

**CITY OF IOWA FALLS, IOWA**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2012**

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## City of Iowa Falls, Iowa

### List of Principal Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2012)</b>		
Jerrold Welden	Mayor	Jan 2012
Mark Messa	Mayor Pro-tem	Jan 2014
Jody Anderson	Council Member	Jan 2012
David Hempe	Council Member	Jan 2014
Kurt Knudson	Council Member	Jan 2012
Bruce Thies	Council Member	Jan 2012
Brian Weuve	City Manager	July 2011
Jon Kies	City Clerk/Finance Director	July 2011
Clark McNeal	Attorney	July 2011
Ron Kuhfus	Police Chief	July 2011
Rick Gustin	Fire Chief	Indefinite
Terry Tikovitsch	Library Director	Indefinite
Brian Lorenzen	Parks & Recreation Director	Indefinite
Bruce Jeffries	Streets/Sanitation Superintendent	Indefinite
Jason Etnyre	Building & Zoning Director	Indefinite
Scott Peden	Water/Wastewater Superintendent	Indefinite
Jolene Liekweg	Deputy City Clerk	July 2011
Steve Howard	Hospital Board of Trustees, Chairperson	Jan 2012
Diana Ruhl	Hospital Board of Trustees, Secretary	Jan 2012
Mike Stensland	Hospital Board of Trustees	Jan 2012
Amanda Wood	Hospital Board of Trustees	Jan 2014
Francis Fritz	Hospital Board of Trustees	Jan 2014

## City of Iowa Falls, Iowa

### List of Principal Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(After January 2012)</b>		
Jerrold Welden	Mayor	Jan 2014
Mark Messa	Mayor Pro-tem	Jan 2014
David Hempe	Council Member	Jan 2014
Roger Nissly	Council Member	Jan 2016
Kurt Knudson	Council Member	Jan 2016
Bruce Thies	Council Member	Jan 2016
Jody Anderson	City Manager	July 2012
Jon Kies	City Clerk/Finance Director	July 2012
Mike Holt	Attorney	July 2012
Ron Kuhfus	Police Chief	July 2012
Rick Gustin	Fire Chief	Indefinite
Terry Tikovitsch	Library Director	Indefinite
Brian Lorenzen	Parks & Recreation Director	Indefinite
Bruce Jeffries	Streets/Sanitation Superintendent	Indefinite
Scott Peden	Water/Wastewater Superintendent	Indefinite
Jolene Liekweg	Deputy City Clerk	July 2012
Steve Howard	Hospital Board of Trustees, Chairperson	Jan 2013
Diana Ruhl	Hospital Board of Trustees, Secretary	Jan 2013
Mike Stensland	Hospital Board of Trustees	Jan 2013
Amanda Wood	Hospital Board of Trustees	Jan 2014
Francis Fritz	Hospital Board of Trustees	Jan 2014

# Cornwell, Frideres, Maher & Associates, P.L.C.

## Certified Public Accountants

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### Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the Airport Authority, a discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Iowa Falls, 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 City of Iowa Falls' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hospital Fund, an Enterprise Fund or the Ellsworth Municipal Hospital Foundation, a discretely presented component unit. Those financial statements were audited by other independent auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hospital Fund and the Ellsworth Municipal Hospital Foundation is based solely upon the report of the other independent auditors.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the Airport Authority discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Iowa Falls at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2013 on our consideration of the City of Iowa Falls' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing

of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 15 and 73 through 77 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 which considers it to be an essential part of the 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 U.S. generally accepted auditing standards, 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Iowa Falls' basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other auditors previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (none of which is presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic 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 U.S generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Cornwell, Frideres, Maher & Associates, P.L.C.*  
Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

January 31, 2013

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**CITY OF IOWA FALLS, IOWA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2012**

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The City of Iowa Falls provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

**2012 FINANCIAL HIGHLIGHTS**

- Revenues of the City's governmental activities increased by 16% or \$698,000 from fiscal year 2011 to fiscal year 2012. Property tax increased approximately \$61,000 while revenues from tax increment financing increased approximately \$519,000.
- Program expenses of the City's governmental activities increased 18%, or approximately \$778,000 from fiscal year 2011 to fiscal year 2012. Capital project and public safety expenses increased approximately \$794,000 and \$101,000 respectively.
- The City's net assets increased by 4.4%, or approximately \$1,654,000 from June 30, 2011 to June 30, 2012. Of this amount, the net assets of the governmental activities increased approximately \$840,000 and the net assets of the business type activities decreased approximately \$814,000.

**USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

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

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

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

- Governmental activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business type activities include water, wastewater, hospital and the City's sanitation department. These activities are financed primarily by user charges.
- The Component Unit includes the activities of the City's Municipal Airport Authority and the Ellsworth Municipal Hospital Foundation. The City is financially accountable for the Airport and the Foundation although they are legally separate from the City.

## *Fund Financial Statements*

The City has two kinds of funds:

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

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

2) Proprietary funds account for the City's Enterprise Funds. These funds report services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The Enterprise Funds include the Water, Wastewater, Hospital and Sanitation Funds, each considered to be a major fund of the City. The City is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

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

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

	Net Assets at Year-end					
	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 12,817,516	7,662,543	15,174,556	13,251,230	27,992,072	20,913,773
Capital assets	15,277,732	13,541,876	15,132,443	15,349,508	30,410,175	28,891,384
Total assets	28,095,248	21,204,419	30,306,999	28,600,738	58,402,247	49,805,157
Long-term liabilities	4,743,027	2,144,118	5,044,101	5,217,214	9,787,128	7,361,332
Other liabilities	6,379,028	2,927,429	3,065,010	1,999,878	9,444,038	4,927,307
Total liabilities	11,122,055	5,071,547	8,109,111	7,217,092	19,231,166	12,288,639
Net assets:						
Invested in capital assets, net						
of related debt	9,667,732	11,631,876	9,315,575	9,927,058	18,983,307	21,558,934
Restricted	7,206,303	3,454,078	2,767,723	2,322,555	9,974,026	5,776,633
Unrestricted	99,158	1,046,918	10,114,590	9,134,033	10,213,748	10,180,951
Total net assets	\$ 16,973,193	16,132,872	22,197,888	21,383,646	39,171,081	37,516,518

Net assets of governmental activities increased approximately \$840,000, or 5%, from fiscal year 2011. Net assets of business type activities increased approximately \$814,000, or 4% over fiscal year 2011. The largest portion of the City's net assets is invested in capital assets, (e.g., land, infrastructure, buildings and equipment), less related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is \$99,158 at the end of this year.

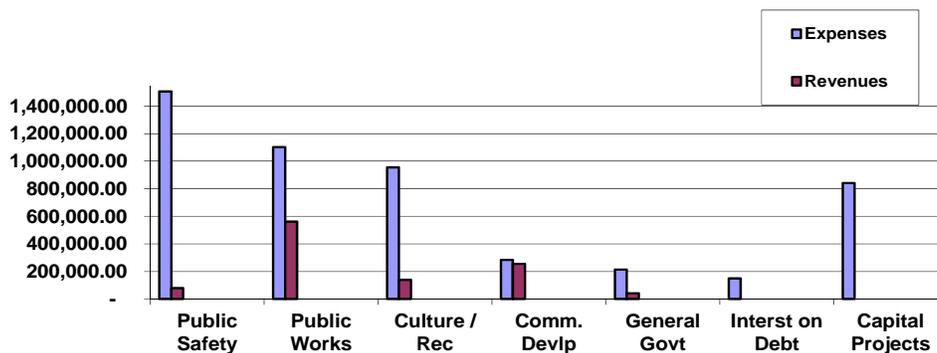
	Changes in Net Assets for the Year Ended June 30,					
	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program revenues:						
Charges for services	\$218,051	\$183,858	21,924,234	20,774,166	22,142,285	20,958,024
Operating grants & contributions	559,398	567,757	-	-	559,398	567,757
Capital grants & contributions	297,630	334,887	461,031	985,907	758,661	1,320,794
General revenues:					-	-
Property tax levied for:					-	-
General purposes	1,952,011	1,899,680	-	-	1,952,011	1,899,680
Debt service	104,096	95,495	-	-	104,096	95,495
Tax increment financing	960,915	441,646	-	-	960,915	441,646
Local option sales tax	533,304	556,495	-	-	533,304	556,495
Hotel/motel tax	100,316	84,137	-	-	100,316	84,137
Investment earnings	62,530	61,743	111,945	145,831	174,475	207,574
Miscellaneous	337,428	201,601	1,078,415	563,458	1,415,843	765,059
Gain on sale of fixed assets	-	-	-	5	-	5
Total revenues	5,125,679	4,427,299	23,575,625	22,469,367	28,701,304	26,896,666
Program expenses:						
Public safety	1,505,462	1,404,151	-	-	1,505,462	1,404,151
Public works	1,101,653	1,141,002	-	-	1,101,653	1,141,002
Culture and recreation	954,487	937,495	-	-	954,487	937,495
Community and economic development	285,051	473,567	-	-	285,051	473,567
General government	213,222	185,291	-	-	213,222	185,291
Interest on long-term debt	150,152	85,249	-	-	150,152	85,249
Other debt costs	4,379	3,903	-	-	4,379	3,903
Capital projects	841,749	47,943	-	-	841,749	47,943
Water	-	-	764,789	814,836	764,789	814,836
Wastewater	-	-	921,070	1,047,682	921,070	1,047,682
Hospital	-	-	19,588,814	19,378,054	19,588,814	19,378,054
Sanitation	-	-	730,198	728,058	730,198	728,058
Total expenses	5,056,155	4,278,601	22,004,871	21,968,630	27,061,026	26,247,231
Increase (decrease) in net assets before transfers	69,524	148,698	1,570,754	500,737	1,640,278	649,435
Transfers	770,797	(487,710)	(756,512)	393,350	14,285	(94,360)
Increase (decrease) in net assets	840,321	(339,012)	814,242	894,087	1,654,563	555,075
Net assets beginning of year	16,132,872	16,471,884	21,383,646	20,489,559	37,516,518	36,961,443
Net assets end of year	16,973,193	16,132,872	22,197,888	21,383,646	39,171,081	37,516,518

The City of Iowa Falls' net assets of governmental activities increased approximately \$840,000 during the year. Revenues for governmental activities increased approximately \$698,000 from the prior year, with tax increment financing increasing approximately \$519,000. The City increased property tax rates for fiscal year 2012 approximately 3%. This increase raised the City's property tax revenue approximately \$61,000 in fiscal year 2012.

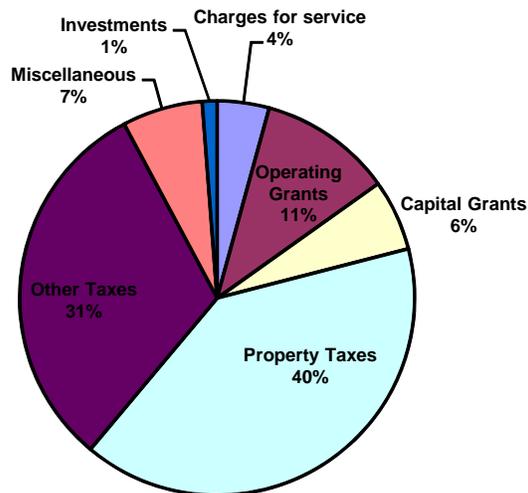
The cost of all governmental activities this year was approximately \$5 million compared to approximately \$4.3 million last year. However, as shown on the Statement of Activities on pages 21 and 22, the amount taxpayers ultimately financed for these activities was only \$4 million because some of the cost was paid by those directly benefited from the programs (\$218,000) or by other governments and organizations which subsidized certain programs with grants and contributions (\$857,000).

Below are specific graphs which provide comparisons of the governmental activities revenues and functional expenses.

