

**CITY OF ALTOONA**

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

**June 30, 2012**

CITY OF ALTOONA

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**CITY OF ALTOONA**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**(Before January 1, 2012)**

Timothy J. Burget . . . . .	Mayor . . . . .	Jan 2012
Michelle Sloan . . . . .	Mayor Pro-Tem . . . . .	Jan 2014
Gerald Nolin . . . . .	Council Member . . . . .	Jan 2012
Stacey Warren . . . . .	Council Member . . . . .	Jan 2012
Joe Riding . . . . .	Council Member . . . . .	Jan 2014
Kyle Mertz . . . . .	Council Member . . . . .	Jan 2014
Jeffery Mark . . . . .	City Administrator . . . . .	Jan 2014
Randy Pierce . . . . .	Clerk/Finance Officer . . . . .	Jan 2012
Robert Laden . . . . .	Attorney . . . . .	Jan 2012

**(After January 1, 2012)**

J. M. Skip Conkling . . . . .	Mayor . . . . .	Jan 2016
Joe Riding . . . . .	Mayor Pro-Tem . . . . .	Jan 2014
Michelle Sloan . . . . .	Council Member . . . . .	Jan 2014
Mike Hermeyer . . . . .	Council Member . . . . .	Jan 2016
Dean O’Conner . . . . .	Council Member . . . . .	Jan 2016
Kyle Mertz . . . . .	Council Member . . . . .	Jan 2014
Jeffery Mark . . . . .	City Administrator . . . . .	Jan 2014
Randy Pierce . . . . .	Clerk/Finance Officer . . . . .	Jan 2013
Robert Laden . . . . .	Attorney . . . . .	Jan 2013

**City of Altoona**



## MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
4949 Pleasant Street, Suite 104  
West Des Moines, Iowa 50266

(515)-223-4841  
FAX: (515)-223-0851

### 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, each major fund and the aggregate remaining fund information of the City of Altoona, 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 Altoona's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Altoona as of June 30, 2012, and the respective changes in the cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2012 on our consideration of the City of Altoona's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Altoona's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 4, 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. The 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Altoona's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 13 and 38 through 40 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Martens + Company, CPA, LLP*

West Des Moines, Iowa  
October 15, 2012

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Altoona 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

- Receipts of the City's governmental activities decreased 2.8%, or approximately \$622,000 from fiscal year 2011 to fiscal year 2012. Tax increment financing collections increased approximately \$408,000 and bond proceeds decreased by approximately \$2,527,000.
- Disbursements of the City's governmental activities increased 11%, or approximately \$2,549,000, from fiscal year 2011 to fiscal year 2012. Capital projects decreased approximately \$2,159,000. Debt service increased approximately \$2,620,000.
- The City's total cash basis net assets increased 4.8% or approximately \$1,310,000 from fiscal year 2011 to fiscal year 2012. Of this amount, the assets of the governmental activities decreased approximately \$513,000 and the assets of the business type activities increased approximately \$1,823,000.

### USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a statement of activities and net assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

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

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

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

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

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property taxes, grants and bond proceeds finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and garbage and recycling collection. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The government fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains six Enterprise Funds to provide separate information for the water, water deposits, sewer, garbage, storm water and recycling funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliation between the government-wide statement and the fund financial statements follow the fund statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities has decreased from a year ago, decreasing from approximately \$15.667 million to approximately \$15.154 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service	\$ 1,084	\$ 978
Operating grants, contributions and restricted interest	1,537	1,612
Capital grants, contributions and restricted interest	146	185
General receipts:		
Property tax	14,874	13,800
Other City taxes	585	542
Grants and contributions not restricted to specific purposes	2,513	1,414
Unrestricted interest on investments	49	58
Bond proceeds	1,025	3,552
Other general receipts	16	310
Total receipts	<u>21,829</u>	<u>22,451</u>
Disbursements:		
Public safety	5,579	4,818
Public works	1,626	1,353
Health and social services	23	23
Culture and recreation	1,479	1,500
Community and economic development	3,511	2,618
General government	1,022	840
Debt service	11,020	8,400
Capital projects	1,229	3,388
Total disbursements	<u>25,489</u>	<u>22,940</u>
Change in cash basis net assets before transfers	(3,660)	(489)
Transfers, net	<u>3,147</u>	<u>773</u>
Change in cash basis net assets	(513)	284
Cash basis net assets beginning of year	<u>15,667</u>	<u>15,383</u>
Cash basis net assets end of year	<u>\$ 15,154</u>	<u>\$ 15,667</u>

The City's total receipts for governmental activities decreased by 2.8 percent or approximately \$622 thousand. The total cost of all programs and services increased approximately \$2.549 million or 11 percent primarily due to a increase in Debt Service payments. The decrease in receipts was primarily the result of reduced amounts of new bond issues.

Based on increases in the total assessed valuation, property tax receipts are budgeted to increase by an additional \$273,600 next year or 6.3%.

The cost of all governmental activities this year was \$25.489 million compared to \$22.940 million last year. However, as shown in the statement of activities and net assets - cash basis on pages 16-17, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$22.723 million because some of the cost was paid by those directly benefited from the programs (\$1.084 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1.682 million). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2012 from approximately \$2.775 million to approximately \$2.767 million principally due to a decrease in operating grants. The City paid for the remaining public benefit portion of governmental activities with approximately \$14.874 million in tax (some of which could only be used for certain programs), bond proceeds of \$1.025 million and other receipts, such as interest, and general receipts.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 3,987	\$ 3,584
Sewer	3,637	3,604
Water deposits	41	36
Garbage	484	479
Recycling	148	146
Stormwater	483	197
General receipts:		
Unrestricted interest on investments	13	19
Bond proceeds	3,910	15
Other general receipts	129	79
Total receipts	<u>12,832</u>	<u>8,159</u>
Disbursements:		
Water	3,710	2,810
Sewer	3,472	2,016
Garbage	436	484
Water deposits	40	30
Storm water	61	-
Recycling	143	136
Total disbursements	<u>7,862</u>	<u>5,476</u>
Change in cash basis net assets before transfers	4,970	2,683
Transfers, net	<u>(3,147)</u>	<u>(773)</u>
Change in cash basis net assets	1,823	1,910
Cash basis net assets beginning of year	<u>11,817</u>	<u>9,907</u>
Cash basis net assets end of year	<u>\$ 13,640</u>	<u>\$ 11,817</u>

Total business type activities receipts for the fiscal year were \$12.832 million compared to \$8.159 million last year. This increase was due primarily to the increase in water and sewer receipts and bond proceeds. The cash balance increased by approximately \$1.823 million from the prior year. Total disbursements for the fiscal year increased by approximately 44 percent to a total of \$7.862 million.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Altoona completed the year, its governmental funds reported a combined fund balance of \$15.118 million, a decrease of approximately \$579,000 below last year's total of \$15.697 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$2,531 from the prior year to \$2,918,474. This was primarily because property tax receipts increased by approximately \$291,800.
- The Road Use Tax Fund cash balance increased by \$106,581 to \$140,704 during the fiscal year. This increase was attributable to decreased disbursements in street construction and repairs of \$48,000 and a \$63,000 increase in road use tax receipts.
- The Tax Increment Financing Fund increased by \$612,601 to \$6,003,799 during the fiscal year. The increase is primarily the result of a \$1,500,000 Prairie Meadows grant.
- The total of Capital Projects Funds decreased by \$1,188,310 to \$1,285,582 from the prior year. The decrease was primarily due to disbursements on the sports complex.
- The Debt Service Fund cash balance increased by \$3,405 to \$4,662,769 during the fiscal year. The increase was due to an increase in property tax revenue.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased by \$415,475 to \$7,545,162, due primarily to an increase in water rates and increased usage.
- The Sewer Fund cash balance increased by \$1,222,665 to \$5,412,597, due primarily to an increase in sewer rates and gallons treated and new bond proceeds.
- The Water Deposit Fund increased \$555 to \$90,094.
- The Garbage Fund increased \$50,285 to \$127,459 due to a decrease in expense on the new contract as bid..
- The Recycling Fund increased \$4,987 to \$43,325. This is due to the increased recycling fees.
- The Stormwater Utility Fund increased \$139,919 to \$337,521 due to the first full year of charges for services.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget once. The amendment was approved on May 21, 2012 to provide for additional expenditures in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$308,005 less than budgeted. This was primarily due to the City receiving less in tax increment financing collections and interest income.

