1	1	1	1	1	1
Swimming Pools	1	1	1	1	1	1	1
Building Code							
Number of permits Issued	292	222	222	184	237	237	209
Permit Value	18,489,664	17,305,279	31,908,276	9,085,283	41,092,033	26,498,176	28,203,162
Wastewater Treatment Facility							
Number of Facilities	1	1	1	1	1	1	1
Major Pumping Stations	3	3	3	3	3	3	3
Minor Pumping Stations	11	11	11	11	11	11	11

2005	2004	2003
1	1	1
42	42	44
2	2	2
46	46	49
13	13	13
220	220	220
1	1	1
1	1	1
206	223	223
27,179,000	18,739,000	23,637,000
1	1	1
3	3	3
11	11	10

COMPLIANCE SECTION



CPAs & BUSINESS ADVISORS

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Burlington, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 15, 2013. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Burlington Municipal Waterworks and the Southeast Iowa Regional Airport Authority, as described in our report on the City of Burlington's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

The financial statements of the Friends of the Burlington Public Library, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not extend to those financial statements.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described as Item II-A-12 in the accompanying Schedule of Findings and Questioned Costs, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. 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, 2012, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Burlington, Iowa, and are reported in Part IV of the accompanying Schedule of Findings and Questioned Costs. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Dubuque, Iowa
January 15, 2013



Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the City of Burlington, Iowa, (City) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the Summary of the Independent Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Burlington, Iowa, complied, in all material respects, with the compliance 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, 2012.

Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item III-A-12. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Dubuque, Iowa
January 15, 2013

City of Burlington, Iowa

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program Expenditures</u>
U.S. Department of Housing and Urban Development:			
Pass-Through Program From:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	08-NSP-003	\$ 158,795
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	11-NSP-003	101,414
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRPG-202	<u>50,000</u>
Total U.S. Department of Justice			<u>\$ 310,209</u>
U.S. Department of Interior			
Pass-Through Program From:			
State Historical Society of Iowa			
Historic Preservation Funds Grant-In-Aid	15.904	2012-01	\$ 2,652
Historic Preservation Funds Grant-In-Aid	15.904	2011-03	<u>4,794</u>
Total U.S. Department of Interior			<u>\$ 7,446</u>
U.S. Department of Justice:			
Direct Program:			
ARRA – Public Safety Partnership and Community Policing Grants	16.710		<u>\$ 128,245</u>
JAG Cluster			
Direct Program:			
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738		<u>\$ 6,130</u>
Pass-Through Program From:			
Office of Drug Control Policy:			
ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	09JAG-16707	<u>\$ 84,000</u>
Total JAG Cluster			<u>\$ 90,130</u>
Total U.S. Department of Justice			<u>\$ 218,375</u>

City of Burlington, Iowa

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program Expenditures</u>
U.S. Department of Transportation:			
Highway Planning and Construction Cluster			
Pass-Through Program From:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	SBIA-IA06(009)—2T-002	\$ 12,020
Highway Planning and Construction	20.205	STP-ES-0977(633)—81-29	394,745
Highway Planning and Construction	20.205	SRTS-U-0977(634)—8U-29	<u>127,291</u>
			<u>\$ 534,056</u>
Recreational Trails Program	20.219	NRT-NT09(006)-9G-29	<u>\$ 110,070</u>
Total Highway Planning and Construction Cluster			<u>\$ 644,126</u>
Federal Transit-Capital Investment Grant	20.500	04-00113-097-11	<u>\$ 59,004</u>
Formula Grants for Other Than Urbanized Areas	20.509	18-0030-097-12	\$ 241,293
ARRA – Formula Grants for Other Than Urbanized Areas	20.509	IA-18-X029	<u>2,125</u>
			<u>\$ 243,418</u>
Pass-Through Program From:			
Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	11-02, Task 01	\$ 6,364
State and Community Highway Safety	20.600	12-04, Task 03	<u>8,441</u>
			<u>\$ 14,805</u>
Total U.S. Department of Transportation			<u>\$ 961,353</u>
U.S. Department of Homeland Security:			
Pass-Through Program From:			
Iowa Department of Homeland Security:			
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	IA-DRA-1763	\$ 214,474
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	IA-DRA-1928	<u>8,781</u>
Total U.S. Department of Homeland Security			<u>\$ 223,255</u>
Total			<u>\$ 1,720,638</u>

See Notes to the Schedule of Expenditures of Federal Awards.

City of Burlington, Iowa

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Note 1. Basis of Presentation

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

Note 2. Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	\$ 56,000

City of Burlington, Iowa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

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

Financial Statements

Type of auditor's report issued	Qualified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiency	Yes
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs:	
Material weakness identified	No
Significant deficiency	Yes
Type of auditor's report issued on compliance for the major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	Yes

Identification of major programs:

Federal CFDA Number	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii
Highway Planning and Construction Cluster:	
20.205	Highway Planning and Construction
20.219	Recreational Trails Program
Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee	No

City of Burlington, Iowa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Part II: Findings Related to the Financial Statements:

Significant Deficiency

II-A-12 Segregation of Duties

Criteria – Properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Condition – The Finance Director wrote, posted, and approved journal entries during the period of time in which in the City did not have a City Manager.

Cause – The City has limited personnel causing one person to perform incompatible duties throughout the year.

Effect – Since job functions were not properly segregated, misstatements may not have been prevented or detected on a timely basis in the normal course of operations.

Recommendation – We recommend that City staff review operating procedures in order to obtain the maximum internal controls possible.

Response – The City Manager will approve all journal entries in the future.

Part III: Findings and Questioned Costs for Federal Awards:

Significant Deficiency

CFDA Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
Pass-Through Agency Number: 08-NSP-003, 11-NSP-003, and 08-DRPG-202
U.S. Department of Housing and Urban Development
Pass-Through: Iowa Department of Economic Development

CFDA Number 20.205: Highway Planning and Construction
Pass-Through Agency Numbers: SBIA-IA06(009)—2T-002, STP-ES-0977(633)—81-29, SRTS-U-0977(634)8U-29
U.S. Department of Transportation
Pass-Through: Iowa Department of Transportation

III-A-12 Segregation of Duties – The Finance Director wrote, posted, and approved journal entries during the period of time in which in the City did not have a City Manager. See item II-A-12.

City of Burlington, Iowa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 **Certified Budget** – Disbursements during the year ended June 30, 2012, exceeded the amount budgeted in the Public Safety, Culture and Recreation, Community and Economic Development, General Government, and Business Type Activity 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 – The budget will be amended in the future, if applicable.

IV-B-12 **Questionable Expenditures** – We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-12 **Travel Expense** – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-12 **Business Transactions** – No business transactions between the City and City officials or employees were noted.

IV-E-12 **Bond Coverage** – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

IV-F-12 **Council Minutes** – No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, they were normally not published within 15 days of the meeting as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should take measures to publish Council minutes within 15 days of the meeting.

Response – It is the City’s position that Council meeting minutes are not official until approved by the City Council, and therefore, the 15 day limitation does not apply until approval.

IV-G-12 **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.

IV-H-12 **Revenue Bonds** – No instances of noncompliance with the provisions of the City’s revenue bond resolutions were noted.

IV-I-12 **Tax Increment Financing** – During review of the Tax Increment Financing Debt Certifications, it was noted the City has several internal borrowings from funds of the City which were not formally approved by Council resolution. Chapter 403.9 of the Code of Iowa states that bonds or other obligations issued shall be authorized by resolution or ordinance of the governing body.

Recommendation – The City should take steps to formalize the internal advances by Resolution of the City Council.

Response – The City will comply with this recommendation.