**Expenses and Program Revenues – Governmental Activities**



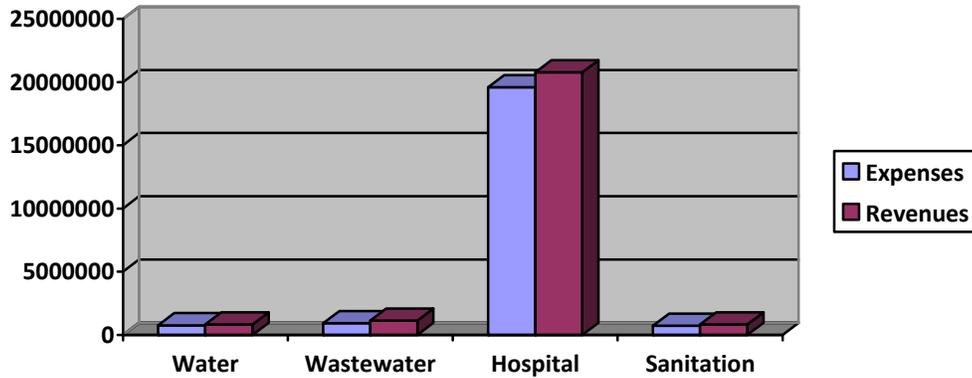
**Revenue Sources – Governmental Activities**



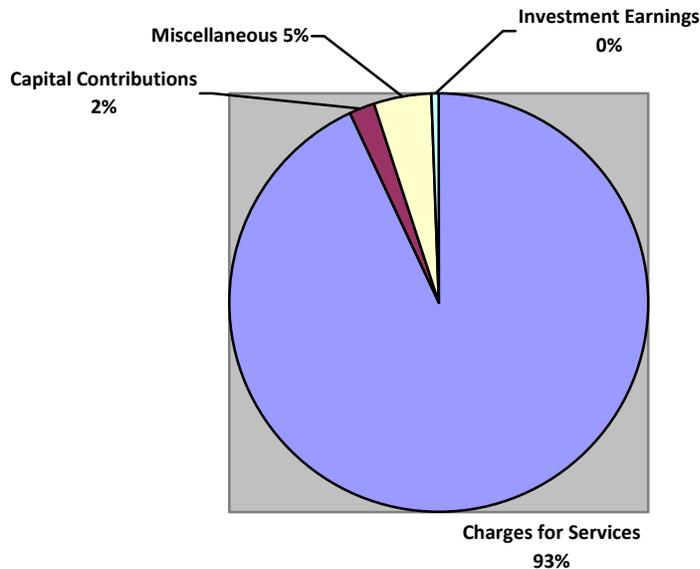
The City of Iowa Falls' net assets for business type activities increased approximately \$814,000 during the year. Revenues for business type activities increased approximately \$1,100,000 while total expenses were approximately \$36,000 higher than the prior fiscal year.

Below are graphs showing the business-type activities revenue and expense comparisons.

**Expenses and Revenues – Business-Type Activities**



**Revenue Sources – Business-Type Activities**



## **INDIVIDUAL MAJOR FUND ANALYSIS**

### **Governmental Fund Highlights**

As the City of Iowa Falls completed the year, its governmental funds reported a combined fund balance of \$7,483,000, which is more than the \$4,548,054 total fund balance at June 30, 2011. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

The General Fund increased its fund balance for general operations during 2012 by \$208,175. Revenues increased 9% over the prior year to \$1,794,278 and expenditures increased 6% to \$1,840,437. The increase in revenues is mainly due to increased other taxes and licenses/permits of \$106,974 and \$9,994, respectively.

The Special Revenue, Tax Increment Financing Revenues Fund accounts for revenue from the tax authorized by ordinance in the urban renewal district which is used to pay the principal and interest on indebtedness incurred for urban renewal redevelopment projects. This fund ended the fiscal year 2012 with a \$(559,306) deficit balance compared to the prior year ending balance of \$(497,945) (as restated).

The Special Revenue, Economic Development Loans Fund accounts for economic development loans made to businesses operating in the City and to other City funds. This fund ended fiscal year 2012 with a \$1,625,721 balance compared to the prior year ending balance of \$1,589,853. The increase is primarily due to repayment of loans and no new loans issued in 2012.

The Special Revenue, Local Option Sales Tax Fund accounts for revenue from the tax authorized by referendum and used for capital improvements, equipment and community programs and services. This fund ended fiscal year 2012 with a \$1,123,574 balance compared to the prior year ending balance of \$1,057,159. Local option sales tax revenue increased \$66,415 in fiscal year 2012.

The Special Revenue, Road Use Tax Fund accounts for the road use tax allocation from the State of Iowa to be used for road construction and maintenance. This fund ended fiscal year 2012 with a \$240,582 balance compared to \$254,862. Road use tax revenue decreased 2% in fiscal year 2012 and expenses increased 22% due to the purchase of a new John Deere tractor.

The Special Revenue, Payroll Tax Levy Fund is used to account for the property tax levied to finance the payment of employee benefits. This fund ended fiscal year 2012 with a \$194,345 balance compared to the prior year ending balance of \$94,023. Expense increased 5% from the prior year.

The Capital Project Fund ended fiscal year 2012 with a \$3,163,615 balance compared to the prior year ending balance of \$505,756. The increase is due to general obligation bonds issued for the Ellis Avenue construction project.

The debt service fund balance ended fiscal year 2012 with a \$69,696 balance compared to the prior year ending balance of \$125,086. Property tax revenue increased by \$8,531 and principal and interest payments increased by \$873,404.

## **Proprietary Fund Highlights**

The Enterprise, Water Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal year 2012 with a \$3,678,187 net asset balance compared to the prior year ending balance of \$3,650,507. Expenses decreased 6% from prior year. This decrease was due primarily to an decrease in repairs and maintenance costs during 2012.

The Enterprise, Wastewater Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal year 2012 with a \$4,427,292 net asset balance compared to the prior year ending net asset balance of \$4,933,919. The decrease is primarily due to an increase in repairs and maintenance costs during 2012.

The Enterprise, Hospital Fund, which accounts for the operation and maintenance of the Ellsworth Municipal Hospital, ended fiscal year 2012 with a \$13,520,593 net asset balance compared to the prior year ending net asset balance of \$12,324,750. The increase is primarily due to increase in contributed capital and net gain in the hospital's affiliated organizations.

The Enterprise, Sanitation Fund, which accounts for the operation and maintenance of the City's solid waste collection system, ended fiscal year 2012 with a \$571,816 net asset balance compared to the prior year ending net asset balance of \$474,470. Revenues and expenditures remained consistent with prior year.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City of Iowa Falls amended its budget once. The amendment was done in May 2012. The amendment was needed to increase spending authority due to capital projects that were not originally budgeted for.

The City's receipts were \$1,050,000 less than budgeted receipts, a variance of 3.5%. The most significant variance was \$1,310,862 in Charges for Fees and Services..

Total disbursements were \$5,515,085 less than budgeted. Actual disbursements for capital projects and business type activities were \$2,042,395 and \$2,970,032, respectively, less than budgeted. This was primarily due to some capital projects that were budgeted did not take place.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, and other infrastructure. Capital assets for governmental activities totaled \$15,277,732 (net of accumulated depreciation) at June 30, 2012. Capital assets for business type activities totaled \$15,174,556 (net of accumulated depreciation/amortization) at June 30, 2012. See Note 4 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities during the year included renovation to the Airport Runway and the Ellis Avenue street project.

For business type activities, additions included the digester & trickling filter upgrades.

Construction in progress at June 30, 2012 for governmental activities consists primarily of street projects and parks and recreation projects.

### **Long-Term Debt**

At June 30, 2012, the City had \$5,610,000 outstanding general obligation bonds and notes for governmental activities. Total outstanding long-term debt for business type activities was \$5,857,477 at June 30, 2012, of that \$113,987 is a capital lease for the hospital.

Currently, the City does not maintain a rating on its general obligation debt.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to five percent (5%) of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$12 million. Additional information on the City's long-term debt is presented in Note 5 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

City revenue sources affected by economic activity such as local option sales tax, building permit fees, hotel/motel tax, and road use tax showed slight increases or decreases from the prior year. As the national economy continues to weaken or slow down, the change in these revenues may impact the city in the near-term to provide services from these funds.

#### **Selected Revenues**

	<b>2012</b>	<b>2011</b>	<b>Change</b>
Local Option Tax	532,665	555,198	(22,533)
Hotel/Motel Tax	100,316	84,137	16,179
Road Use Tax	496,830	501,394	(4,564)
Building Permits	18,664	16,352	2,312

**Property taxes**

The City continues to enjoy growth in the valuation of taxable property, although that growth has slowed significantly over the past three years. The 2012-2012 budget raised the overall property tax levy by \$.80 to a rate of \$15.05 / \$1,000 of property valuation.

This increase can be attributed mainly to the fact that the City's TIF certification increased. By increasing the TIF certification this decreases the amount of valuation that the rest of the levies can levy against therefore increasing the overall levy.

**Tax Levy Rate Comparison**

	<b>2012-12</b>	<b>2011-11</b>
General Levy	8.10	8.10
Aviation Levy	0.27	0.27
Emergency Levy	0.27	0.27
Debt Service Levy	0.63	0.61
Trust and Agency Levy	5.05	4.31
Tort Liability	0.73	0.69
<b>Total</b>	<b>15.05</b>	<b>14.25</b>

**Utility rates.**

Rates charged the citizens of Iowa Falls by the water, wastewater and sanitation utilities were increased for FY 2012-2012. Rates will continue to be reviewed periodically to be sure that all costs associated with providing utility services to the citizens are covered. Increases may be necessary to cover increasing operating costs for each of the three utilities and to prepare for future infrastructure improvements that are needed.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to present our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information, please contact the City Clerk / Finance Officer, 315 Stevens Street, Iowa Falls, Iowa, 50126.

## **Basic Financial Statements**

City of Iowa Falls, Iowa  
Statement of Net Assets  
June 30, 2012

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
<b>Assets</b>			
Cash	\$ 8,327,096	8,084,497	16,411,593
Receivables:			
Property tax:			
Delinquent	20,341	-	20,341
Succeeding year	2,348,553	-	2,348,553
Tax increment financing:			
Succeeding year	1,740,529	-	1,740,529
Economic development loans	99,960	-	99,960
Customer accounts and unbilled usage (net of allowances for uncollectible of 837,827)	-	3,135,084	3,135,084
Accounts	72,739	143,030	215,769
Accrued interest	6,856	21,600	28,456
Unconditional promises to give	-	-	-
Due from other governments	143,597	-	143,597
Due from other funds	(6,018)	6,018	-
Inventories	-	426,229	426,229
Prepaid expenses	48,574	267,584	316,158
Restricted assets:			
Cash	-	1,832,044	1,832,044
Investment in affiliated organizations	-	1,118,424	1,118,424
Investments	-	-	-
Capital assets (net of accumulated depreciation)	15,277,732	15,174,556	30,452,288
Bond issuance costs	15,289	97,933	113,222
<b>Total assets</b>	<u>28,095,248</u>	<u>30,306,999</u>	<u>58,402,247</u>
<b>Liabilities</b>			
Accounts payable	1,085,523	463,370	1,548,893
Due to Ellsworth Municipal Hospital	-	-	-
Accrued interest payable	11,954	-	11,954
Salaries and benefits payable	44,663	1,118,485	1,163,148
Third-party payor settlement payable	-	554,720	554,720
Deferred Revenue:			
Succeeding year property tax	2,348,553	-	2,348,553
Succeeding year tax increment financing	1,740,529	-	1,740,529

Exhibit A

Component Units	
Airport Authority	Ellsworth Municipal Hospital Foundation
(56,440)	2,198,396
364	-
29,982	-
-	-
-	-
-	-
5,050	-
81	22,289
-	2,678,602
50,576	-
-	-
-	-
2,129	-
-	-
-	-
-	636,480
2,492,363	322,137
-	-
<u>2,524,105</u>	<u>5,857,904</u>

135,807	-
-	126,821
-	-
-	-
-	-
-	-
29,982	-
-	-

City of Iowa Falls, Iowa  
Statement of Net Assets  
June 30, 2012

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
<b>Liabilities (continued)</b>			
Liabilities payable from restricted assets:			
Revenue bonds/notes payable	-	859,580	859,580
Accrued and matured interest payable	-	12,067	12,067
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds/notes	975,000	-	975,000
Compensated absences	172,806	56,788	229,594
Portion due or payable after one year:			
General obligation bonds/notes	4,635,000	-	4,635,000
Revenue bonds/notes payable	-	4,997,897	4,997,897
Compensated absences	-	1,504	1,504
Net OPEB Liability	108,027	44,700	152,727
<b>Total liabilities</b>	<u>11,122,055</u>	<u>8,109,111</u>	<u>19,231,166</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	9,667,732	9,315,575	18,983,307
Restricted for:			
Local option sales tax	1,123,574	-	1,123,574
Economic development loans	1,625,721	-	1,625,721
Carnegie library	674,339	-	674,339
Debt service	69,696	-	69,696
Revenue bond retirement	-	586,674	586,674
Water improvement	-	109,500	109,500
Wastewater capital projects	-	397,418	397,418
Wastewater improvement	-	24,000	24,000
Wastewater replacement	-	406,000	406,000
Capital improvements by donors	-	935,679	935,679
Capital improvements and equipment	3,163,615	-	3,163,615
Bond indentures	-	308,452	308,452
Other purposes	549,358	-	549,358
Temporarily restricted	-	-	-
Permanently restricted	-	-	-
Unrestricted	99,158	10,114,590	10,213,748
<b>Total net assets</b>	<u>\$ 16,973,193</u>	<u>22,197,888</u>	<u>39,171,081</u>

See notes to financial statements.