Total disbursements were \$3,660,704 less than the amended budget. This was primarily due to business-type activities being less in the fiscal year than originally anticipated.

## DEBT ADMINISTRATION

At June 30, 2012, the City had \$101,425,000 in bonds and other long-term debt compared to \$103,300,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30	
	2012	2011
General obligation bonds	\$ 36,240	\$ 38,495
Revenue bonds	<u>65,185</u>	<u>64,805</u>
	<u>\$ 101,425</u>	<u>\$ 103,300</u>

The City's general obligation bond rating continues to carry an A2 rating, a rating that has been assigned by national rating agencies to the City's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$38.085 million plus the portion of developer rebate agreements of \$1.845 million that are subject to the debt limit are well below the City's \$56.085 million legal debt limit.

Debt remained relatively steady with payments On existing bond issues exceeding new bond issue proceeds.

More detailed information about the City's long-term liabilities is presented in Note 3 to the financial statements.

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

The City's elected and appointed officials and citizens considered many factors when setting the 2012 fiscal year budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City's population growth since the 2000 census stands at 29%. Unemployment in the county now stands at 5.4 percent. This compares with the state unemployment rate of 5.1 percent.

The U.S. Consumer Price Index (CPI) is a measure of the changes in retail prices of a fixed market grouping of consumer goods and services. The CPI-U for July 2011 was 226.889. For the 12 month period that ended in July, 2012 the CPI-U increased 3.90 percent.

These indicators were taken into account when adopting the budget for 2013. Amounts available for appropriation in the budget are \$.3 million, an increase of 1.80 percent over the final 2012 budget. Property tax (benefitting from increases in valuation) and proceeds from the tax increment financing revenue are expected to lead this increase. The City will use these to finance programs currently offered and to defray the costs of carrying out the City's continued economic development. Budgeted disbursements are expected to decrease by approximately \$1.7 million. A decrease in capital projects represents the largest decrease.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$3.0 million by the close of fiscal year 2013. Most of this is from projects carried over from the prior year.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Randy Pierce, City Clerk/Finance Officer, 407 8<sup>th</sup> Street S.E., P.O. Box 338, Altoona, Iowa 50009.

**City of Altoona**

## **Basic Financial Statements**

**CITY OF ALTOONA**

**Statement of Activities and Net Assets - Cash Basis**

As of and for the year ended June 30, 2012

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Service</u>	<u>Operating Grants Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 5,578,639	\$ 907,777	\$ 14,186	\$ -
Public works	1,626,628	-	1,379,230	-
Health and social services	22,848	-	-	-
Culture and recreation	1,479,311	-	129,257	-
Community and economic development	3,510,266	25,014	-	-
General government	1,021,974	151,560	-	-
Debt service	11,020,620	-	13,958	-
Capital projects	<u>1,229,016</u>	<u>-</u>	<u>-</u>	<u>145,696</u>
Total governmental activities	<u>25,489,302</u>	<u>1,084,351</u>	<u>1,536,631</u>	<u>145,696</u>
Business type activities:				
Water	3,709,631	3,987,248	-	-
Sewer	3,471,505	3,636,610	-	-
Garbage	435,945	484,298	-	-
Water deposits	40,345	40,900	-	-
Stormwater	61,722	483,304	-	-
Recycling	<u>143,173</u>	<u>148,160</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>7,862,321</u>	<u>8,780,520</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u><b>\$33,351,623</b></u>	<u><b>\$9,864,871</b></u>	<u><b>\$1,536,631</b></u>	<u><b>\$145,696</b></u>

**General receipts and transfers:**

- Property and other city tax levied for:
  - General purposes
  - Employee benefits
  - Debt service
- Tax increment financing
- Hotel/motel tax
- Grants and contributions not restricted to specific purpose
- Unrestricted interest on investments
- Bond proceeds and premium
- Miscellaneous
- Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets, beginning of year

Cash basis net assets, end of year

**Cash Basis Net Assets**

- Restricted:
  - Expendable:
    - Debt service
    - Streets
    - Urban renewal
    - Other purposes
- Unrestricted

**Total cash basis net assets**

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (4,656,676)	\$ -	\$ (4,656,676)
(247,398)	-	(247,398)
(22,848)	-	(22,848)
(1,350,054)	-	(1,350,054)
(3,485,252)	-	(3,485,252)
(870,414)	-	(870,414)
(11,006,662)	-	(11,006,662)
(1,083,320)	-	(1,083,320)
<u>(22,722,624)</u>	<u>-</u>	<u>(22,722,624)</u>
-	277,617	277,617
-	165,105	165,105
-	48,353	48,353
-	555	555
-	421,582	421,582
-	4,987	4,987
<u>-</u>	<u>918,199</u>	<u>918,199</u>
<u>(22,722,624)</u>	<u>918,199</u>	<u>(21,804,425)</u>
4,340,585	-	4,340,585
323,118	-	323,118
358,038	-	358,038
9,851,865	-	9,851,865
585,395	-	585,395
2,513,444	-	2,513,444
48,611	12,507	61,118
1,024,650	3,910,000	4,934,650
16,904	128,825	145,729
3,146,935	(3,146,935)	-
<u>22,209,545</u>	<u>904,397</u>	<u>23,113,942</u>
(513,079)	1,822,596	1,309,517
<u>15,667,796</u>	<u>11,817,483</u>	<u>27,485,279</u>
<u>\$ 15,154,717</u>	<u>\$ 13,640,079</u>	<u>\$ 28,794,796</u>
\$ 4,662,769	\$ 1,081,868	\$ 5,744,637
687,451	-	687,451
6,003,799	-	6,003,799
100,811	-	100,811
3,699,887	12,558,211	16,258,098
<u>\$15,154,717</u>	<u>\$13,640,079</u>	<u>\$ 28,794,796</u>

**CITY OF ALTOONA**

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2012

	General	Special Revenue		Capital
		Road Use Tax	Tax Increment Financing	Streets
<b>Receipts:</b>				
Property tax	\$4,340,585	\$ -	\$ -	\$ -
Tax increment financing	-	-	9,851,865	-
Other City tax: hotel/motel	585,395	-	-	-
Lottery revenue	914,254	-	-	-
Licenses and permits	614,849	-	-	-
Uses of money and property	34,653	-	-	-
Intergovernmental	171,795	1,377,054	-	-
Prairie Meadows grant	-	-	1,500,000	-
Charges for service	469,502	-	-	-
Miscellaneous	86,669	-	-	-
Total receipts	<u>7,217,702</u>	<u>1,377,054</u>	<u>11,351,865</u>	<u>-</u>
<b>Disbursements:</b>				
Operating:				
Public safety	4,516,417	-	-	-
Public works	18	1,270,473	-	-
Health and social services	22,848	-	-	-
Culture and recreation	1,479,311	-	-	-
Community and economic development	769,944	-	2,652,819	-
General government	1,015,172	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	56,398
Total disbursements	<u>7,803,710</u>	<u>1,270,473</u>	<u>2,652,819</u>	<u>56,398</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(586,008)</u>	<u>106,581</u>	<u>8,699,046</u>	<u>(56,398)</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	708,539	-	187,917	-
Operating transfers out	(120,000)	-	(8,274,361)	-
Total other financing sources (uses)	<u>588,539</u>	<u>-</u>	<u>(8,086,445)</u>	<u>-</u>
Net change in cash balances	2,531	106,581	612,601	(56,398)
Cash balances, beginning of year, as restated	<u>2,915,943</u>	<u>34,123</u>	<u>5,391,198</u>	<u>603,145</u>
Cash balances, end of year	<u>\$2,918,474</u>	<u>\$ 140,704</u>	<u>\$6,003,799</u>	<u>\$ 546,747</u>
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Debt service	\$ -	\$ -	\$ -	\$ -
Urban renewal projects	-	-	6,003,799	-
Streets	-	140,704	-	546,747
Other purposes	-	-	-	-
Capital project funds	-	-	-	-
Unassigned	<u>2,918,474</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$2,918,474</u>	<u>\$140,704</u>	<u>\$6,003,799</u>	<u>\$ 546,747</u>

See notes to financial statements.

Projects	Debt Service			Nonmajor	Total
	Recreation Complex	Bass Pro Shop Reserve	Debt Service		
\$ -	\$ -	\$ 358,038	\$ 323,118	\$ 5,021,741	
-	-	-	-	9,851,865	
-	-	-	-	585,395	
-	-	-	-	914,254	
-	-	-	-	614,849	
-	13,957	-	1	48,611	
-	-	-	13,286	1,562,135	
-	-	-	-	1,500,000	
-	-	-	-	469,502	
-	-	-	149,617	236,286	
-	13,957	358,038	486,022	20,804,638	
-	-	-	249,224	4,765,641	
-	-	-	97,507	1,367,998	
-	-	-	-	22,848	
-	-	-	-	1,479,311	
-	-	-	87,503	3,510,266	
-	-	-	-	1,015,172	
-	-	11,020,620	-	11,020,620	
1,136,474	-	-	36,144	1,229,016	
1,136,474	-	11,020,620	470,378	24,410,872	
(1,136,474)	13,957	(10,662,582)	15,644	(3,606,234)	
4,562	-	10,652,030	30,607	11,583,655	
-	-	-	(162,358)	(8,556,720)	
4,562	-	10,652,030	(131,751)	3,026,935	
(1,131,912)	13,957	(10,552)	(116,107)	(579,299)	
1,851,620	4,393,116	266,248	242,017	15,697,410	
\$ 719,708	\$ 4,407,073	\$ 255,696	\$ 125,910	\$ 15,118,111	
\$ -	\$ 4,407,073	\$ 255,696	\$ -	\$ 4,662,769	
-	-	-	-	6,003,799	
-	-	-	-	687,451	
-	-	-	100,811	100,811	
719,708	-	-	25,099	744,807	
-	-	-	-	2,918,474	
\$ 719,708	\$ 4,407,073	\$ 255,696	\$ 125,910	\$ 15,118,111	

CITY OF ALTOONA

Reconciliation of the Statement of Cash Receipts,  
Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
*Governmental Funds*

As of and for the year ended June 30, 2012

<b>Total governmental funds cash balances (pages 18-19)</b>	\$ 15,118,111
 <i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i>	
The Internal Service Fund is used by management to charge the costs of partial self funding of the City’s equipment purchases to individual funds. A portion of the assets of the Internal Service Fund are included in governmental activities in the Statement of Activities and Net Assets.	<u>36,606</u>
<b>Cash basis net assets of governmental activities (pages 16-17)</b>	<u>\$ 15,154,717</u>
<b>Net change in cash balances (pages 18-19)</b>	(579,299)
 <i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i>	
The Internal Service Fund is used by management to charge the costs of equipment replacement to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with government activities.	<u>66,220</u>
<b>Change in cash basis net assets of governmental activities (pages 16-17)</b>	<u>\$ (513,079)</u>

See notes to financial statements.

**City of Altoona**

**CITY OF ALTOONA**

Statement of Cash Receipts, Disbursements and  
Changes in Cash Balances  
*Proprietary Funds*

As of and for the year ended June 30, 2012

	Enterprise Funds			
	Water	Sewer	Water Deposits	Garbage
Operating receipts:				
Charges for service	\$3,987,248	\$3,636,610	\$40,900	\$484,298
Total operating receipts	<u>3,987,248</u>	<u>3,636,610</u>	<u>40,900</u>	<u>484,298</u>
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	-
Public works	-	-	-	-
General Government	-	-	-	-
Business type activities:	<u>1,221,802</u>	<u>2,123,569</u>	<u>40,345</u>	<u>435,945</u>
Total operating disbursements	<u>1,221,802</u>	<u>2,123,569</u>	<u>40,345</u>	<u>435,945</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>2,765,446</u>	<u>1,513,041</u>	<u>555</u>	<u>48,353</u>
Non-operating receipts (disbursements):				
Interest on investments	7,162	5,345	-	-
Bond proceeds	-	3,910,000	-	-
Miscellaneous	74,688	52,205	-	1,932
Debt service	(900,268)	(134,954)	-	-
Capital projects	(1,587,561)	(1,176,692)	-	-
Net non-operating receipts (disbursements)	<u>(2,405,979)</u>	<u>2,655,904</u>	<u>-</u>	<u>1,932</u>
Excess (deficiency) of receipts over (under) disbursements	<u>359,467</u>	<u>4,168,945</u>	<u>555</u>	<u>50,285</u>
Transfers:				
Operating transfers in	357,384	102,972	-	-
Operating transfers (out)	(301,376)	(3,049,252)	-	-
Net transfers	<u>56,008</u>	<u>(2,946,280)</u>	<u>-</u>	<u>-</u>
Net change in cash balances	415,475	1,222,665	555	50,285
Cash balances, beginning of year	<u>7,129,687</u>	<u>4,189,932</u>	<u>89,539</u>	<u>77,174</u>
Cash balances, end of year	<u>\$7,545,162</u>	<u>\$5,412,597</u>	<u>\$90,094</u>	<u>\$127,459</u>
<b>Cash Basis Fund Balances</b>				
Restricted for debt service	\$1,062,148	\$ 552,127	\$ -	\$ -
Unrestricted	<u>6,483,014</u>	<u>4,860,470</u>	<u>90,094</u>	<u>127,459</u>
Total cash basis fund balances	<u>\$7,545,162</u>	<u>\$5,412,597</u>	<u>\$90,094</u>	<u>\$127,459</u>

See notes to financial statements.

Storm Water	Recycling	Total	Internal Service Fund Equipment Replacement
\$ 483,304	\$ 148,160	\$ 8,780,520	\$ -
483,304	148,160	8,780,520	-
-	-	-	812,998
-	-	-	258,630
-	-	-	6,802
61,722	143,173	4,026,556	36,290
61,722	143,173	4,026,556	1,114,720
421,582	4,987	4,753,964	(1,114,720)
-	-	12,507	-
-	-	3,910,000	1,024,650
-	-	128,825	-
-	-	(1,035,222)	-
-	-	(2,764,253)	-
-	-	251,857	1,024,650
421,582	4,987	5,005,821	(90,070)
-	-	460,356	145,000
(281,663)	-	(3,632,291)	-
(281,663)	-	(3,171,935)	145,000
139,919	4,987	1,833,886	54,930
197,602	38,338	11,722,272	65,597
\$ 337,521	\$ 43,325	\$13,556,158	\$ 120,527
\$ -	\$ -	\$ 1,614,275	\$ -
337,521	43,325	11,941,883	120,527
\$ 337,521	\$ 43,325	\$13,556,158	\$ 120,527

**CITY OF ALTOONA**

Reconciliation of the Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
*Proprietary Funds*

As of and for the year ended June 30, 2012

**Total enterprise funds cash balances (pages 22-23)** \$ 13,556,158

*Amounts reported for business type activities in the Statement of  
Activities and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's equipment purchases to individual funds. A portion of the assets of the Internal Service Fund are included in business type activities in the Statement of Activities and Net Assets.

83,921

**Cash basis net assets of business type activities (pages 16-17)** \$ 13,640,079

**Net change in cash balances (pages 22-23)** \$ 1,833,886

*Amounts reported for business type activities in the Statement of  
Activities and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the equipment purchases to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with business type activities.

(11,290)

**Change in cash balance of business type activities (pages 16-17)** \$ 1,822,596

See notes to financial statements.

# CITY OF ALTOONA

## Notes to Financial Statements

June 30, 2012

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Altoona is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1876 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, garbage, storm water, and recycling utilities for its citizens.

#### A. Reporting Entity

For financial reporting purposes, the City of Altoona has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Altoona has no component units which meet the Governmental Accounting Standards Board criteria.

#### Jointly Governed Organizations & 28E Agreements

The City also participates in several 28E and jointly governed organizations that provide goods or services to the citizenry of the City but do not meet criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of 28E organizations and of the following boards and commissions; The Safety Coalition of Central Iowa Communities, Polk County Aviation Authority, HAZ-MAT Services, building inspection for the Cities of Mitchellville, Iowa and Bondurant, Iowa, Urban Standard Specifications, Snow Removal for various locations, Convention and Visitors Bureau, Des Moines Water Works, Iowa Tobacco Enforcement Compliance, Homeland Security Services, BRAVO, Polk County MTA, Metro Area Fire Mutual Aid, Metro Home Improvement Program, Suburban Emergency Response Team, Urban Design Standards, Central Iowa Traffic Safety Task Force, Polk County Emergency Management Commission, Polk County Assessor's Conference Board, Principal Park, Iowa DOT, SEP School District, Intergovernmental Metro Design Policy, Metro Solid Waste, and Fair Play Agreement.