Exhibit A

Component Units	
<u>Airport Authority</u>	<u>Ellsworth Municipal Hospital Foundation</u>
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	5,528,882
-	14,981
(134,047)	187,220
<u>2,358,316</u>	<u>5,731,083</u>

City of Iowa Falls, Iowa  
Statement of Activities  
Year ended June 30, 2012

		Program Revenues		
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
<b>Functions/Programs:</b>		<u>Service</u>	<u>Grants,</u>	<u>Grants,</u>
<b>Primary Government:</b>			<u>Contributions</u>	<u>Contributions</u>
			<u>and Restricted</u>	<u>and Restricted</u>
			<u>Interest</u>	<u>Interest</u>
Governmental activities:				
Public safety	\$ 1,505,462	49,008	30,460	-
Public works	1,101,653	41,589	499,616	19,492
Culture and recreation	954,487	86,541	29,322	22,491
Community and economic development	285,051	-	-	255,647
General government	213,222	40,913	-	-
Interest on long-term debt	150,152	-	-	-
Other debt costs	4,379	-	-	-
Capital projects	841,749	-	-	-
Total governmental activities	5,056,155	218,051	559,398	297,630
Business type activities:				
Water	764,789	802,975	-	-
Wastewater	921,070	1,119,053	-	-
Hospital	19,588,814	19,180,339	-	461,031
Sanitation	730,198	821,867	-	-
Total business type activities	22,004,871	21,924,234	-	461,031
<b>Total primary government</b>	<b>\$ 27,061,026</b>	<b>22,142,285</b>	<b>559,398</b>	<b>758,661</b>
<b>Component Units:</b>				
Airport authority	269,489	-	-	899,960
Ellsworth Municipal Hospital Foundation	526,836	-	-	5,317,907
<b>Total component units</b>	<b>\$ 796,325</b>	<b>-</b>	<b>-</b>	<b>6,217,867</b>
<b>General Revenues:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Unit	
Governmental Activities	Business Type Activities	Total	Airport Authority	Ellsworth Municipal Hospital Foundation
(1,425,994)	-	(1,425,994)	-	-
(540,956)	-	(540,956)	-	-
(816,133)	-	(816,133)	-	-
(29,404)	-	(29,404)	-	-
(172,309)	-	(172,309)	-	-
(150,152)	-	(150,152)	-	-
(4,379)	-	(4,379)	-	-
(841,749)	-	(841,749)	-	-
<u>(3,981,076)</u>	<u>-</u>	<u>(3,981,076)</u>	<u>-</u>	<u>-</u>
-	38,186	38,186	-	-
-	197,983	197,983	-	-
-	52,556	52,556	-	-
-	91,669	91,669	-	-
-	380,394	380,394	-	-
<u>(3,981,076)</u>	<u>380,394</u>	<u>(3,600,682)</u>	<u>-</u>	<u>-</u>
-	-	-	630,471	-
-	-	-	-	4,791,071
-	-	-	<u>630,471</u>	<u>4,791,071</u>
1,952,011	-	1,952,011	37,212	-
104,096	-	104,096	-	-
960,915	-	960,915	-	-
533,304	-	533,304	-	-
100,316	-	100,316	-	-
62,530	111,945	174,475	349	24,978
337,428	1,078,415	1,415,843	65,011	4,055
770,797	(756,512)	14,285	(14,285)	-
<u>4,821,397</u>	<u>433,848</u>	<u>5,255,245</u>	<u>88,287</u>	<u>29,033</u>
840,321	814,242	1,654,563	718,758	4,820,104
<u>16,132,872</u>	<u>21,383,646</u>	<u>37,516,518</u>	<u>1,639,558</u>	<u>910,979</u>
<u>\$ 16,973,193</u>	<u>22,197,888</u>	<u>39,171,081</u>	<u>2,358,316</u>	<u>5,731,083</u>

City of Iowa Falls, Iowa  
Balance Sheet  
Governmental Funds  
June 30, 2012

	Special Revenue			
	General	Tax Increment Financing Revenues	Economic Development Loans	Local Option Sales Tax
<b>Assets</b>				
Cash	\$ 748,954	-	1,029,471	1,076,401
Receivables:				
Property tax:				
Delinquent	12,267	425	-	-
Succeeding year	1,026,004	-	-	-
Tax increment financing:				
Succeeding year	-	1,740,529	-	-
Economic development loans	-	-	99,960	-
Accounts	42,600	-	-	-
Accrued interest	1,236	-	1,698	1,776
Due from other governments	8,700	44,067	-	45,397
Interfund receivable	-	-	594,552	-
Prepaid expenditures	38,334	-	-	-
<b>Total assets</b>	<b>\$ 1,878,095</b>	<b>1,785,021</b>	<b>1,725,681</b>	<b>1,123,574</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 52,863	3,228	-	-
Salaries and benefits payable	39,972	-	-	-
Deferred revenue:	-	-	-	-
Succeeding year property tax	1,026,004	-	-	-
Succeeding year tax increment financing	-	1,740,529	-	-
Other	-	-	99,960	-
Interfund payable	-	600,570	-	-
Total liabilities	1,118,839	2,344,327	99,960	-

Exhibit C

<u>Road Use Tax</u>	<u>Payroll Tax Levy</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
237,208	174,000	4,124,721	68,729	867,612	8,327,096
-	6,795	-	854	-	20,341
-	694,443	-	628,106	-	2,348,553
-	-	-	-	-	1,740,529
-	-	-	-	-	99,960
10,553	19,587	-	-	-	72,740
-	-	600	113	1,432	6,855
36,645	-	8,789	-	-	143,598
-	-	-	-	-	594,552
8,642	-	-	-	1,598	48,574
<u>293,048</u>	<u>894,825</u>	<u>4,134,110</u>	<u>697,802</u>	<u>870,642</u>	<u>13,402,798</u>
47,774	6,037	970,495	-	5,125	1,085,522
4,692	-	-	-	-	44,664
-	694,443	-	628,106	-	2,348,553
-	-	-	-	-	1,740,529
-	-	-	-	-	99,960
-	-	-	-	-	600,570
<u>52,466</u>	<u>700,480</u>	<u>970,495</u>	<u>628,106</u>	<u>5,125</u>	<u>5,919,798</u>

City of Iowa Falls, Iowa  
Balance Sheet  
Governmental Funds  
June 30, 2012

			Special Revenue	
	<u>General</u>	<u>Tax Increment Financing Revenues</u>	<u>Economic Development Loans</u>	<u>Local Option Sales Tax</u>
<b>Liabilities and Fund Balances (continued)</b>				
Fund balances:				
Nonspendable:				
Prepaid expenditures	38,334	-	-	-
Advances to other funds	-	-	594,552	-
Restricted for:				
Debt service	-	-	-	-
Streets	-	-	-	-
Employee benefits	-	-	-	-
Capital improvements or other city purpose	-	-	-	1,123,574
Economic development	-	-	1,031,169	-
Library gifts and memorials	80,481	-	-	-
Park gifts and memorials	33,751	-	-	-
Fire department	41,749	-	-	-
Police department	7,854	-	-	-
Capital improvements and equipment	-	-	-	-
Carnegie library	-	-	-	-
Other purposes	-	-	-	-
Unassigned	557,087	(559,306)	-	-
Total fund balances	759,256	(559,306)	1,625,721	1,123,574
 <b>Total liabilities and fund balances</b>	<b>\$ 1,878,095</b>	<b>1,785,021</b>	<b>1,725,681</b>	<b>1,123,574</b>

See notes to financial statements.

Exhibit C

<u>Road Use Tax</u>	<u>Payroll Tax Levy</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
-	-	-	-	-	38,334
-	-	-	-	-	594,552
-	-	-	69,696	-	69,696
240,582	-	-	-	-	240,582
-	194,345	-	-	-	194,345
-	-	-	-	-	1,123,574
-	-	-	-	-	1,031,169
-	-	-	-	-	80,481
-	-	-	-	-	33,751
-	-	-	-	-	41,749
-	-	-	-	-	7,854
-	-	3,163,615	-	-	3,163,615
-	-	-	-	674,339	674,339
-	-	-	-	191,178	191,178
-	-	-	-	-	(2,219)
<u>240,582</u>	<u>194,345</u>	<u>3,163,615</u>	<u>69,696</u>	<u>865,517</u>	<u>7,483,000</u>
<u>293,048</u>	<u>894,825</u>	<u>4,134,110</u>	<u>697,802</u>	<u>870,642</u>	<u>13,402,798</u>

Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Assets

June 30, 2012

**Total governmental fund balances (page 26)** \$ 7,483,000

*Amounts reported for governmental activities in the  
Statement of Net assets are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$27,335,312 and the accumulated depreciation is \$12,057,580 15,277,732

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 99,960

Long-term liabilities, including bonds/notes payable, compensated absences payable, other postemployment benefits payable, and accrued interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (5,902,788)

Other long-term assets are not available to pay current period debt and, therefore, are not included in the governmental funds 15,289

**Net assets of governmental activities (page 22)** \$ 16,973,193

See notes to financial statements.

City of Iowa Falls, Iowa  
Statement of Revenues, Expenditures and Changes in Fund Balances  
and Changes in Fund Balances (Deficit)  
Governmental Funds  
Year Ended June 30, 2012

		Special	
		Tax	Economic
		Increment	Development
	<u>General</u>	<u>Financing</u>	<u>Loans</u>
		<u>Revenues</u>	<u>Loans</u>
Revenues:			
Property tax	\$ 1,214,081	-	-
Tax increment financing	-	960,915	-
Other city tax	173,029	-	-
Licenses and permits	56,793	-	-
Use of money and property	7,816	-	26,419
Intergovernmental	59,782	88,135	-
Charges for service	87,141	-	-
Miscellaneous	195,636	76	9,449
Total revenues	1,794,278	1,049,126	35,868
Expenditures:			
Operating:			
Public safety	1,071,650	-	-
Public works	36,023	35,904	-
Culture and recreation	571,770	3,228	-
Community and economic development	485	168,430	-
General government	160,509	463	-
Debt service	-	-	-
Capital projects	-	12,734	-
Total expenditures	1,840,437	220,759	-
Excess (deficiency) of revenues over (under) expenditures	(46,159)	828,367	35,868
	(46,159)	828,367	35,868
Other financing sources (uses):			
Operating transfers in	262,334	70,704	-
Operating transfers out	(8,000)	(960,532)	-
General obligation bonds issued	-	-	-
Total other financing sources (uses)	254,334	(889,828)	-
Net change in fund balances	208,175	(61,461)	35,868
Fund balances (deficit) beginning of year	551,081	(497,845)	1,589,853
Fund balances (deficit) end of year	\$ 759,256	(559,306)	1,625,721

See notes to financial statements.

Exhibit E

Revenue						
Local Option Sales Tax	Road Use Tax	Payroll Tax Levy	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
-	-	671,499	-	101,144	-	1,986,724
-	-	-	-	-	-	960,915
533,304	-	23,686	-	2,952	100,316	833,287
-	-	-	-	-	-	56,793
12,546	-	-	3,613	4,568	8,568	63,530
-	499,616	-	232,297	-	-	879,830
-	-	-	-	-	-	87,141
3,674	50,755	25,621	33,505	-	-	318,716
<u>549,524</u>	<u>550,371</u>	<u>720,806</u>	<u>269,415</u>	<u>108,664</u>	<u>108,884</u>	<u>5,186,936</u>
-	-	337,315	-	-	-	1,408,965
-	564,651	118,529	-	-	-	755,107
-	-	138,908	-	-	-	713,906
-	-	-	28,287	-	87,849	285,051
-	-	29,329	-	-	-	190,301
-	-	-	-	1,434,937	-	1,434,937
-	-	-	3,205,805	-	-	3,218,539
-	564,651	624,081	3,234,092	1,434,937	87,849	8,006,806
549,524	(14,280)	96,725	(2,964,677)	(1,326,273)	21,035	(2,819,870)
549,524	(14,280)	96,725	(2,964,677)	(1,326,273)	21,035	(2,819,870)
64,368	-	3,597	742,325	1,270,883	-	2,414,211
(547,477)	-	-	(103,808)	-	(23,597)	(1,643,414)
-	-	-	4,984,019	-	-	4,984,019
(483,109)	-	3,597	5,622,536	1,270,883	(23,597)	5,754,816
66,415	(14,280)	100,322	2,657,859	(55,390)	(2,562)	2,934,946
<u>1,057,159</u>	<u>254,862</u>	<u>94,023</u>	<u>505,756</u>	<u>125,086</u>	<u>868,079</u>	<u>4,548,054</u>
<u>1,123,574</u>	<u>240,582</u>	<u>194,345</u>	<u>3,163,615</u>	<u>69,696</u>	<u>865,517</u>	<u>7,483,000</u>

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances -  
Governmental Funds to the Statement of Activities

Year ended June 30, 2012

**Net change in fund balances - Total governmental funds (page 28)** \$ 2,934,946

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

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

Expenditures for capital assets	2,675,881	
Depreciation expense	<u>(940,025)</u>	1,735,856

Because some revenues will not be collected for several months after the City's year end, they are not considered available revenues and are deferred in the governmental funds as follows:

Other	<u>(80,153)</u>	(80,153)
-------	-----------------	----------

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Current year debt repayment is as follows:

General obligation bonds issued	(5,000,000)	
Discount on general obligation bonds	6,981	
Principal repayments	1,300,000	
Amortize bond issuance costs	<u>(4,379)</u>	(3,697,398)

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

Compensated absences	(6,884)	
Other postemployment benefits	(39,831)	
Accrued interest on long-term debt	<u>(6,215)</u>	<u>(52,930)</u>

**Change in net assets of governmental activities (page 21)** \$ 840,321

City of Iowa Falls, Iowa

Statement of Net Assets

Proprietary Funds

June 30, 2012

	<u>Water</u>	<u>Wastewater</u>
<b>Assets</b>		
Current assets:		
Cash	\$ 1,428,207	782,314
Receivables (net of allowance for uncollectibles):		
Customer accounts and unbilled usage	109,916	177,501
Accrued interest	2,941	2,568
Other	-	-
Interfund receivable	3,009	3,009
Inventories	22,749	-
Prepaid expenses	8,003	8,096
Noncurrent assets:		
Restricted assets:		
Cash:		
Revenue debt service reserve account	243,674	343,000
Water improvement account	109,500	-
Wastewater capital projects account	-	397,418
Wastewater improvement account	-	24,000
Wastewater replacement account	-	406,000
Investment in affiliated organizations	-	-
Capital assets (net of accumulated depreciation)	2,581,470	6,188,680
Bond issuance costs	14,954	77,178
<b>Total assets</b>	<u>4,524,423</u>	<u>8,409,764</u>

Exhibit G

<u>Enterprise</u>		
<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
5,433,415	440,561	8,084,497
2,745,726	101,941	3,135,084
15,364	727	21,600
143,030	-	143,030
-	-	6,018
403,480	-	426,229
246,407	5,078	267,584
308,452	-	895,126
		109,500
-	-	397,418
-	-	24,000
-	-	406,000
1,118,424	-	1,118,424
6,333,571	70,835	15,174,556
5,801	-	97,933
<u>16,753,670</u>	<u>619,142</u>	<u>30,306,999</u>

City of Iowa Falls, Iowa

Statement of Net Assets

Proprietary Funds

June 30, 2012

	<u>Water</u>	<u>Wastewater</u>
<b>Liabilities</b>		
Accounts payable	15,625	11,153
Salaries and benefits payable	2,865	3,229
Compensated absences	20,806	21,659
Third-party payor settlement payable	-	-
Payable from restricted assets:		
Customer deposits	-	-
Revenue bonds/notes payable	105,000	280,000
Accrued and matured interest payable	2,040	10,027
Long-term liabilities:		
Revenue bonds/notes payable	685,000	3,640,000
Compensated absences	-	1,504
Net OPEB liability	14,900	14,900
<b>Total liabilities</b>	<u>846,236</u>	<u>3,982,472</u>
<b>Net Assets</b>		
Invested in capital assets net of related debt	1,791,470	2,267,176
Restricted for:		
Revenue bond retirement	243,674	343,000
Water improvement	109,500	-
Wastewater capital projects	-	397,418
Wastewater improvement	-	24,000
Wastewater replacement	-	406,000
Capital improvements by donors	-	-
Bond indentures	-	-
Unrestricted	1,533,543	989,698
<b>Total net assets</b>	<u>\$ 3,678,187</u>	<u>4,427,292</u>

See notes to financial statements.

Exhibit G

<u>Enterprise</u>		
<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
422,495	14,097	463,370
1,108,385	4,006	1,118,485
-	14,323	56,788
554,720	-	554,720
-	-	-
474,580	-	859,580
-	-	12,067
672,897	-	4,997,897
-	-	1,504
-	14,900	44,700
<u>3,233,077</u>	<u>47,326</u>	<u>8,109,111</u>
5,186,094	70,835	9,315,575
-	-	586,674
-	-	109,500
-	-	397,418
-	-	24,000
-	-	406,000
935,679	-	935,679
308,452	-	308,452
<u>7,090,368</u>	<u>500,981</u>	<u>10,114,590</u>
<u>13,520,593</u>	<u>571,816</u>	<u>22,197,888</u>

City of Iowa Falls, Iowa

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

Year ended June 30, 2012

	<u>Water</u>	<u>Wastewater</u>
Operating revenues:		
Charges for service	\$ 802,975	1,119,053
Miscellaneous	5,719	1,250
Total operating revenues	<u>808,694</u>	<u>1,120,303</u>
Operating expenses:		
Business type activities	<u>736,155</u>	<u>814,597</u>
Total operating expenses	<u>736,155</u>	<u>814,597</u>
Operating income (loss)	<u>72,539</u>	<u>305,706</u>
Non-operating revenues (expenses):		
Interest income	17,911	16,516
Interest expense	(28,634)	(106,473)
Contributed capital	-	-
Share of net gain/loss of hospital's affiliated organizations	-	-
Total non-operating revenues (expenses)	<u>(10,723)</u>	<u>(89,957)</u>
Net income before transfers	61,816	215,749
Operating transfer in	-	120,077
Operating transfer out	<u>(34,136)</u>	<u>(842,453)</u>
Change in net assets	27,680	(506,627)
Net assets beginning of year	<u>3,650,507</u>	<u>4,933,919</u>
Net assets end of year	<u>\$ 3,678,187</u>	<u>4,427,292</u>

See notes to financial statements.

Enterprise		
<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
19,180,339	821,867	21,924,234
<u>781,396</u>	<u>1,950</u>	<u>790,315</u>
<u>19,961,735</u>	<u>823,817</u>	<u>22,714,549</u>
<u>19,517,070</u>	<u>730,198</u>	<u>21,798,020</u>
<u>19,517,070</u>	<u>730,198</u>	<u>21,798,020</u>
<u>444,665</u>	<u>93,619</u>	<u>916,529</u>
73,791	3,727	111,945
(71,744)	-	(206,851)
461,031	-	461,031
<u>288,100</u>	<u>-</u>	<u>288,100</u>
<u>751,178</u>	<u>3,727</u>	<u>654,225</u>
1,195,843	97,346	1,570,754
-	-	120,077
<u>-</u>	<u>-</u>	<u>(876,589)</u>
1,195,843	97,346	814,242
<u>12,324,750</u>	<u>474,470</u>	<u>21,383,646</u>
<u>13,520,593</u>	<u>571,816</u>	<u>22,197,888</u>

City of Iowa Falls, Iowa

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2012

	<u>Water</u>	<u>Wastewater</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 793,004	1,032,914
Cash received from other revenues	-	-
Cash paid to suppliers and employees	<u>(580,327)</u>	<u>(485,154)</u>
Net cash provided by (used for) operating activities	<u>212,677</u>	<u>547,760</u>
Cash flows from noncapital financing activities:		
Net Transfers	<u>(25,900)</u>	<u>(714,140)</u>
Net cash provided by (used for) noncapital financing activities	<u>(25,900)</u>	<u>(714,140)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(11,874)	(84,932)
Principal paid on long-term debt	(105,000)	(275,000)
Proceeds from, issuance of long-term debt	-	1,273,012
Interest paid on long-term debt	(28,783)	(104,259)
Capital contribution	<u>-</u>	<u>-</u>
Net cash used for capital and related financing activities	<u>(145,657)</u>	<u>808,821</u>
Cash flows from investing activities:		
Interest on investments	15,962	14,808
Increase in investment in affiliated organizations	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>15,962</u>	<u>14,808</u>
Net increase (decrease) in cash and cash equivalents	57,082	657,249
Cash and cash equivalents beginning of year	<u>1,724,299</u>	<u>1,295,483</u>
Cash and cash equivalents end of year	<u>\$ 1,781,381</u>	<u>1,952,732</u>

Exhibit I

Enterprise		
<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
19,820,108	821,731	22,467,757
723,499	-	723,499
<u>(18,897,994)</u>	<u>(698,672)</u>	<u>(20,662,147)</u>
<u>1,645,613</u>	<u>123,059</u>	<u>2,529,109</u>
-	-	<u>(740,040)</u>
-	-	<u>(740,040)</u>
(1,093,036)	(4,084)	(1,193,926)
(484,973)	-	(864,973)
-	-	1,273,012
(71,744)	-	(204,786)
<u>461,031</u>	-	<u>461,031</u>
<u>(1,188,722)</u>	<u>(4,084)</u>	<u>(529,642)</u>
76,187	3,212	110,169
<u>(144,760)</u>	-	<u>(144,760)</u>
<u>(68,573)</u>	<u>3,212</u>	<u>(34,591)</u>
388,318	122,187	1,224,836
<u>5,353,549</u>	<u>318,374</u>	<u>8,691,705</u>
<u>5,741,867</u>	<u>440,561</u>	<u>9,916,541</u>

City of Iowa Falls, Iowa

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2012

	<u>Water</u>	<u>Wastewater</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income (loss)	\$ 72,539	305,706
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	141,350	327,942
(Increase) decrease in receivables	(15,690)	(87,389)
(Increase) decrease in inventories, at cost	1,507	-
(Increase) decrease in prepaid expenses	9,124	4,906
Increase (decrease) in accounts payable	1,905	(4,093)
Increase (decrease) in accrued expenses	-	-
Increase (decrease) in salaries payable	(5,658)	(6,317)
Increase (decrease) in compensated absences	2,106	1,511
Increase (decrease) in OPEB liability	5,494	5,494
Increase (decrease) in third-party payor settlement	-	-
Net cash provided by operating activities	<u>\$ 212,677</u>	<u>547,760</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:</b>		
Current assets:		
Cash	\$ 1,428,207	782,314
Restricted assets:		
Cash:		
Revenue debt service reserve account	243,674	343,000
Water improvement account	109,500	-
Wastewater capital projects account	-	397,418
Wastewater improvement account	-	24,000
Wastewater replacement account	-	406,000
Cash and cash equivalents at year end	<u>\$ 1,781,381</u>	<u>1,952,732</u>

See notes to financial statements.

Exhibit I

Enterprise		
<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
444,665	93,619	916,529
889,059	18,921	1,377,272
(161,848)	(2,086)	(267,013)
(31,519)	-	(30,012)
(144,472)	18,848	(111,594)
(14,249)	(966)	(17,403)
(79,743)	-	(79,743)
-	(7,946)	(19,921)
-	(2,825)	792
-	5,494	16,482
<u>743,720</u>	<u>-</u>	<u>743,720</u>
<u>1,645,613</u>	<u>123,059</u>	<u>2,529,109</u>
5,433,415	440,561	8,084,497
308,452	-	895,126
-	-	109,500
-	-	397,418
-	-	24,000
-	-	406,000
<u>5,741,867</u>	<u>440,561</u>	<u>9,916,541</u>

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

**(1) Summary of Significant Accounting Policies**

The City of Iowa Falls is a political subdivision of the State of Iowa located in Hardin County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Manager form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Iowa Falls provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. It also operates the airport and provides water, sewer and sanitation utilities.

The financial statements of the City of Iowa Falls have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, the City of Iowa Falls has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Based on the foregoing criteria, the Ellsworth Municipal Hospital is considered to be part of the primary government and, therefore, the financial information is included in the City's financial statements. The financial activities of the Hospital are reflected in this report as an Enterprise Fund.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

These financial statements present the City of Iowa Falls (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Units

The Iowa Falls Municipal Airport Authority (Authority) was established pursuant to Chapter 330A of the Code of Iowa to operate the City's airport facility. The Authority is governed by a five member board appointed by the Iowa Falls City Council. The board members serve at the pleasure of the City Council. The City annually provides significant operating subsidies to the Authority. In accordance with criteria set by the Governmental Accounting Standards Board, the Authority meets the definition of a component unit which should be discretely presented.

The Ellsworth Municipal Hospital Foundation (the Foundation) is a legally separate, tax-exempt component unit of the Hospital. It is organized under the provisions of the Internal Revenue Service Code Section 501(c)(3). The Foundation's financial statements have been included as a discretely presented component unit. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the Hospital in support of its operations and programs. The Hospital does not appoint a voting majority to of the Foundation's Board of Trustees or in any way impose its will over the Foundation. However, the Foundation is included as a discretely presented component unit due to the nature of the significance of its relationship to the Hospital. Complete financial statements for this foundation can be obtained from its respective administrative office in Iowa Falls, Iowa.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Hardin County Assessor's Conference Board, Region Six Planning Commission, Region Six Housing Authority, Hardin County Sanitary Solid Waste Disposal Commission, Hardin County Emergency Management Commission, Hardin County E911 Service Board, Mid Iowa Drug Task Force and the NE Iowa Hazardous Materials Response Group.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

B. Basis of Presentation

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

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

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

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

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

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

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

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

The City reports the following major governmental funds:

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

Special Revenue:

The Tax Increment Financing Revenues Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal projects.

The Economic Development Loans Fund is used to account for economic development loans made to businesses operating in the City and to other City funds.