#### Joint Ventures

The City also participates in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA). The WRA, a joint venture, was developed as a result of an agreement between the City of Des Moines and surrounding municipalities. (See Note 4)

# CITY OF ALTOONA

## Notes to Financial Statements - Continued

June 30, 2012

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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.

# CITY OF ALTOONA

## Notes to Financial Statements - Continued

June 30, 2012

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### B. Basis of Presentation - Continued

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

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

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise, Water Deposits Fund accounts for water utility deposits by residents.

The Enterprise, Garbage Fund accounts for the operation and maintenance of the City's residential garbage collection system.

The Enterprise, Storm Water Fund accounts for the operation and maintenance of the City's storm water systems.

The Enterprise, Recycling Fund accounts for the operation and maintenance of the City's residential garbage and yard waste recycling system.

The City also reports the following additional proprietary fund:

The equipment replacement fund is an Internal Service Fund utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

#### C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial

# CITY OF ALTOONA

## Notes to Financial Statements - Continued

June 30, 2012

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### C. Measurement Focus and Basis of Accounting - Continued

statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

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

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

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

#### D. Governmental Cash Basis Fund Balances

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

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

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

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

Unassigned - All amounts not included in other spendable classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

#### F. Property Taxes

All City property taxes must be certified to the Polk County Auditor on or before the fifteenth day of March of each year for the upcoming fiscal year which runs from July 1 to June 30. Property taxes are levied in June and attached as an enforceable lien on the property on July 1.

# CITY OF ALTOONA

## Notes to Financial Statements - Continued

June 30, 2012

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### F. Property Taxes - Continued

Property taxes levied for the year ending June 30, 2012, attached as an enforceable lien on July 1, 2011, with the first half installment being delinquent after September 30, 2011 and the second half installment being delinquent after March 31, 2012.

### (2) CASH AND POOLED INVESTMENTS

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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
U.S. Treasury bill	\$ 2,998,990	\$ 2,999,910	July 12, 2012
U.S. Treasury bill	2,998,057	2,999,880	Sept 27, 2012
U.S. Treasury bill	2,498,483	2,499,900	Oct 25, 2012
U.S. Treasury bill	999,510	599,976	Nov 08, 2012
U.S. Treasury bill	599,623	999,960	Nov 08, 2012
U.S. Treasury bill	<u>10,593,033</u>	<u>10,599,894</u>	Dec 20, 2012
Total	<u>\$20,687,696</u>	<u>\$20,699,520</u>	

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

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,064,513 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk - The City's investment in the Iowa Public Agency Investment Trust is unrated.

**CITY OF ALTOONA**

Notes to Financial Statements - Continued

June 30, 2012

**(3) BONDS AND NOTES PAYABLE**

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

	Balance June30,2011	Issued	Redeemed	Balance June 30, 2012
General obligations bonds	\$38,495,350	\$3,449,650	\$5,705,000	\$36,240,000
Revenue bonds	<u>64,805,000</u>	<u>1,485,000</u>	<u>1,105,000</u>	<u>65,185,000</u>
<b>Total</b>	<u><b>\$103,300,350</b></u>	<u><b>\$4,934,650</b></u>	<u><b>\$6,810,000</b></u>	<u><b>\$101,425,000</b></u>

Interest rates range from .35% to 6.50% on the general obligation bonds. The revenue bond interest rates are from 2.00% to 6.375. The City paid \$5,245,843 interest on debt obligations for the year ended June 30, 2012.

Debt service requirements for general obligation bonds and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 2,875,000	\$ 1,394,284	\$ 1,150,000	\$ 3,696,648	\$ 4,025,000	\$ 5,090,932
2014	3,060,000	1,300,502	1,670,000	3,823,358	4,730,000	5,123,860
2015	3,165,000	1,201,064	1,700,000	3,776,438	4,865,000	4,977,502
2016	3,275,000	1,095,456	1,665,000	3,500,833	4,940,000	4,596,289
2017	3,390,000	981,797	1,675,000	3,425,318	5,065,000	4,407,115
2018-2022	13,460,000	3,077,063	3,595,000	16,391,281	17,055,000	19,468,344
2023-2027	5,060,000	1,183,699	6,055,000	14,989,765	11,150,000	16,173,464
2028-2032	1,955,000	138,281	11,075,000	12,631,911	13,030,000	12,770,192
2033-2037	-	-	6,860,000	9,745,200	6,860,000	9,745,200
2038-2042	-	-	14,590,000	3,841,500	14,590,000	3,841,500
2043	-	-	15,150,000	90,900	15,150,000	90,900
	<u>\$36,240,000</u>	<u>\$10,372,146</u>	<u>\$65,185,000</u>	<u>\$75,913,152</u>	<u>\$101,425,000</u>	<u>\$86,285,298</u>

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

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- B. The City covenants to establish and maintain a Water Revenue Bond Sinking Fund in an amount equal to the maximum principal and interest coming due on all outstanding parity bonds in any succeeding fiscal year.
- C. The City covenants to establish a Water Revenue Debt Service Reserve Fund in an amount equal to the maximum principal and interest due on any one year. The amount required to be reserved is approximately \$947,611 at June 30, 2012. The actual amount reserved was \$962,384.

# CITY OF ALTOONA

## Notes to Financial Statements - Continued

June 30, 2012

### (3) BONDS AND NOTES PAYABLE - CONTINUED

- D. The City covenants to maintain a Water Revenue Bond Improvement Fund with an initial deposit of \$40,000. Additional funds of not less than \$750 each month will be deposited until the Fund equals or exceeds \$50,000. This account is restricted solely for the use of paying principal or interest on the Water Revenue Bonds when there is insufficient money in the Sinking Fund or Reserve Fund, and to the extent not required for the foregoing, to pay for extraordinary costs not included in the annual budget.

The resolutions providing for the issuance of the Series 2008 Annual Appropriation Urban Renewal Tax Increment Revenue Bonds include the following provisions. If appropriated by the City, TIF revenues in the Urban Renewal Tax Revenue Fund shall be transferred for deposit in the Bond Fund and the Reserve Fund.

- A. Any funds deposited in the Bond Fund (when appropriated by the City Council) shall be used solely and only and are pledged to pay the principal and interest on the Series 2008 Bonds when due, whether at maturity or an optional or mandatory redemption.
- B. Reserve Fund. The Resolution establishes a separate and special fund known as the Principal and Interest Reserve Fund (the "Reserve Fund"). There shall be deposited into the Reserve Fund on the date of delivery of the Series 2008 Bonds an amount which, together with the existing balance in the Reserve Fund, will be equal to the lesser of (i) the maximum amount of principal of and interest on the Series 2008 Bonds due during any fiscal year, (ii) 125% of the average annual debt service on the Series 2008 Bonds (calculated on a fiscal year basis), or (iii) 10% of the original principal amount of the Series 2008 Bonds (the "Required Reserve Fund Balance"). Subject to the City's right of nonappropriation, the City shall maintain the Reserve Fund in an amount equal to the Required Reserve Fund Balance. Any funds on deposit in the Reserve Fund shall be used solely and only and are pledged to pay principal of or interest on the Series 2008 Bonds when due (in the case of the Series 2008 Bonds, to the extent that the City has appropriated amounts for such payments) whenever there is a shortage of amounts on deposit in the Urban Renewal Revenue Fund and, in the case of the Series 2008 Bonds, the Bond Fund for such purpose. The Reserve Fund shall be valued annually by the City on October 31. If a shortage occurs in the amount on deposit in the Reserve Fund, either because of a transfer there from or a valuation thereof, subject to the City's right of nonappropriation the amount on deposit in the Reserve Fund shall be restored to the Required Reserve Fund Balance as soon as possible from amounts appropriated therefore by the City. Balance in the reserve fund at June 30, 2012 was \$4,407,073.