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

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

The Payroll Tax Levy Fund is used to account for the property tax levied to finance the payment of employee benefits.

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

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

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

The City reports the following major Proprietary Funds:

Enterprise:

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

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

The Hospital Fund is used to account for the operation and maintenance of Ellsworth Municipal Hospital.

The Sanitation Fund is used to account for the operation and maintenance of the City's garbage and landfill system.

C. Measurement Focus and Basis of Accounting

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

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

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

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

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

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

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

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

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 of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

D. Assets, Liabilities and Fund Equity

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

Cash and Cash Equivalents – The cash balances of most City funds are pooled and invested in interest-bearing cash accounts or certificates of deposit. Interest on the pooled cash investments is recognized as revenue when earned and allocated to the funds on a systematic basis, or as provided by law. Cash investments are separately held by the Hospital Fund, for which interest is also recognized as revenue when earned. Investments consist of non-negotiable certificates of deposit which are stated at cost.

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

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax and tax increment financing revenue receivable represent taxes collected by the County but not remitted to the City at June 30, 2012 and unpaid taxes. The succeeding year property tax and tax increment financing revenues receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax and tax increment financing revenues receivable have been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

Property tax and tax increment financing revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2011.

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

Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2012, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue bonds/ notes are classified as restricted assets since their use is restricted by applicable bond/note indentures.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

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

<u>Asset Class</u>	<u>Amount</u>
Land, buildings and improvements	\$ 1,000
Equipment and vehicles	1,000
Infrastructure	25,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-50 years
Improvements other than buildings	20-50 years
Vehicles	10-15 years
Equipment	3-30 years
Infrastructure	15-20 years

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

Bond Issuance Costs – Bond issuance costs associated with general obligation and revenue bonds are deferred and amortized over the term of the bonds using the bond outstanding method which approximates the interest method.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax and tax increment financing revenues receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

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

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

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

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

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

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the debt service function.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

**(2) Cash**

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

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

The City had no investments meeting the disclosure requirements of Governmental Accounting Standard Board Statement No. 3, as amended by Statement No. 40.

**(3) Allowances or Collection Losses**

Allowances have been made for estimated collection losses on the following receivable amounts:

	Gross Receivables	Allowance For Collection Losses	Net Receivables
Customer accounts, Hospital Fund	<u>\$ 3,583,553</u>	<u>837,827</u>	<u>2,745,726</u>

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

(4) **Capital Assets**

Capital assets activity for the year ended June 30, 2012 was as follows:

<b>Primary Government</b>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 885,920	-	-	885,920
Construction in progress - infrastructure	291,038	2,087,193	-	2,378,231
Construction in progress - other	<u>187,610</u>	<u>269,407</u>	<u>(30,763)</u>	<u>426,254</u>
Total capital assets not being depreciated	<u>1,364,568</u>	<u>2,356,600</u>	<u>(30,763)</u>	<u>3,690,405</u>
Capital assets being depreciated:				
Buildings	5,870,406	-	-	5,870,406
Improvements other than buildings	3,202,062	-	-	3,202,062
Equipment and vehicles	3,235,984	311,879	(38,939)	3,508,924
Infrastructure, street network	<u>11,024,753</u>	<u>38,761</u>	<u>-</u>	<u>11,063,514</u>
Total capital assets being depreciated	<u>23,333,205</u>	<u>350,640</u>	<u>(38,939)</u>	<u>23,644,906</u>
Less accumulated depreciation for:				
Buildings	1,320,316	118,817	-	1,439,133
Improvements other than buildings	1,811,260	162,998	-	1,974,258
Equipment and vehicles	2,343,166	224,246	(38,343)	2,529,069
Infrastructure, street network	<u>5,681,155</u>	<u>433,964</u>	<u>-</u>	<u>6,115,119</u>
Total accumulated depreciation	<u>11,155,897</u>	<u>940,025</u>	<u>(38,343)</u>	<u>12,057,579</u>
Total capital assets being depreciated, net	<u>12,177,308</u>	<u>(589,385)</u>	<u>(596)</u>	<u>11,587,327</u>
Governmental activities capital assets, net	<u>\$ 13,541,876</u>	<u>1,767,215</u>	<u>(31,359)</u>	<u>15,277,732</u>

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

<b>Business type activities</b>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 733,257	-	-	733,257
Construction in progress	<u>440,570</u>	<u>845,754</u>	<u>(60,291)</u>	<u>1,226,033</u>
Total capital assets not being depreciated	<u>1,173,827</u>	<u>845,754</u>	<u>(60,291)</u>	<u>1,959,290</u>
Capital assets being depreciated:				
Buildings	5,822,364	23,531	-	5,845,895
Improvements other than buildings	796,060	-	-	796,060
Equipment and vehicles	12,635,979	384,932	(19,492)	13,001,419
Infrastructure, water and sewer network	<u>13,264,314</u>	<u>-</u>	<u>-</u>	<u>13,264,314</u>
Total capital assets being depreciated	<u>32,518,717</u>	<u>408,463</u>	<u>(19,492)</u>	<u>32,907,688</u>
Less accumulated depreciation for:				
Buildings	3,480,106	162,567	-	3,642,673
Improvements other than buildings	848,978	39,301	-	888,279
Equipment and vehicles	8,959,071	792,225	(19,492)	9,731,804
Infrastructure, water and sewer network	<u>5,054,881</u>	<u>374,785</u>	<u>-</u>	<u>5,429,666</u>
Total accumulated depreciation	<u>18,343,036</u>	<u>1,368,878</u>	<u>(19,492)</u>	<u>19,692,422</u>
Total capital assets being depreciated, net	<u>14,175,681</u>	<u>(960,415)</u>	<u>-</u>	<u>13,215,266</u>
Business type activities capital assets, net	<u>\$ 15,349,508</u>	<u>(114,661)</u>	<u>(60,291)</u>	<u>15,174,556</u>

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

Governmental activities:	
Public safety	\$ 154,983
Public works	516,992
Culture and recreation	233,433
General government	<u>34,617</u>
Total depreciation expense – governmental activities	<u>\$ 940,025</u>

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2012

Business type activities:	
Water	\$ 139,334
Wastewater	323,553
Hospital	887,070
Sanitation	<u>18,921</u>
Total depreciation expense – business type activities	<u>\$ 1,368,878</u>

<u>Discretely presented component unit</u>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 684,822	-	-	684,822
Construction in progress	<u>94,673</u>	<u>975,097</u>	-	<u>1,069,770</u>
Total capital assets not being depreciated	<u>779,495</u>	<u>975,097</u>	-	<u>1,754,592</u>
Capital assets being depreciated:				
Buildings	546,368	-	-	546,368
Improvements other than buildings	80,574	-	-	80,574
Equipment and vehicles	184,381	-	-	184,381
Infrastructure, runway network	<u>1,499,408</u>	-	-	<u>1,499,408</u>
Total capital assets being depreciated	<u>2,310,731</u>	-	-	<u>2,310,731</u>
Less accumulated depreciation for:				
Buildings	208,196	21,863	-	230,059
Improvements other than buildings	74,041	1,341	-	75,382
Equipment and vehicles	143,668	26,118	-	169,786
Infrastructure, runway network	<u>1,044,805</u>	<u>52,928</u>	-	<u>1,097,733</u>
Total accumulated depreciation	<u>1,470,710</u>	<u>102,250</u>	-	<u>1,572,960</u>
Total capital assets being depreciated, net	<u>840,021</u>	<u>(102,250)</u>	-	<u>737,771</u>
Business type activities capital assets, net	<u>\$ 1,619,516</u>	<u>872,847</u>	-	<u>2,492,363</u>
 Total depreciation expense - discretely presented component unit				 <u>\$ 102,250</u>

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes:					
General and corporate purpose	\$ 1,910,000	5,000,000	1,300,000	5,610,000 (1)	975,000
Compensated absences	165,922	172,806	165,922	172,806	172,806
Net OPEB liability	<u>68,196</u>	<u>39,831</u>	<u>---</u>	<u>108,027</u>	<u>---</u>
Total	<u>\$ 2,144,118</u>	<u>5,212,637</u>	<u>1,465,922</u>	<u>5,890,833</u>	<u>1,147,806</u>

(1) Bonds were sold at a discount; unamortized discount at June 30, 2012 totaled \$6,505

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Business type activities:					
Revenue bonds/notes:					
Water	\$ 895,000	---	105,000	790,000	105,000
Wastewater	2,895,000	1,300,000	275,000	3,920,000 (2)	280,000
Hospital	1,443,974	---	410,484	1,033,490	395,999
Capital lease	188,476	---	74,489	113,987	78,581
Compensated absences	630,759	58,292	630,759	58,292	56,788
Net OPEB liability	<u>28,218</u>	<u>16,482</u>	<u>---</u>	<u>44,700</u>	<u>---</u>
Total	<u>\$ 6,081,427</u>	<u>1,374,774</u>	<u>1,495,732</u>	<u>5,960,469</u>	<u>916,368</u>

(2) Bonds were sold at a discount; unamortized discount at June 30, 2012 totaled \$26,667

The government-wide Statement of Activities includes \$859,580 of the long-term liabilities due within one year for business type activities in “liabilities payable from restricted assets.”

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2012

Bonded Debt

General obligation bonds/notes:

Six issues of unmatured general obligation bonds/notes, totaling \$5,610,000, are outstanding at June 30, 2012. General obligation bonds/notes bear interest with rates ranging from 2.00% to 4.15% and mature in varying annual amounts ranging from \$55,000 to \$210,000, with the final maturities due in the year ending June 30, 2023.

Revenue bonds/notes:

Seven issues of unmatured revenue bonds/notes, totaling \$5,743,490, are outstanding at June 30, 2012. These bonds/notes bear interest at rates of 1.45% to 5.15% and mature in varying annual amounts ranging from \$21,000 to \$300,000, with the final maturities due in the year ending June 30, 2026.

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay \$3,430,000 and \$1,300,000 in sewer revenue notes issued in December 2009 and September 2011, respectively. Proceeds from the notes provided financing for the construction of improvements to the wastewater treatment plant. The notes are payable solely from wastewater customer net revenues and are payable through 2024 and 2026. Annual principal and interest payments on the notes are expected to require less than 90 percent of net revenues. The total principal and interest remaining to be paid on the notes is \$3,209,105 and \$1,643,298. For the current year, principal and interest paid and total customer net revenues (operating revenues plus depreciation/amortization expense) were \$371,458 and \$633,648, respectively.

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$1,095,000 in water revenue notes issued in December 2009. Proceeds from the notes provided financing for the construction of improvements to the water plant and transmission system. The notes are payable solely from water customer net revenues and are payable through 2019. Annual principal and interest payments on the notes are expected to require less than 90 percent of net revenues. The total principal and interest remaining to be paid on the notes is \$898,556. For the current year, principal and interest paid and total customer net revenues (operating revenues plus depreciation/amortization expense) were \$131,266 and \$213,889, respectively.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

The resolutions providing for the issuance of the revenue bonds/notes include the following provisions:

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water, wastewater and hospital bond and interest sinking accounts for the purpose of making the bond/note principal and interest payments when due.
- (c) Additional monthly transfers shall be made to separate water, wastewater and hospital debt service reserve accounts until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying bond/note principal and interest payments due when insufficient money is available in the sinking accounts.
- (d) Additional monthly transfers of \$2,000 to the wastewater improvement and replacement accounts shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.
- (e) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds/notes falling due in the same year.

During the year ended June 30, 2012, the City was in compliance with the wastewater and water revenue bond/note provisions.