The Sewer Revenue Bonds, Series 2011B, covenants to establish and maintain a principal and interest reserve fund (the "Reserve Fund") in a sum equal to the lesser of: 1) the maximum amount of principal and interest becoming due on the Bonds in any succeeding fiscal year, 2) 125% of the average amount of principal and interest becoming due on the Bonds in any succeeding fiscal year; or 3) 10% of the principal amount of the Bonds. Upon the issuance of the Bonds, the City will deposit \$136,600, using cash on hand, to fully fund the Reserve Fund requirement at \$136,600, which represents the maximum amount of principal and interest becoming due on the Bonds. Balance in the reserve account at June 30, 2012 was \$546,179.

# CITY OF ALTOONA

## Notes to Financial Statements - Continued

June 30, 2012

### Prairie Meadows Agreement

The City has entered into a grant agreement with Prairie Meadows Racetrack and Casino, Inc. (PMRC). Under the agreement PMRC agrees to make a series of eight annual \$500,000 grants to the City. The grant funds are to be used to assist the City in payment of principal and interest on the Series 2008 Urban Renewal Tax Increment Revenue Bonds. PMRC also will consider annually making additional supplemental grants not to exceed \$500,000. The agreement calls for a termination of the grant payments if PMRC constructs a new hotel facility with certain taxable property valuations within the eight year agreement period. The City received \$1,500,000 under the agreement during the year ended June 30, 2012.

### (3) **BONDS AND NOTES PAYABLE - CONTINUED**

#### Development Rebate Agreements

The City has entered into a number of Tax Increment Financing (TIF) rebate agreements requiring repayment to the developers from TIF receipts. The rebate service requirements, if appropriated by the City, are as follows:

Year ending <u>June 30</u>	
2012	\$ 1,845,058
2013	3,124,676
2014	2,040,963
2015	1,883,363
2016-2020	4,693,659
2021-2023	<u>1,114,082</u>
	<u>\$ 14,701,801</u>

### (4) **JOINT VENTURE AND COMMITMENTS**

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

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

As part of the Agreement, the WRA issued debt to advance refund the sewer revenue refunding bonds Series 1997C and 2002D and the state revolving loans SRF2 and SRF3 of the City of Des Moines. In addition, state revolving loans SRF4, SRF6 and SRF7 were reassigned from the City of Des Moines to the WRA.

## CITY OF ALTOONA

### Notes to Financial Statements - Continued

June 30, 2012

#### (4) JOINT VENTURE AND COMMITMENTS - CONTINUED

The City of Altoona retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation. Although the debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the communities were a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2004A, 2004B, 2006 and the 2008 and 2009 State Revolving Loan Funds include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

The WRA Sewer Revenue Bonds Series 2004B and 2006 bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2012, the Series 2004B bonds had a balance of \$60,025,000 and the City of Altoona's estimated future allocation based on the WRA flows is currently \$3,408,429, or 5.68%. As of June 30, 2012, the Series 2006 bonds had a balance of \$34,985,000 and the City of Altoona's estimated future allocation based on the WRA Flows is currently \$2,099,167 or 6.00%. The State Revolving Loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2012 the state revolving loans had a balance of \$153,679,699 and the City of Altoona's estimated future allocation based on the WRA flows is currently \$8,904,280 or 5.79%. The pre 2004 state revolving loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2012 the WRA had \$6,139,000 in outstanding pre 2004 State Revolving Loans, of which \$-0- of future principal debt service is a commitment of the City of Altoona.

The WRA Agreement does not provide for the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation will be paid. Pursuant to the new agreement, the City's investment in the joint venture under the I.C.A. Agreement has been contributed to the new WRA organization. The City retains a reversionary interest percentage in the net assets of the WRA redeemable only in the event the WRA is dissolved. During the year ended June 30, 2012, the City paid the WRA \$1,446,158 for operations, maintenance, equipment replacements and debt service payments.

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

#### (5) 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 \$444,174, \$402,430 and \$321,699, respectively, equal to the required contributions for each year.

**CITY OF ALTOONA**

Notes to Financial Statements - Continued

June 30, 2012

**(6) OTHER POSTEMPLOYMENT 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 75 active and 4 retired members in the plan.

The medical/prescription drug coverage is 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 subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$544 for single coverage and \$1,359 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$870,403 and plan members eligible for benefits contributed \$87,040 to the plan.

Early Retirement Program - The City offered an early retirement program to certain employees. Four employees were offered single medical insurance paid by the City if they retire by June 30, 2012. Total paid for this insurance in the year ending June 30, 2012 was \$26,112.

**(7) COMPENSATED ABSENCES**

City employees accumulate a limited amount of earned but unused vacation and compensation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for these earned vacation and sick leave termination payments payable to employees at June 30, 2012, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 392,545
Sick leave	<u>904,950</u>
Total	<u>\$1,297,495</u>

This liability has been computed based on rates of pay as of June 30, 2012.

**(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 Fund	Enterprise:	
	Water Fund	\$ 276,376
	Sewer Fund	414,565
	Special Revenue:	
	Drug Enforcement Agency	17,598

**CITY OF ALTOONA**

Notes to Financial Statements - Continued

June 30, 2012

**(8) INTERFUND TRANSFERS**

Transfer to	Transfer from	Amount
Special Revenue		
Tax increment financing	Enterprise:	
	Storm Water	51,169
	Capital Projects	136,748
Debt Service Fund	Special Revenue:	
	Tax Increment Financing	8,017,343
	Enterprise:	
	Sewer Fund	2,634,687
Capital Projects	Special Revenue:	
	Tax Increment Financing	27,157
Enterprise:	Special Revenue:	
Water	Tax Increment Financing	229,862
	Enterprise:	
	Stormwater	127,522
Enterprise:	Enterprise:	
Sewer	Stormwater	102,972
Internal Service	General Fund	120,000
	Enterprise:	
	Water Fund	25,000
Total		<u>\$12,180,999</u>

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

**(9) RISK MANAGEMENT**

The City is a member in 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. There have been no reductions in insurance coverage from prior years.

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.

# CITY OF ALTOONA

## Notes to Financial Statements - Continued

June 30, 2012

### (9) RISK MANAGEMENT - CONTINUED

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are 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-end 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.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2012 were \$174,159.

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 reinsured. 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 members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. 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. 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 ALTOONA

## Notes to Financial Statements - Continued

June 30, 2012

### (10) DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan as allowed by Internal Revenue Code Section 457. The plan allows City employees to defer a portion of their current salary until future years. These funds are held in trust for participating employees by a third party investor.

### (11) CONSTRUCTION CONTRACTS

At June 30, 2012, the City had entered into construction contracts of approximately \$10,912,000 for various projects. At June 30, 2012 these projects will require future payments of approximately \$1,161,000 upon completion.

### (12) IOWA EVENTS CENTER

The City agreed to commit City funding for the financing of the construction of the Iowa Events Center Project located on and around the area adjacent to Veteran's Memorial Auditorium in Des Moines.

The City provided a grant of \$291,774, to be used by the county for the project. The City grant is made to assist the county in project financing. The project is determined to benefit the residents of the City and the county.

The first grant installment was disbursed by the City September 16, 2004 in the amount of \$36,471.75. Identical amounts are to be paid through fiscal year 2012.

### (13) REVENUE RESERVE BALANCES

Revenue reserve balances are not available for general operating use. They are included with their respective water or sewer cash balances on Exhibit D. Cash balances at end of year are summarized as follows:

	Water	Sewer	Deposits	Garbage	Storm Water	Recycling	Total
General operation	\$6,483,014	\$4,860,470	\$90,094	\$127,459	\$337,521	\$43,325	\$11,941,883
Sinking fund	99,764	5,948	-	-	-	-	105,712
Revenue reserve fund	962,384	546,179	-	-	-	-	1,508,563
	<u>\$7,545,162</u>	<u>\$5,412,597</u>	<u>\$90,094</u>	<u>\$127,459</u>	<u>\$337,521</u>	<u>\$43,325</u>	<u>\$13,556,158</u>

### (14) SUBSEQUENT EVENTS

The City has evaluated all subsequent events through October 15, 2012, the date the financial statements were available to be issued.

### (15) SEVERANCE AGREEMENT

Effective July 1, 2012, the City entered into a 2 year agreement with the City Administrator which formally identifies the financial obligation of the City to its City Administrator in the event of an involuntary employment termination. The agreement provides for a termination payment equal to six months of compensation plus paid health (single and family) insurance for the same period, as well as payment for all accrued but unused vacation and sick time at termination.

## CITY OF ALTOONA

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds  
Other Information  
Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to Be Budgeted	Total
<b>Receipts:</b>				
Property tax	\$ 5,021,741	\$ -	\$ -	\$ 5,021,741
Tax increment financing collections	9,851,865	-	-	9,851,865
Other City tax	585,395	-	-	585,395
Licenses and permits	614,849	-	-	614,849
Uses of money and property	48,611	12,507	-	61,118
Intergovernmental	3,062,135	-	-	3,062,135
Charges for service	469,502	8,780,520	-	9,250,022
Miscellaneous	1,150,540	128,825	-	1,279,365
Total receipts	<u>20,804,638</u>	<u>8,921,852</u>	-	<u>29,726,490</u>
<b>Disbursements:</b>				
Public safety	4,765,641	812,998	812,998	4,765,641
Public works	1,367,998	258,630	258,630	1,367,998
Health and social services	22,848	-	-	22,848
Culture and recreation	1,479,311	-	-	1,479,311
Community and economic development	3,510,266	-	-	3,510,266
General government	1,015,172	6,802	6,802	1,015,172
Debt service	11,020,620	-	-	11,020,620
Capital projects	1,229,016	-	-	1,229,016
Business type activities	-	7,862,321	36,290	7,826,031
Total disbursements	<u>24,410,872</u>	<u>8,940,751</u>	<u>1,114,720</u>	<u>32,236,903</u>
Excess (deficiency) of receipts over (under) disbursements	(3,606,234)	(18,899)	(1,114,720)	(2,510,413)
Other financing sources (uses), net	<u>3,026,935</u>	<u>1,907,715</u>	<u>1,169,650</u>	<u>3,765,000</u>
Deficiency of receipts and other financing sources under disbursements and other financing sources (uses)	(579,299)	1,888,816	54,930	1,254,587
Balances beginning of year	<u>15,697,410</u>	<u>11,787,869</u>	<u>65,597</u>	<u>27,419,682</u>
Balances end of year	<u>\$ 15,118,111</u>	<u>\$ 13,676,685</u>	<u>\$ 120,527</u>	<u>\$ 28,674,269</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual Variance-Positive (Negative)
Original	Final	
\$ 4,526,299	\$ 4,526,299	\$ 495,442
10,044,679	10,044,679	(192,814)
657,354	657,354	(71,959)
324,500	324,500	290,349
218,500	218,500	(157,382)
2,231,299	3,331,299	(269,164)
8,554,354	9,259,354	(9,332)
1,006,500	1,056,500	222,865
27,563,485	29,418,485	308,005
4,576,494	4,773,994	8,353
1,340,705	1,436,705	68,707
25,000	25,000	2,152
1,622,504	1,682,004	202,693
2,991,699	3,721,699	211,433
1,047,407	1,047,407	32,235
8,686,848	11,056,848	36,228
1,187,082	1,495,602	266,586
10,154,198	10,658,348	2,832,317
31,631,937	35,897,607	3,660,704
(4,068,452)	(6,479,122)	3,968,708
2,539,800	4,939,800	(1,174,799)
(1,528,652)	(1,539,322)	2,793,909
22,394,669	22,394,669	5,025,013
<u>\$ 20,866,017</u>	<u>\$ 20,855,347</u>	<u>\$ 7,818,992</u>

## CITY OF ALTOONA

### Required Supplemental Information

#### Notes To Required Supplementary Information - Budgetary Reporting

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 on the cash basis following required public notice and hearing for all funds and internal service funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. 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 project funds 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, a budget amendment decreased budgeted disbursements by \$4,265,670. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, no disbursements exceeded the amounts budgeted.

## **Supplementary Information**

**CITY OF ALTOONA**

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2012

	Special Revenue		Capital Projects	
	Employee Benefits	Drug Enforcement Agency	Westside Sewer	NE Rise Project
Receipts:				
Property tax	\$323,118	\$ -	\$ -	\$ -
Use of money and property:				
Interest on investments	-	-	-	-
Intergovernmental	-	13,286	-	-
Miscellaneous	-	3,882	145,735	-
Total receipts	<u>323,118</u>	<u>17,168</u>	<u>145,735</u>	<u>-</u>
Disbursements:				
Operating:				
Public safety	138,108	111,116	-	-
Public works	97,507	-	-	-
Community and Economic Development	87,503	-	-	-
Capital projects	-	-	32,694	-
Total disbursements	<u>323,118</u>	<u>111,116</u>	<u>32,699</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	-	(93,948)	113,041	-
Other financing sources (uses):				
Operating transfers in	-	-	27,157	-
Operating transfers out	-	(17,598)	(140,198)	-
Total other financing sources (uses)	<u>-</u>	<u>(17,598)</u>	<u>(113,041)</u>	<u>-</u>
Net change in cash balances	-	(111,546)	-	-
Cash balances beginning of year	<u>-</u>	<u>212,357</u>	<u>-</u>	<u>19,127</u>
Cash balances end of year	<u>\$ -</u>	<u>\$ 100,811</u>	<u>\$ -</u>	<u>\$ 19,127</u>
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Other purposes	\$ -	\$100,811	\$ -	\$ -
Capital project funds	-	-	-	19,127
Total cash basis fund balances	<u>\$ -</u>	<u>\$100,811</u>	<u>\$ -</u>	<u>\$ 19,127</u>

See accompanying independent auditor's reports.

Parks	Other	Total
\$ -	\$ -	\$ 323,118
-	1	1
-	-	13,286
-	-	149,617
-	1	486,022
-	-	249,224
-	-	97,507
-	-	87,503
3,450	-	36,144
3,450	-	470,378
(3,450)	1	15,644
3,450	-	30,607
-	(4,562)	(162,358)
3,450	(4,562)	(131,751)
-	(4,561)	(116,107)
-	10,533	242,017
\$ -	\$ 5,972	\$ 125,910
\$ -	\$ -	\$ 100,811
-	5,972	25,099
\$ -	\$ 5,972	\$ 125,910

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**CITY OF ALTOONA**

## Schedule of Indebtedness

Year ended June 30, 2012

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Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate purpose Series 2003A	Oct 20, 2003	N/A %	3,940,000
Refunding notes, Series 2005	Feb 15, 2005	3.35 - 3.75	2,715,000
Urban renewal/corporate purpose Series 2005B	Dec 15, 2005	3.60 - 3.95	6,265,000
Refunding bonds Series 2006A	Mar 29, 2006	N/A	2,200,000
Urban renewal/corporate purpose Series 2006B	Jun 1, 2006	4.00 - 4.375	7,145,000
Urban renewal/corporate purpose Series 2007A	May 1, 2007	3.60 - 3.95	5,600,000
Urban renewal/corporate purpose Series 2007B	Oct 1, 2007	3.60 - 4.00	2,355,000
Urban renewal/corporate purpose taxable Series 2009A (BAB)	Jun 9, 2009	3.15 - 6.50	5,295,000
Urban renewal/corporate purpose Series 2009D	Aug 17, 2009	2.50 - 4.50	5,400,000
Urban renewal/refunding:			
Series 2010A	Mar 11, 2010	2.00 - 3.00	4,335,000
Series 2010B	Jul 12, 2010	3.00 - 4.00	3,565,000
Corporate purpose Series 2011A	Jul 5, 2011	0.60 - 2.60	1,035,000
Refunding bonds, Series 2012	Apr 16, 2012	.35 - 2.00	2,425,000
Revenue Bonds:			
Water Series 2004B	Sept 1, 2004	4.00 - 4.70	4,280,000
Water refunding Series 2008	Apr 28, 2008	3.20 - 3.80	1,660,000
Water taxable Series 2009C (BAB)	Jun 17, 2009	3.00 - 6.375	3,750,000
Urban renewal tax Increment Series 2008	Jul 1, 2008	4.375 - 6.00	56,470,000
Sewer Series 2011B	Jul 5, 2011	2.00 - 3.40	1,500,000