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2012

Details of bond/notes payable at June 30, 2012 are as follows:

Governmental activities:	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	Amount Originally Issued	Outstanding June 30, 2012
General obligation bonds/notes:						
Corporate purpose	Oct 1, 2003	1.40-4.00%	Jun 1, 2014	60,000-80,000	700,000	\$ 160,000
Corporate purpose	Oct 1, 2004	2.00-4.00%	Jun 1, 2017	65,000-90,000	900,000	420,000
Corporate purpose	Oct 15, 2006	3.90-4.15%	Jun 1, 2017	20,000-90,000	640,000	335,000
Corporate purpose	Mar 15, 2008	2.35-3.20%	Jun 1, 2014	170,000-210,000	1,340,000	415,000
Corporate purpose	Dec 15, 2002	2.40-4.00%	Jun 1, 2013	60,000-80,000	700,000	80,000
Corporate purpose	Sep 22, 2011	2.00-2.80%	Jun 1, 2023	310,000-485,000	4,200,000	<u>4,200,000</u>
Total governmental activities						<u>\$ 5,610,000</u>
Business type activities:	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	Amount Originally Issued	Outstanding June 30, 2012
Revenue bonds/notes:						
Wastewater revenue capital loan notes, series 2009	Dec 8, 2009	1.10-4.125%	Jun 1, 2024	160,000-300,000	3,430,000	\$ 2,620,000
series 2012A	Apr 30, 2012	1.45-2.9%	Jun 1, 2026	100,000-235,000	1,300,000	1,300,000
Water revenue capital loan notes, series 2009	Dec 8, 2009	1.05-3.625%	Jun 1, 2019	100,000-125,000	1,095,000	790,000
Hospital revenue bond, series 1998	Nov 1, 1998	5.00%	Jun 1, 2015	187,000-266,000	3,000,000	741,784
Hospital revenue note	Apr 1, 2010	5.150%	Apr 1, 2015	33,600	147,690	91,183
Hospital revenue note	Dec 1, 2010	5.050%	Dec 1, 2013	17000-36000	111,917	60,034
Hospital USDA Loan	Jun 30, 2009	2.49%	Jun 1, 2017	40,000-96,000	412,037	<u>140,489</u>
Total business type activities						<u>\$ 5,743,490</u>

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

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

Year Ending	General Obligation			
	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$	975,000	143,459	1,118,459
2014		920,000	116,023	1,036,023
2015		615,000	90,444	705,444
2016		630,000	75,486	705,486
2017		460,000	60,011	520,011
2018-2022		1,655,000	170,557	1,825,557
2023		<u>355,000</u>	<u>9,940</u>	<u>364,940</u>
	\$	<u>5,610,000</u>	<u>665,920</u>	<u>6,275,920</u>

Year Ending	Revenue				
	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Total</u>
2013	\$	780,999	186,925	967,924	2,086,383
2014		752,120	158,342	910,462	1,946,485
2015		675,371	132,099	807,470	1,512,914
2016		410,000	114,426	524,426	1,229,912
2017		375,000	101,097	476,097	996,108
2018-2022		1,640,000	336,351	1,976,351	3,801,908
2023-2026		<u>1,110,000</u>	<u>81,798</u>	<u>1,191,798</u>	<u>1,556,738</u>
	\$	<u>5,743,490</u>	<u>1,111,038</u>	<u>6,854,528</u>	<u>13,130,448</u>

As of June 30, 2012, the general obligation debt issued by the City did not exceed its legal debt margin computed as follows:

Actual valuation	\$ 249,752,982
Debt limit – 5% of total actual valuation	12,487,649
Debt applicable to debt limit:	
General obligation bonded debt outstanding	<u>5,610,000</u>
Legal debt margin	<u>\$ 6,877,649</u>

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

**(6) Leases**

The Hospital, through the City of Iowa Falls, leases certain equipment under a capital lease arrangement. The lease has a term of five years with an effective interest rate of 5.18%, and requires monthly payments of \$6,716.

The cost of the equipment under the capital lease obligation is \$234,243. Amortization of the equipment was \$46,848 and accumulated amortization was \$85,524 for the year ended June 30, 2012.

The aggregate future principal and interest payment requirements for the next five years for the capital lease are as follows:

Year Ending	Capital Lease		
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 78,581	2,007	80,588
2014	<u>35,406</u>	<u>220</u>	<u>35,626</u>
	<u>\$ 113,987</u>	<u>2,227</u>	<u>116,214</u>

The Hospital, through the City of Iowa Falls, leases certain equipment under operating lease arrangement. Future operating lease obligations relating to equipment through 2017 are as follows:

Year Ending	Operating
<u>June 30,</u>	<u>Leases</u>
2013	\$ 210,879
2014	140,134
2015	24,996
2016	24,996
2017	<u>2,083</u>
	<u>\$ 403,088</u>

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

The Hospital has entered into a rental agreement effective March 2009 and ending March 2024. The rental agreement is for the clinic building in Ackley, and includes a requirement to pay annual property taxes. The following schedule represents the commitment for future rent payments:

Year Ending <u>June 30,</u>	<u>Amount</u>
2013	\$ 95,388
2014	95,388
2015	95,388
2016	95,388
2017	95,388
2018-2022	476,940
2023-2024	<u>95,388</u>
Total Rent Payments	<u>\$ 1,049,268</u>

**(7) Line of Credit**

In March 2012, the City entered into a line of credit agreement with Green Belt Bank & Trust for an amount up to \$750,000 at a rate of 4.00%. The line of credit has a maturity date of March 01, 2015. As of June 30, 2012, the City has not drawn down any of these funds.

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	185,745
	Enterprise:	
	Water	34,136
	Wastewater	<u>42,453</u>
		<u>262,334</u>

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

Special Revenue		
TIF	Capital Projects	<u>70,704</u>
Payroll Tax Levy	Special Revenue:	
	Self-Insurance	<u>3,597</u>
Local Option Sales Tax	Capital Projects	33,104
	Component Unit – Airport	<u>31,264</u>
		<u>64,368</u>
Debt Service	Special Revenue:	
	TIF	199,498
	Local Option Sales Tax	271,385
	Enterprise:	
	Wastewater	<u>800,000</u>
		<u>1,270,883</u>
Capital Projects	Special Revenue:	
	TIF	640,957
	Local Option Sales Tax	73,368
	Hotel/Motel	20,000
	General	<u>8,000</u>
		<u>742,325</u>
Component Unit – Airport	Special Revenue:	
	Local Option Sales Tax	<u>16,979</u>
Enterprise:		
Wastewater	Special Revenue:	
	TIF	<u>120,077</u>
Total		\$ <u>2,551,267</u>

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

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

**(9) Interfund Assets/Liabilities**

Interfund Receivable/Payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue: Economic Development Loans	Special Revenue: Tax Increment Financing Revenues	\$ 594,552
Enterprise: Water	Special Revenue: Tax Increment Financing Revenues	3,009
Wastewater	Special Revenue: Tax Increment Financial Revenues	<u>3,009</u>
		<u>\$ 600,570</u>

These balances result from interfund loans or advances to finance projects. Repayments will be made from future revenues.

**(10) Economic Development Loans Receivable**

The City has two long-term loans receivable totaling \$99,960 as of June 30, 2012 due from businesses located in Iowa Falls. The loans were financed with the proceeds of two U.S. Department of Housing and Urban Development Action Grants and one Community Development Block Grant.

The first loan of \$34,000 as of June 30, 2012 requires annual interest payments of 3%. The principle amount due each year is reviewed annually. The loan is secured by assignment contract and mortgage.

The second loan of \$65,960 as of June 30, 2012 requires monthly payments of \$966, including interest at 3% until September 1, 2018. The loan is secured by assignment contract and mortgage.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

**(11) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$146,615, \$124,089 and \$120,406, respectively, equal to the required contributions for each year.

**(12) Other Post-Employment Benefits (OPEB)**

Plan description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 41 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The City provides for a voluntary early retirement program. Qualification requires 15 years if consecutive employment with the City. The plan provides for payment of 20% of unused sick leave, plus 100% of the employee's unused vacation, plus the payment of one year of single health insurance coverage. The unused sick leave and unused vacation is not included in the valuation. The one year of paid health insurance is included in the valuation.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The City’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, 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	\$ 57,795
Interest on net OPEB obligation	2,410
Adjustment to annual required contribution	<u>( 3,894)</u>
Annual OPEB cost	56,311
Contributions made	<u>0</u>
Increase in net OPEB obligation	56,311
Net OPEB obligation beginning of year	<u>96,414</u>
Net OPEB obligation end of year	\$ <u><u>152,725</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated using the alternative measurement method by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the City contributed \$0 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation are summarized as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2010	\$ 49,605	5%	\$ 47,058
2011	51,258	3%	96,414
2012	56,311	0%	152,725

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$408,600, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$416,720. The covered payroll (annual payroll of active employees covered by the plan was approximately \$1,675,000 and the ratio of the UAAL to covered payroll was 25%. 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 cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of 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 includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

As of the July 1, 2009 actuarial valuation date, the Frozen Entry Age Actuarial Cost Method was used. A method, under which the excess of the Actuarial Present Value of Projected Benefits of the group included in an Actuarial Valuation, over the sum of the Actuarial Value of Assets plus the Unfunded Frozen Actuarial Accrued Liability, is allocated on a level basis over the earnings or service of the group between the valuation date and the assumed exit. This allocation is performed for the group as a whole, not a sum of individual allocations. The Frozen Actuarial Accrued Liability is determined using the Entry Age Actuarial Cost Method. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. Pay-as-you-go is the method of financing. There is no vesting of OPEB benefits before retirement and only after retirement if plan benefits are elected and continued. Actuarial Gains/ (Losses) will reduce (increase) Normal costs and the Unfunded Actuarial Liability. This is a Closed Group Method that uses the Level Dollar Cost Method (benefits are not related to salary). The actuarial assumptions include a 2.5% discount rate based on the City's funding policy. The health cost trend rate is 6% per year.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000 (2/3 Female, 1/3 Male). Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report and applying the termination factors used in the IPERS Actuarial Report.

Projected claim costs of the medical plan are \$883 per month for retirees less than age 65. The UAAL is being amortized on a 30 year level dollar funding of the Actuarial Unfunded Liabilities. The actual plan funding method is pay-as-you-go which amortizes last year's loss into next year's normal cost.

**(13) Industrial Development Revenue Bonds**

The City has issued a total of \$1,300,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$1,153,582 is outstanding at June 30, 2012. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

**(14) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$3,292 during the year ended June 30, 2012.

**(15) Joint Financing Agreement**

The City is a member of the Hardin County Solid Waste Disposal Commission. The Hardin County Solid Waste Disposal Commission entered into a 28E agreement with the Butler County Solid Waste Commission and the Wright County Area Landfill Authority which established the Rural Iowa Waste Management Association (Association).

**(16) Risk Management**

During fiscal year 2012, the City became a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-ending operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

City of Iowa Falls, Iowa  
Notes to Financial Statements

June 30, 2012

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2012 were \$95,829.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also insured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total member's equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the City's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$1,000,000. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

**(17) Hospital Related Organizations**

Master Affiliation Agreement

The Hospital entered into a Master Affiliation Agreement with Mercy Medical Center – North Iowa to provide hospital, physician, and other health care services in Iowa Falls and the North Central Iowa region under the name of Ellsworth Municipal Hospital. As a part of this Master Affiliation Agreement, the Hospital entered into a professional services agreement with Mercy Medical Center – North Iowa whereby Mercy Medical Center – North Iowa provides professional medical services for the Hospital. Amounts paid to Mercy Medical Center – North Iowa for the provision of these services amounted to \$2,345,188 for the year ended June 30, 2012.

Management Services Agreement

The Hospital entered into a contractual arrangement with Mercy Medical Center – North Iowa under which Mercy Medical Center – North Iowa provides an administrator, director of nursing, management consultation, and other services to Ellsworth Municipal Hospital. The arrangement does not alter the authority or responsibility of the Board of Trustees of Ellsworth Municipal Hospital. Expenses for the administrative and management services received were \$532,791 for the year ended June 30, 2012.

Due to Affiliated Organization

As of June 30, 2012, the Hospital records reflect a due to Mercy Medical Center – North Iowa of \$155,702 for the various services and distributions related to these agreements.

**(18) Construction Commitments**

As of June 30, 2012 the City had the following commitments with respect to capital projects that have been approved by the Council:

The Ellis Avenue (including water main and sewer improvements) project will be approximately \$5,900,000 which will be paid from issuance of bonds, special assessments and restricted cash on hand. As of June 30, 2012, \$2,087,000 has been spent on this project.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

The Airport runway extension project will be approximately \$1,080,000 and will be paid from funds received by the Federal Aviation Agency and 5% from local option sales tax. As of June 30, 2012, \$1,069,000 has been spent on this project.

The Trail project will be approximately \$442,000 and paid by grants and local sources. As of June 30, 2012, \$426,300 has been spent on this project.

The Wastewater Digester project will be approximately \$125,000 and will be paid from the Wastewater Capital Improvement fund. As of June 30, 2012, \$73,000 has been spent on this project.

**(19) Commitments and Contingencies**

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant reduction in insurance coverage from the previous year in any of the Hospital's policies. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

**Malpractice Insurance**

The Hospital has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured.

Rent expense of \$139,160 on the rental agreement is included in the clinic's expenses for the year ended June 30, 2012 which includes property taxes paid as indicated by the lease agreement.

The City has one outstanding lawsuit against them. As of the date of the audit report, City officials do not anticipate any judgment against the City.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2012

**(20) Deficit Balance**

The Tax Increment Financing Revenues Fund had a deficit fund balance of \$559,306 at June 30, 2012. This deficit will be eliminated upon certification of debt with the county auditor and collection of property taxes in future years.

**(21) Subsequent Events**

The City has evaluated subsequent events through January 31, 2013, the date which the financial statements were available to be issued.

The Hospital has been preparing to build a new hospital facility and the estimation to complete the project is \$30,000,000.

In October 2012, the Hospital entered into a bonding agreement in the amount of \$25,000,000 to finance the construction of the new building. This bond in conjunction with the funds pledged and raised by the foundation of \$5,000,000 will finance the new construction.