Total

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 2,530,000	\$ -	\$2,530,000	\$ -	\$ 104,686
1,465,000	-	285,000	1,180,000	51,050
4,735,000	-	445,000	4,290,000	178,228
245,000	-	245,000	-	9,065
5,270,000	-	430,000	4,840,000	223,338
4,435,000	-	325,000	4,110,000	167,940
2,010,000	-	130,000	1,880,000	76,600
5,195,000	-	100,000	5,095,000	283,400
5,200,000	-	100,000	5,100,000	195,178
3,930,000	-	435,000	3,495,000	91,678
3,470,000	-	580,000	2,890,000	115,556
10,350	1,024,650	100,000	935,000	14,526
-	2,425,000	-	2,425,000	-
38,495,350	3,449,650	5,705,000	36,240,000	1,511,245
3,520,000	-	220,000	3,300,000	152,010
1,250,000	-	185,000	1,065,000	43,470
3,550,000	-	100,000	3,450,000	199,788
56,470,000	-	500,000	55,970,000	3,304,375
15,000	1,485,000	100,000	1,400,000	34,955
64,805,000	1,485,000	1,105,000	65,185,000	3,734,598
<u>\$103,300,350</u>	<u>\$4,934,650</u>	<u>\$ 6,810,000</u>	<u>\$101,425,000</u>	<u>\$5,245,843</u>

**CITY OF ALTOONA**

Bond Maturities

June 30, 2012

Year Ending June 30,	Refunding Notes Series 2005		Urban Renewal Corporate Purpose Series 2005B		Urban Renewal Corporate Purpose Series 2006B	
	Issued February 15, 2005		Issued December 15, 2005		Issued December 15, 2005	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2013	3.35%	\$ 280,000	3.60%	\$ 460,000	4.00%	\$ 450,000
2014	3.50	300,000	3.65	480,000	4.25	465,000
2015	3.60	300,000	3.70	500,000	4.25	490,000
2016	3.75	300,000	3.75	520,000	4.25	510,000
2017	-	-	3.80	545,000	4.25	535,000
2018	-	-	3.85	570,000	4.25	555,000
2019	-	-	3.90	595,000	4.25	585,000
2020	-	-	3.95	620,000	4.375	610,000
2021	-	-	-	-	4.375	640,000
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
Total		<u>\$ 1,180,000</u>		<u>\$ 4,290,000</u>		<u>\$ 4,840,000</u>

See accompanying independent auditor's report.

General Obligation Bonds					
Urban Renewal Corporate Purpose Series 2007A Issued May 1, 2007		Urban Renewal Corporate Purpose Series 2007B Issued October 1, 2007		Urban Renewal Corporate Purpose Series 2009A Issued June 9, 2007	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
3.60%	\$ 335,000	3.60%	\$ 135,000	3.15%	\$ 100,000
3.625	350,000	3.65	140,000	3.80	240,000
3.70	365,000	3.70	145,000	4.20	245,000
3.75	380,000	3.70	155,000	4.60	255,000
3.80	400,000	3.75	160,000	5.00	560,000
3.80	415,000	3.80	170,000	5.00	780,000
3.85	435,000	3.85	175,000	5.35	100,000
3.90	455,000	3.90	185,000	5.60	100,000
3.90	475,000	3.95	195,000	5.80	100,000
3.95	500,000	4.00	205,000	5.90	325,000
-	-	4.00	215,000	6.00	340,000
-	-	-	-	6.10	355,000
-	-	-	-	6.20	370,000
-	-	-	-	6.30	390,000
-	-	-	-	6.40	405,000
-	-	-	-	6.50	430,000
-	-	-	-	-	-
-	-	-	-	-	-
	<u>\$ 4,110,000</u>		<u>\$1,880,000</u>		<u>\$ 5,095,000</u>

**CITY OF ALTOONA**

**Bond Maturities - Continued**

June 30, 2012

Year Ending June 30,	Urban Renewal Corporate Purpose Series 2009D		Urban Renewal Refunding Series 2010A		General Obligation Bonds Urban Renewal Corporate Purpose Series 2010B	
	Issued August 17, 2009		Issued March 11, 2009		Issued July 12, 2010	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2013	2.50%	\$ 100,000	2.00%	\$ 450,000	3.000%	\$ 290,000
2014	2.50	230,000	2.00	465,000	3.000	100,000
2015	2.50	235,000	2.00	485,000	3.000	100,000
2016	2.75	250,000	2.20	495,000	3.000	105,000
2017	3.00	260,000	2.50	515,000	3.000	105,000
2018	3.20	275,000	2.75	535,000	3.000	360,000
2019	3.40	100,000	3.00	550,000	3.000	125,000
2020	3.60	100,000	-	-	3.125	125,000
2021	3.75	300,000	-	-	3.250	130,000
2022	3.90	320,000	-	-	3.375	135,000
2023	4.00	340,000	-	-	3.500	140,000
2024	4.05	365,000	-	-	3.625	150,000
2025	4.10	390,000	-	-	3.750	155,000
2026	4.20	415,000	-	-	3.750	160,000
2027	4.30	440,000	-	-	3.750	165,000
2028	4.40	475,000	-	-	3.875	175,000
2029	4.50	505,000	-	-	4.000	180,000
2030	-	-	-	-	4.000	190,000
<b>Total</b>		<u>\$ 5,100,000</u>		<u>\$ 3,495,000</u>		<u>\$ 2,890,000</u>

See accompanying independent auditor's report.

Corporate Purpose Series 2011A Issued July 5, 2011		Refunding Bonds Series 2012 Issued April 16, 2012		Total
Interest Rates	Amount	Interest Rates	Amount	
.60	% \$100,000	.35%	\$ 175,000	\$ 2,875,000
.80	100,000	.45	190,000	3,060,000
1.10	100,000	.60	200,000	3,165,000
1.40	100,000	.75	205,000	3,275,000
1.70	100,000	.90	210,000	3,390,000
2.00	105,000	1.10	220,000	3,985,000
2.20	105,000	1.30	225,000	2,995,000
2.40	110,000	1.50	235,000	2,540,000
2.60	115,000	1.60	245,000	2,200,000
-	-	1.75	255,000	1,740,000
-	-	2.00	265,000	1,300,000
-	-	-	-	870,000
-	-	-	-	915,000
-	-	-	-	965,000
-	-	-	-	1,010,000
-	-	-	-	1,080,000
-	-	-	-	685,000
-	-	-	-	190,000
	<u>\$935,000</u>		<u>\$2,425,000</u>	<u>\$36,240,000</u>

**CITY OF ALTOONA**

Bond Maturities - Continued

June 30, 2012

Year Ending June 30,	Revenue Bonds					
	Water Series 2004B		Water Refunding		Water Series 2009C	
	Issued September 1, 2004		Issued April 28, 2008		Issued June 17, 2009	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2013	4.00%	\$ 230,000	3.20%	\$ 220,000	3.30%	\$ 100,000
2014	4.00	240,000	3.40	230,000	4.00	100,000
2015	4.00	255,000	3.60	240,000	4.30	105,000
2016	4.10	265,000	3.70	200,000	5.00	100,000
2017	4.20	280,000	3.80	175,000	5.20	120,000
2018	4.30	295,000	-	-	5.375	200,000
2019	4.40	310,000	-	-	5.50	205,000
2020	4.50	330,000	-	-	5.50	210,000
2021	4.50	345,000	-	-	5.70	215,000
2022	4.60	365,000	-	-	5.80	220,000
2023	4.70	385,000	-	-	5.90	230,000
2024	-	-	-	-	6.00	240,000
2025	-	-	-	-	6.00	255,000
2026	-	-	-	-	6.10	265,000
2027	-	-	-	-	6.20	280,000
2028	-	-	-	-	6.30	295,000
2029	-	-	-	-	6.375	310,000
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
2041	-	-	-	-	-	-
2042	-	-	-	-	-	-
2043	-	-	-	-	-	-
Total		<u>\$ 3,300,000</u>		<u>\$1,065,000</u>		<u>\$3,450,000</u>

See accompanying independent auditor's report.

Urban Renewal TIF Series 2008 Issued July 1, 2008		Sewer Series 2011B Issued July 5, 2011		Total
Interest Rates	Amount	Rates	Amount	
5.00%	\$ 500,000	2.00%	\$ 100,000	\$1,150,000
5.00	1,000,000	2.25	100,000	1,670,000
5.00	1,000,000	2.25	100,000	1,700,000
5.00	1,000,000	2.25	100,000	1,665,000
5.00	1,000,000	2.25	100,000	1,675,000
5.00	400,000	2.25	100,000	995,000
-	-	2.30	100,000	615,000
-	-	2.55	100,000	640,000
-	-	2.75	100,000	660,000
-	-	2.95	100,000	685,000
5.625	2,000,000	3.00	100,000	2,715,000
-	-	3.10	100,000	340,000
5.75	2,000,000	3.30	100,000	2,355,000
-	-	3.40	100,000	365,000
-	-	-	-	280,000
6.00	4,790,000	-	-	5,085,000
-	-	-	-	310,000
-	-	-	-	-
5.75	5,680,000	-	-	5,680,000
-	-	-	-	-
-	-	-	-	-
6.00	6,860,000	-	-	6,860,000
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
6.00	14,590,000	-	-	14,590,000
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
6.00	<u>15,150,000</u>	-	<u>-</u>	<u>15,150,000</u>
	<u>\$55,970,000</u>		<u>\$1,400,000</u>	<u>\$65,185,000</u>

**CITY OF ALTOONA**

Schedule of Receipts/Proceeds by Source and Disbursements by Function -  
All Governmental and Proprietary Funds

For the Last Ten Years

	Years ended June 30,				
	2012	2011	2010	2009	2008
<b>Receipts:</b>					
Property tax	\$ 5,021,741	\$ 4,355,302	\$ 3,950,148	\$ 3,778,173	\$ 3,601,632
Other city tax:					
Hotel/motel	585,395	542,119	565,666	563,372	599,010
Total property and other city tax	5,607,136	4,897,421	4,515,814	4,341,545	4,200,642
Lottery	914,254	913,797	879,556	914,162	958,685
Tax increment financing collections	9,851,865	9,444,161	8,765,067	8,001,868	6,254,969
Licenses and permits	614,849	539,268	308,323	246,052	318,778
Use of money and property	61,118	97,370	199,772	730,201	575,786
Intergovernmental:					
Road use tax	1,377,054	1,314,053	1,233,824	1,103,581	1,139,532
Library	77,791	82,788	88,060	96,104	83,362
State allocation	20,202	33,962	35,068	34,696	69,005
Grants	1,521,166	593,735	2,599,528	1,352,882	-
Bank franchise tax	-	-	-	-	-
Drug enforcement	13,286	30,015	67,680	347,311	106,988
Miscellaneous	52,636	61,783	21,414	31,608	35,655
Total intergovernmental	3,062,135	2,116,336	4,045,574	2,966,182	1,434,542
Charges for service	9,250,022	8,486,032	7,724,047	7,376,049	6,859,821
Special assessments	-	-	3,341	3,043	3,230
Bond proceeds	4,934,650	3,567,357	9,676,353	67,260,000	4,015,000
Miscellaneous	365,111	549,408	316,346	481,284	293,559
<b>Total</b>	<b>\$34,661,140</b>	<b>\$30,611,150</b>	<b>\$36,434,193</b>	<b>\$92,071,291</b>	<b>\$24,915,012</b>
<b>Disbursements:</b>					
Operating:					
Public safety	\$ 5,578,639	\$ 4,817,835	\$ 4,699,350	\$ 4,263,900	\$ 4,193,948
Public works	1,626,628	1,353,006	1,467,668	1,336,974	1,194,285
Health and social services	22,848	23,232	18,299	9,325	-
Culture and recreation	1,479,311	1,499,883	1,801,913	1,989,840	2,594,010
Community and economic development	3,510,266	2,618,273	2,603,576	3,649,078	6,841,063
General government	1,021,974	840,368	873,812	737,102	731,258
Debt service	11,020,620	8,399,930	14,246,153	7,530,701	4,156,070
Capital projects	1,229,016	3,387,919	13,491,454	44,474,141	6,450,292
Business type activities	7,862,321	5,475,995	7,855,645	5,120,349	7,279,771
<b>Total</b>	<b>\$33,351,623</b>	<b>\$28,416,441</b>	<b>\$47,057,870</b>	<b>\$69,111,410</b>	<b>\$33,440,697</b>

See accompanying independent auditor's report.

2007	2006	2005	2004	2003
\$ 3,325,891	\$ 3,120,958	\$ 2,997,641	\$ 2,865,547	\$ 2,678,720
490,300	503,295	526,819	484,003	447,529
3,816,191	3,624,253	3,524,460	3,349,550	3,126,249
939,293	874,863	883,267	-	-
5,997,960	4,668,981	3,822,352	3,438,325	2,733,657
452,064	628,498	618,660	601,370	455,624
281,569	315,202	147,827	65,037	83,432
1,108,570	988,327	860,477	861,943	842,356
133,823	126,913	129,285	134,060	119,155
36,713	30,178	17,555	15,198	12,769
39,873	31,540	602	537,972	195,680
-	-	2,262	15,198	-
50,841	81,328	41,415	164,451	35,057
444	5,960	10,393	20,803	199,141
1,370,264	1,264,246	1,061,989	1,749,625	1,404,158
6,830,501	6,145,117	5,647,020	5,351,291	4,371,909
7,468	5,965	6,321	-	-
5,600,000	15,610,000	9,975,000	4,895,000	-
101,727	231,101	548,622	858,320	891,249
\$25,397,037	\$33,368,226	\$26,235,518	\$20,308,518	\$13,066,278
\$ 3,679,699	\$ 3,218,701	\$ 2,723,329	\$ 2,467,932	\$ 2,287,810
1,308,267	1,140,280	950,001	1,072,167	1,681,339
-	-	-	-	-
1,721,752	1,766,112	1,589,834	2,389,236	1,278,648
1,972,798	1,833,179	1,686,510	1,208,469	776,225
671,264	716,705	249,959	344,160	390,571
3,290,010	4,810,661	2,385,084	2,552,061	1,937,512
9,460,450	4,406,379	6,418,797	531,572	3,193,364
5,880,121	7,002,715	5,289,755	7,507,277	3,222,362
\$27,984,361	\$24,894,732	\$21,293,269	\$18,072,874	\$14,767,831

**City of Altoona**



**MARTENS & COMPANY, CPA, LLP**

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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, each major fund and the aggregate remaining fund information of the City of Altoona, 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 October 15, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Altoona's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as items II-A-12 and II-B-12 to be material weaknesses.

## Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Altoona and other parties to whom the City of Altoona 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 Altoona 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.

*Martens + Company, CPA, LLP*

West Des Moines, Iowa  
October 15, 2012

# CITY OF ALTOONA

## Schedule of Findings

Year ended June 30, 2012

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

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

## CITY OF ALTOONA

### Schedule of Findings - Continued

Year ended June 30, 2012

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

##### **SIGNIFICANT DEFICIENCIES:**

- II-A-12 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the following functions are not entirely segregated: cash receipts, general ledger posting, reconciliations and investment control and custody.

Recommendation - We realize that segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Response - We will consider this.

Conclusion - Response acknowledged.

- II-B-12 Computer System Control - The design and controls established over the computer system process is very important in providing assurance and financial integrity of the City's financial records. We noted some weaknesses in the policies and controls.

Recommendation - A non-water fire suppression system should be installed. There should be a written procedures plan.

Response - We will consider these recommendations.

Conclusion - Response acknowledged. Once established, the recommended policies and procedures will add a measure of assurance to the City's financial records.

##### **INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

## CITY OF ALTOONA

### Schedule of Findings - Continued

Year ended June 30, 2012

#### **Part III: Other Findings Related to Required Statutory Reporting:**

- III-A-12 Questionable Disbursements - We noted no expenditures for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- III-B-12 Travel Expenses - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-C-12 Business Transactions - There were no business transactions noted between the City and City officials or employees.
- III-D-12 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- III-E-12 Council Minutes - No transactions were found that we believe should have been approved in the Council Minutes but were not.
- III-F-12 Revenue Bonds - No instances of non-compliance with the Revenue Bond and Note Resolutions were noted.
- III-G-12 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-H-12 Certified Budget - Disbursements during the year ended June 30, 2012 did not exceed the certified budget.