**Required Supplementary Information**

City of Iowa Falls, Iowa  
 Budgetary Comparison Schedule of  
 Receipts/Revenues, Disbursements/Expenses and Changes in Balances/Net Assets -  
 Budget and Actual  
 All Governmental Funds and Proprietary Funds and the Airport Authority  
 Discretely Presented Component Unit  
 Required Supplementary Information  
 Year ended June 30, 2012

	Funds Budgeted on Cash Basis - Actual			
	Governmental	Proprietary Fund Type - Enterprise	Component Unit - Airport	Total
	<u>Fund Types</u>	<u>(excluding Hospital)</u>	<u>Authority</u>	
<b>Receipts/Revenues:</b>				
Property tax	\$ 1,988,964	-	36,007	2,024,971
Tax increment financing	960,489	-	-	960,489
Other city tax	795,927	-	1,268	797,195
Licenses and permits	47,319	-	-	47,319
Use of money and property	62,435	39,375	60,232	162,042
Intergovernmental	785,678	-	849,384	1,635,062
Charges for service	141,301	2,636,720	-	2,778,021
Miscellaneous	199,875	4,469	77	204,421
Total receipts/revenues	<u>4,981,988</u>	<u>2,680,564</u>	<u>946,968</u>	<u>8,609,520</u>
<b>Disbursements/Expenses:</b>				
Public safety	1,404,556	-	-	1,404,556
Public works	681,674	-	74,004	755,678
Culture and recreation	710,874	-	-	710,874
Community and economic development	258,370	-	-	258,370
General government	196,209	-	-	196,209
Debt service	1,434,938	-	-	1,434,938
Capital projects	1,579,972	-	932,994	2,512,966
Business type activities	-	3,182,758	-	3,182,758
Total disbursements/expenses	<u>6,266,593</u>	<u>3,182,758</u>	<u>1,006,998</u>	<u>10,456,349</u>
Excess (deficiency) of receipts/revenues over (under) disbursements/expenses	(1,284,605)	(502,194)	(60,030)	(1,846,829)
Other financing sources, net	<u>4,937,277</u>	<u>1,321,233</u>	<u>(14,285)</u>	<u>6,244,225</u>
Excess (deficiency) of receipts/revenues and other and other financing uses	3,652,672	819,039	(74,315)	4,397,396
Balances/net assets beginning of year	<u>4,674,425</u>	<u>3,338,156</u>	<u>17,875</u>	<u>8,030,456</u>
Balances/net assets end of year	<u>\$ 8,327,097</u>	<u>4,157,195</u>	<u>(56,440)</u>	<u>12,427,852</u>

See accompanying independent auditor's report.

Funds Budgeted  
on GAAP Basis -

<u>Actual</u>				
Proprietary	Total	Budgeted Amounts		Final to
<u>Fund Type</u>	<u>Actual</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<u>Hospital</u>				<u>Variance</u>
-	2,024,971	1,925,103	1,925,103	99,868
-	960,489	767,501	767,501	192,988
-	797,195	819,075	884,075	(86,880)
-	47,319	43,750	43,750	3,569
-	162,042	118,382	158,382	3,660
-	1,635,062	742,777	1,642,777	(7,715)
19,845,669	22,623,690	22,346,052	23,934,552	(1,310,862)
-	204,421	99,149	149,149	55,272
<u>19,845,669</u>	<u>28,455,189</u>	<u>26,861,789</u>	<u>29,505,289</u>	<u>(1,050,100)</u>
-	1,404,556	1,412,819	1,504,394	99,838
-	755,678	861,826	993,326	237,648
-	710,874	716,182	793,182	82,308
-	258,370	276,412	374,412	116,042
-	196,209	201,083	225,083	28,874
-	1,434,938	570,886	572,886	(862,052)
-	2,512,966	5,155,361	5,355,361	2,842,395
19,569,026	22,751,784	24,365,966	25,721,816	2,970,032
<u>19,569,026</u>	<u>30,025,375</u>	<u>33,560,535</u>	<u>35,540,460</u>	<u>5,515,085</u>
276,643	(1,570,186)	(6,698,746)	(6,035,171)	4,464,985
-	<u>6,257,032</u>	<u>4,844,758</u>	<u>6,944,758</u>	<u>(687,726)</u>
276,643	4,686,846	(1,853,988)	909,587	3,777,259
<u>12,324,750</u>	<u>20,342,399</u>	<u>16,110,821</u>	<u>16,110,821</u>	<u>4,231,578</u>
<u>12,601,393</u>	<u>25,029,245</u>	<u>14,256,833</u>	<u>17,020,408</u>	<u>8,008,837</u>

City of Iowa Falls, Iowa  
 Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2012

	Governmental Funds			Proprietary Funds Enterprise (Excluding Hospital)		
	Cash	Accrual	Modified	Cash	Accrual	Accrual
	<u>Basis</u>	<u>Adjust- ments</u>	<u>Basis</u>	<u>Basis</u>	<u>ments</u>	<u>Basis</u>
Revenues	\$ 4,981,988	204,948	5,186,936	2,680,564	110,404	2,790,968
Expenditures	<u>(6,266,593)</u>	<u>(1,740,213)</u>	<u>(8,006,806)</u>	<u>(3,182,758)</u>	<u>766,701</u>	<u>(2,416,057)</u>
Net	(1,284,605)	(1,535,265)	(2,819,870)	(502,194)	877,105	374,911
Other financing sources (uses)	4,937,277	817,539	5,754,816	1,321,233	(2,077,745)	(756,512)
Beginning fund balances	<u>4,674,425</u>	<u>(412,676)</u>	<u>4,548,054</u>	<u>3,338,156</u>	<u>5,720,740</u>	<u>9,058,896</u>
Ending fund balances	<u>\$ 8,327,097</u>	<u>(844,097)</u>	<u>7,483,000</u>	<u>4,157,195</u>	<u>4,520,100</u>	<u>8,677,295</u>

	Discretely Presented Airport Authority Component Unit		
	Cash	Accrual	Accrual
	<u>Basis</u>	<u>Adjust- ments</u>	<u>Basis</u>
Revenues	\$ 946,968	55,564	1,002,532
Expenses	<u>(1,006,998)</u>	<u>737,509</u>	<u>(269,489)</u>
Net	(60,030)	793,073	733,043
Other financing sources (uses)	(14,285)		(14,285)
Beginning fund balance	<u>-</u>	<u>1,639,558</u>	<u>1,639,558</u>
Ending fund balance	<u>\$ (74,315)</u>	<u>2,432,631</u>	<u>2,358,316</u>

See accompanying independent auditor's report.

City of Iowa Falls, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2012

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

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, one budget amendment increased budgeted disbursements by \$1,979,925, revenues by \$2,643,500, other financing sources by \$3,329,000 and transfers out by \$1,229,000. The budget amendments are reflected in the final budgeted amounts.

The City of Iowa Falls prepares its budget on the cash basis except for hospital operations which are budgeted in accordance with U.S. generally accepted accounting principles. The Budgetary Comparison Schedule is a comparison of the cash basis receipts and disbursements and revenues and expenses of the Hospital Fund with the budget adopted and amended by the City Council.

During the year ended June 30, 2012, disbursements in the debt service function exceeded the amount budgeted.

City of Iowa Falls, Iowa

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)  
Required Supplementary Information

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a/c)</u>
2010	July 1, 2009	-	\$ 401	\$ 401	0%	\$ 1,600	25%
2011	July 1, 2009	-	409	409	0%	1,590	26%
2012	July 1, 2009	-	417	417	0%	1,675	25%

See note 11 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

## **Supplementary Information**

City of Iowa Falls, Iowa  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2012

		Special	
		Hotel <u>Motel Tax</u>	Self- <u>Insurance</u>
<b>Assets</b>			
Cash		\$ 194,717	-
Receivables:			
Accrued interest		321	-
Prepaid expenditures		-	-
<b>Total assets</b>		<b>195,038</b>	<b>-</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable		3,860	-
<b>Total liabilities</b>		<b>3,860</b>	<b>-</b>
Fund balances:			
Restricted for:			
Carnegie library		-	-
Other purposes		191,178	-
<b>Total fund balances</b>		<b>191,178</b>	<b>-</b>
<b>Total liabilities and fund balances</b>		<b>\$ 195,038</b>	<b>-</b>

See accompanying independent auditor's report.

<u>Revenue</u>		
<u>Carnegie- Ellsworth Endowment</u>	<u>Carnegie- Ellsworth Maintenance</u>	<u>Total</u>
559,654	113,241	867,612
-	1,111	1,432
-	1,598	1,598
<u>559,654</u>	<u>115,950</u>	<u>870,642</u>
-	1,265	5,125
-	1,265	5,125
559,654	114,685	674,339
-	-	191,178
<u>559,654</u>	<u>114,685</u>	<u>865,517</u>
<u>559,654</u>	<u>115,950</u>	<u>870,642</u>

City of Iowa Falls, Iowa

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances

Nonmajor Governmental Funds

Year ended June 30, 2012

	<u>Special</u>	
	<u>Hotel/Motel Tax</u>	<u>Self- Insurance</u>
Revenues:		
Other city tax	\$ 100,316	-
Use of money and property	<u>1,839</u>	<u>-</u>
Total revenues	<u>102,155</u>	<u>-</u>
Expenditures:		
Operating:		
Community and economic development	<u>73,479</u>	<u>-</u>
Total expenditures	<u>73,479</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>28,676</u>	<u>-</u>
Other financing sources (uses):		
Transfers out	<u>(20,000)</u>	<u>(3,597)</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures and other financing uses	8,676	(3,597)
Fund balances beginning of year	<u>182,502</u>	<u>3,597</u>
Fund balances end of year	<u>\$ 191,178</u>	<u>-</u>

See accompanying independent auditor's report.

<u>Revenue</u>		
<u>Carnegie- Ellsworth Endowment</u>	<u>Carnegie- Ellsworth Maintenance</u>	<u>Total</u>
-	-	100,316
-	6,729	8,568
-	6,729	108,884
-	14,370	87,849
-	14,370	87,849
-	(7,641)	21,035
-	-	(23,597)
-	(7,641)	(2,562)
559,654	122,326	868,079
559,654	114,685	865,517

City of Iowa Falls, Iowa

Bond and Note Maturities

June 30, 2012

General Obligation Bonds/Notes						
Year Ending June 30,	Corporate Purpose Issued Oct 1, 2003		Corporate Purpose Issued Oct 1, 2004		GO Refunding Capital Loan Notes Issued Mar 15, 2008	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2013	3.85 %	\$ 80,000	3.55 %	\$ 80,000	3.05 %	\$ 205,000
2014	4.00	80,000	3.70	80,000	3.20	210,000
2015		-	3.80	85,000		-
2016		-	3.90	85,000		-
2017		-	4.00	90,000		-
2018		-		-		-
2019		-		-		-
2020		-		-		-
2021		-		-		-
2022		-		-		-
2023		-		-		-
Total		<u>\$ 160,000</u>		<u>\$ 420,000</u>		<u>\$ 415,000</u>

Revenue Bonds/Notes						
Year Ending June 30,	Wastewater Revenue Capital Loan Notes		Water Revenue Capital Loan Notes		Water Revenue Capital Loan Notes	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2013	2.20 %	\$ 280,000	1.45 %	\$ -	2.15 %	\$ 105,000
2014	2.60	285,000	1.45	-	2.75	105,000
2015	3.00	290,000	1.45	-	2.75	110,000
2016	3.25	300,000	1.45	-	3.20	110,000
2017	3.45	160,000	1.45	100,000	3.40	115,000
2018	3.60	165,000	1.65	100,000	3.63	120,000
2019	3.75	170,000	1.85	100,000	3.63	125,000
2020	3.88	180,000	2.45	100,000		-
2021	4.00	185,000	2.45	100,000		-
2022	4.13	195,000	2.45	100,000		-
2023	4.13	200,000	2.45	105,000		-
2024	4.13	210,000	2.45	110,000		-
2025		-	2.80	250,000		-
2026		-	2.90	235,000		-
Total		<u>\$ 2,620,000</u>		<u>\$ 1,300,000</u>		<u>\$ 790,000</u>

See accompanying independent auditor's report.

General Obligation Bonds/Notes					
Essential Corporate Purpose		Capital Loan Notes Series 2005		Capital Loan Notes Series 2011A	
Issued Dec 15, 2002		Issued Oct. 1, 2006		Issued Sept. 22, 2011	
Interest		Interest		Interest	
Rates	Amount	Rates	Amount	Rates	Amount
4.00 %	\$ 80,000	3.95 %	\$ 75,000	2.00 %	\$ 455,000
-	-	4.00	85,000	2.00	465,000
-	-	4.05	55,000	2.00	475,000
-	-	4.10	60,000	2.00	485,000
-	-	4.15	60,000	2.00	310,000
-	-	-	-	2.00	315,000
-	-	-	-	2.00	325,000
-	-	-	-	2.25	330,000
-	-	-	-	2.50	340,000
-	-	-	-	2.63	345,000
-	-	-	-	2.80	355,000
	<u>\$ 80,000</u>		<u>\$ 335,000</u>		<u>\$ 4,200,000</u>

Revenue Bonds/Notes							
Hospital Revenue Bond Series 1998		Hospital Revenue USDA Loan		Hospital Revenue Iowa Falls State Bank		Hospital Revenue Ackley Bank	
Issued Nov 1, 1998							
Interest		Interest		Interest		Interest	
Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
5.00 %	\$ 231,405	2.49 %	\$ 96,290	5.150 %	\$ 30,053	5.050 %	\$ 38,251
5.00	262,344	2.49	44,199	5.150	33,794	5.050	21,783
5.00	248,035	-	-	5.150	27,336	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
	<u>\$ 741,784</u>		<u>\$ 140,489</u>		<u>\$ 91,183</u>		<u>\$ 60,034</u>

Bond and Note Maturities

June 30, 2012

<u>General Obligation Bonds/Notes</u>		<u>Revenue Bonds/Notes</u>	
<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Total</u>	<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Total</u>
2013	975,000	2013	780,999
2014	920,000	2014	752,120
2015	615,000	2015	675,371
2016	630,000	2016	410,000
2017	460,000	2017	375,000
2018	315,000	2018	385,000
2019	325,000	2019	395,000
2020	330,000	2020	280,000
2021	340,000	2021	285,000
2022	345,000	2022	295,000
2023	<u>355,000</u>	2023	305,000
Total	<u>\$ 5,610,000</u>	2024	320,000
		2025	250,000
		2026	<u>235,000</u>
		Total	<u>\$ 5,743,490</u>

See accompanying independent auditor's report.

City of Iowa Falls, Iowa

Schedule of Revenues by Source and Expenditures by Function

All Governmental Funds

For the Last Ten Years

	2012	2011	2010
<b>Revenues:</b>			
Property tax	\$ 1,986,724	1,928,646	1,786,806
Tax increment financing revenue	960,915	441,646	1,251,064
Other city tax	833,287	731,085	709,606
Licenses and permits	56,793	46,799	44,259
Use of money and property	63,530	60,933	65,412
Intergovernmental	879,830	863,857	618,056
Charges for service	87,141	85,584	97,980
Miscellaneous	<u>318,716</u>	<u>244,129</u>	<u>549,903</u>
<b>Total</b>	<b><u>\$ 5,186,936</u></b>	<b><u>4,402,679</u></b>	<b><u>5,123,086</u></b>
<b>Expenditures:</b>			
<b>Operating:</b>			
Public safety	\$ 1,408,965	1,281,195	1,408,415
Public works	755,107	710,419	809,690
Culture and recreation	713,906	782,271	820,002
Community and economic development	285,051	286,026	301,995
General government	190,301	184,816	138,214
Debt service	1,434,937	561,732	669,493
Capital projects	<u>3,218,539</u>	<u>487,736</u>	<u>1,037,531</u>
<b>Total</b>	<b><u>\$ 8,006,806</u></b>	<b><u>4,294,195</u></b>	<b><u>5,185,340</u></b>

See accompanying independent auditor's report.

## Schedule 4

2009	2008	2007	2006	2005	2004	2003
1,564,704	1,494,982	1,400,514	1,362,623	1,435,121	1,545,978	1,428,398
2,149,640	1,917,546	1,811,571	1,286,764	1,142,363	885,271	781,318
788,128	713,382	754,511	666,026	605,179	567,995	582,462
84,228	72,499	62,128	52,250	86,381	60,721	41,528
102,790	199,157	243,822	217,700	156,051	82,696	95,151
1,552,601	1,184,468	776,088	819,551	761,667	955,757	1,394,722
98,364	119,465	146,950	137,101	136,768	133,319	146,660
<u>244,965</u>	<u>303,519</u>	<u>209,422</u>	<u>373,608</u>	<u>368,117</u>	<u>377,068</u>	<u>348,223</u>
<u>6,585,420</u>	<u>6,005,018</u>	<u>5,405,007</u>	<u>4,915,623</u>	<u>4,691,647</u>	<u>4,608,805</u>	<u>4,818,462</u>
1,431,502	1,296,586	1,315,999	1,234,754	1,207,781	1,052,954	1,092,281
677,405	597,857	650,685	565,837	443,900	432,051	436,786
708,467	671,157	705,734	578,525	618,940	561,258	668,445
197,772	99,582	153,248	136,666	116,335	201,158	438,733
128,093	152,263	116,442	123,957	175,021	321,840	335,867
868,687	2,193,492	845,465	800,951	775,946	753,665	697,591
<u>2,570,404</u>	<u>1,589,517</u>	<u>1,599,999</u>	<u>1,924,758</u>	<u>2,341,908</u>	<u>1,622,095</u>	<u>2,586,624</u>
<u>6,582,330</u>	<u>6,600,454</u>	<u>5,387,572</u>	<u>5,365,448</u>	<u>5,679,831</u>	<u>4,945,021</u>	<u>6,256,327</u>

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

<u>Grantor Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Transportation:			
Airport Improvement Program	20.106	3-19-0048-05	\$ 45,280
Airport Improvement Program	20.106	3-19-0048-06	<u>835,298</u>
			<u>880,578</u>
U.S. Department of Homeland Security			
Assistance to Firefighters	97.044	EMW-2007-FF-00355	<u>7,719</u>
Total Direct			<u>888,297</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii			
	14.228	10-HSG-053	<u>161,653</u>
Total			<u><u>1,049,950</u></u>

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

See accompanying independent auditor's report.

# Cornwell, Frideres, Maher & Associates, P.L.C.

## Certified Public Accountants

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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the Airport Authority discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Iowa Falls, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 31, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Iowa Fall'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 in the accompanying schedule of

findings and questioned costs as item II-A-12 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 of Iowa Falls' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters 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 on the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

*Cornwell, Frideres, Maher & Associates, P.L.C.*  
Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

January 31, 2013

**Cornwell, Frideres, Maher & Associates, P.L.C.**

**Certified Public Accountants**

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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:

Compliance

We have audited the City of Iowa Falls, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Iowa Falls' major federal program for the year ended June 30, 2012. The City of Iowa Falls' major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of City of Iowa Falls' management. Our responsibility is to express an opinion on the City of Iowa Falls' compliance based on our audit.

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

In our opinion, the City of Iowa Falls complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

## Internal Control Over Compliance

The management of the City of Iowa Falls is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Iowa Falls' internal control over compliance with requirement that could have a direct and material effect on a major federal program in order to determine our 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 City of Iowa Falls' 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 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 significant deficiencies, or material weaknesses and, therefore, there can be no assurance all significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Cornwell, Frideres, Maher & Associates, P.L.C.*  
Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

January 31, 2013

City of Iowa Falls, Iowa  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2012

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.106 – Airport Improvement Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Iowa Falls did not qualify as a low-risk auditee.

City of Iowa Falls, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- II-A-12 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP). The City of Iowa Falls does not have an internal control system designed to provide for the preparation of the financial statements, including accompanying footnotes and statements of cash flows, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in and Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with generally accepted accounting principles can be considered costly and ineffective. However, it is the responsibility of the City’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the time necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

City of Iowa Falls, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part III: Findings and Questioned Costs for Federal Awards**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No matters were noted.

**Part IV: Other Findings Related to Statutory Reporting:**

IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 exceed the amount budgeted in the debt service function. 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 sufficient amounts 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 sufficient amounts in the future, if applicable.

Conclusion – Response accepted.

IV-B-12 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

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

City of Iowa Falls, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

IV-D-12 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Lisa Brannick, Police dispatcher	Sewing	\$ 494
Steve Henry, Fire Secretary Owner of Iowa Falls Glass	Glass repair	938
Rick Gustin, Fire Chief Owner of Iowa Falls Heating & A/C	Heating & air conditioning maintenance & supplies	1,860

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Police Dispatcher and Fire Secretary do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year. The transactions with the Fire Chief do not appear to represent conflicts of interest since they were entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

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 insure 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.

IV-G-12 Revenue Bonds and Notes – No instances of non-compliance with the revenue note provisions were noted.

City of Iowa Falls, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

IV-H-12 Deposits and Investments – No instances of non-compliance 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-I-12 Financial Condition – The Tax Increment Financing Revenues Fund had a deficit balance of \$559,306 at June 30, 2012.

Recommendation – The City should investigate alternatives to return this fund to a sound financial position.

Response – See footnote #20 in notes to the financial statements for an explanation of how the City intends to eliminate this deficit.

Conclusion – Response accepted.

IV-J-12 Line of Credit – It was noted during the course of our audit that the City entered into a line of credit with the local bank without holding a public hearing.

Recommendation – The City should have held a public hearing in accordance with Chapter 384 of the Code of Iowa before this agreement was signed.

Response – This was overlooked this year as no proceeds were drawn from the line of credit.

Conclusion – Response accepted.

City of Iowa Falls, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

IV-K-12 Other Information Required by Bond Resolution

Insurance – The following insurance policies were in force at June 30, 2012:

<u>Insurer</u>	<u>Description</u>	<u>Amount</u>	<u>Expiration Date</u>
Iowa Communities	Assurance Pool (ICAP) Property coverage	\$ 20,895,271	Apr 1, 2013
ICAP	Liability coverage: Per Occurrence	10,000,000	Apr 1, 2013
	Medical expense	10,000	Apr 1, 2013
ICAP	Inland Marine:		
	Contractor's equipment	590,582	Apr 1, 2013
	Valuable papers	250,000	Apr 1, 2013
	Miscellaneous property	817,519	Apr 1, 2013
ICAP	Automobile coverage:		
	Liability	10,000,000	Apr 1, 2013
	Auto medical	5,000	Apr 1, 2013
	Uninsured motorist	50,000	Apr 1, 2013
	Underinsured motorist	50,000	Apr 1, 2013
	Comprehensive/collision	Lesser of cash value or cost of repair	Apr 1, 2013
Iowa Municipalities	Workers' Compensation Association (IMWCA)		
	Worker's compensation:		
	Bodily injury by accident	1,000,000	Apr 1, 2013
	Bodily injury by disease	1,000,000	Apr 1, 2013
	Policy limit	1,000,000	Apr 1, 2013

City of Iowa Falls, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

ICAP	Public Official Wrongful Acts:		
	Per Occurrence	10,000,000	Apr 1, 2013
	Law Enforcement Liability:		
	Per Occurrence	10,000,000	Apr 1, 2013
Commerce and Industry Insurance Company	Airport liability:		
	Completed Ops Agg Limit	1,000,000	Jul 1, 2012
	Personal injury and advertising	1,000,000	Jul 1, 2012
	Malpractice	1,000,000	Jul 1, 2012
	Each Occurrence	1,000,000	Jul 1, 2012
	Fire damage	50,000	Jul 1, 2012
	Medical expense limit	5,000	Jul 1, 2012
	Hangarkeepers-one aircraft	200,000	Jul 1, 2012
	Hangarkeepers-one occurrence	200,000	Jul 1, 2012
Darwin Select Insurance Company	Airport public officials		
	Professional Liability	1,000,000	Jul 1, 2012
	Employment Practices Liab.	1,000,000	Jul 1, 2012
	Policy Aggregate	1,000,000	Jul 1, 2012
	Supplementary Payments	50,000	Jul 1, 2012
	Supplementary Payments Agg.	50,000	Jul 1, 2012
IMT Insurance Company	Form P-Public employees' Dishonesty Coverage	\$25,000	Continuous Until canceled
	<i>Includes \$225,000 excess coverage on City Clerk/Finance Director, City Manager, Deputy Clerk, Payroll Clerk, Accounting Clerk, &amp; Mayor. Includes Faithful Performance of Duties.</i>		
PMMIC	Pollution liability:		
	Underground tanks	1,000,000	Nov 17, 2012

City of Iowa Falls, Iowa  
 Schedule of Findings and Questioned Costs  
 Year ended June 30, 2012

Statistical Information:

Description	Amount
Customers served at June 30, 2012 – Water	2,333
Customers served at June 30, 2012– Sewer	2,303

Water rates in effect at June 30, 2012:

Per month:

- First 1,000 gallons - \$3.93 minimum charge
- 1,001 to 20,000 gallons - \$3.14 per 1,000 gallons
- Over 20,000 gallons - \$2.71 per 1,000 gallons

Sewer rates in effect at June 30, 2012:

Minimum charge per month of \$5.90 plus \$4.49 per 1,000 gallons of water used

Users who contribute wastewater, the strength of which is greater than normal domestic wastewater, and users who contribute more than an average of fifty thousand gallons per day during the entire current billing period, are charged the following rates for the excess concentration:

Flow in excess of fifty thousand gallons per day	\$0.59 per 1000 gallons
Biochemical oxygen demand	\$0.19 per pound
Suspended solids	\$0.13 per pound
NH <sub>3</sub> -N	\$0.48 per pound