

CITY OF TOLEDO

Independent Auditors' Reports
Basic Financial Statements
Supplementary and Other Information
Schedule of Findings
June 30, 2012

CITY OF TOLEDO

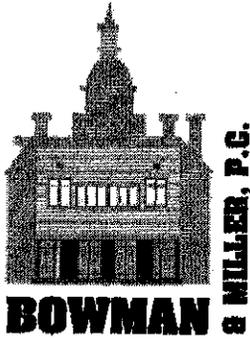
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CITY OF TOLEDO

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2012)		
Pam Wood	Mayor	Jan 2012
Daniel Ferris	Mayor Pro-Tem	Jan 2012
Duane Pansegrau	Council Member	Jan 2012
Brian Sokol	Council Member	Jan 2014
Elmer (Skip) Wilson	Council Member	Jan 2014
Travis Mullen	Council Member	Jan 2014
Julie Wilkerson	Clerk/Treasurer	Indefinite
Nancy Burk	Attorney	Indefinite
(After January 2012)		
Dave Svoboda	Mayor	Jan 2014
Brian Sokol	Mayor Pro-Tem	Jan 2014
Elmer (Skip) Wilson	Council Member	Jan 2014
Travis Mullen	Council Member	Jan 2014
Terry Goodhart	Council Member	Jan 2016
Jeff Filloon	Council Member	Jan 2016
Julie Wilkerson	Clerk/Treasurer	Indefinite
Nancy Burk	Attorney	Indefinite



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Toledo, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Toledo's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated October 12, 2012 on our consideration of the City of Toledo's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Toledo's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements

for the nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 5 is presented for the 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 Toledo's basic financial statements. Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 24 through 26 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.

Bowman and Miller, P.C.

Marshalltown, Iowa
October 12, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Toledo provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 12.7%, or approximately \$312,000, from fiscal year 2011 to fiscal year 2012. Property tax receipts increased approximately \$165,000 while capital grants, contributions and restricted interest decreased approximately \$454,000.
- Disbursements of the City's governmental activities decreased 9.9%, or approximately \$270,000, in fiscal year 2012 from fiscal year 2011. Public safety and debt service disbursements increased approximately \$184,000 and \$98,000, respectively, while disbursements for public works decreased approximately \$843,000.
- The City's total cash basis net assets decreased 2.1%, or approximately \$42,000, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities decreased approximately \$72,000 while the assets of the business type activities increased approximately \$30,000.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

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

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

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 the nonmajor governmental funds, nonmajor enterprise funds and the City's indebtedness.

BASIS OF ACCOUNTING

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

present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system, solid waste, community center and child care facility. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from \$344,719 to \$272,724. The analysis that follows focuses on the changes in cash basis net assets for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year Ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service	\$ 274,752	303,979
Operating grants, contributions and restricted interest	296,229	297,128
Capital grants, contributions and restricted interest	281,489	735,214
General receipts:		
Property tax	994,742	830,125
Other city tax	111,889	103,282
Local option sales tax	100,333	159,302
Unrestricted interest on investments	260	510
Miscellaneous	81,409	23,582
Total receipts	<u>2,141,103</u>	<u>2,453,122</u>
Disbursements:		
Public safety	775,382	591,036
Public works	275,551	1,118,827
Culture and recreation	322,408	316,721
Community and economic development	10,394	9,880
General government	241,831	269,665
Debt service	468,667	370,785
Capital projects	358,033	45,409
Total disbursements	<u>2,452,266</u>	<u>2,722,323</u>
Change in cash basis net assets before transfers	(311,163)	(269,201)
Transfers, net	<u>239,168</u>	<u>-</u>
Change in cash basis net assets	(71,995)	(269,201)
Cash basis net assets beginning of year	<u>344,719</u>	<u>613,920</u>
Cash basis net assets end of year	<u>\$ 272,724</u>	<u>344,719</u>

The City's total receipts for governmental activities decreased by 12.7%, or \$312,019. The total cost of all governmental programs and services decreased by \$270,057, or 9.9%, with no new programs added during the year.

The significant decrease in receipts was primarily due to the receipt of an I-Jobs grant from the State of Iowa in the amount of \$705,543 in the prior fiscal year to relocate the public works facility. The significant decrease in disbursements was primarily due to the engineering fees and construction expenses incurred in the prior fiscal year for the new public works building, which totaled approximately \$900,000.

The cost of all governmental activities this year was \$2,452,266 compared to \$2,722,323 last year. However, as shown on the Statement of Activities and Net Assets on pages 10-11, the amount taxpayers ultimately financed for these activities was only \$1,599,796 because some of the cost was paid by those who directly benefited from the programs (\$274,752) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$577,718). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2012 by over \$312,000 due to state aid received for the new public works facility in the prior fiscal year. The City paid the remaining "public benefit" portion of governmental activities (\$1,599,796) with taxes (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year Ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 303,582	294,506
Sewer	501,568	507,839
Solid waste	36,799	22,286
Reinig estate	37,185	58,880
Child care facility	-	25,581
Operating grants, contributions and restricted interest	24,127	18,609
Capital grants, contributions and restricted interest	-	7,599
Revenue note proceeds	45,887	809,017
Miscellaneous	35,092	3,715
Total receipts	<u>984,240</u>	<u>1,748,032</u>
Disbursements:		
Water	287,505	216,530
Sewer	302,124	818,693
Solid waste	41,285	34,640
Reinig estate	63,236	70,608
Child care facility	20,880	20,880
Total disbursements	<u>715,030</u>	<u>1,161,351</u>
Change in cash basis net assets before transfers	269,210	586,681
Transfers, net	<u>(239,168)</u>	<u>-</u>
Change in cash basis net assets	30,042	586,681
Cash basis net assets beginning of year	<u>1,622,586</u>	<u>1,035,905</u>
Cash basis net assets end of year	<u>\$ 1,652,628</u>	<u>1,622,586</u>

Total business type activities receipts for the fiscal year were \$984,240 compared to \$1,748,032 last year. The significant decrease was primarily due to the proceeds of two sewer revenue bonds for the construction of a new wastewater treatment plant in the prior year. Total disbursements for business type activities for the fiscal year were \$715,030 which was a decrease of \$446,321 from the prior year due the

construction for the new wastewater treatment facility project being completed in the prior year. The cash balance for business type activities increased \$30,042 from the prior fiscal year primarily due to the decrease in expenses related to the new wastewater treatment plant.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Toledo completed the year, its governmental funds reported a combined fund balance of \$272,724, a decrease of \$71,995 from last year's total of \$344,719. The following are the major reasons for the changes in fund balance of the major funds from the prior year.

- The General Fund cash balance decreased by \$83,995. This is due mainly to an increase in public safety disbursements as a result of purchasing a new ambulance during the current year.
- The Special Revenue, Employee Benefits Fund cash balance for fiscal year 2012 was \$162, a decrease of \$59,583 from 2011. The reason for the decrease is due to an increase in operating disbursements in the current year.
- The Special Revenue, Road Use Tax Fund cash balance increased by \$168,568 during the fiscal year. The fund's cash balance increased due to more dollars transferred in from other funds.
- The Debt Service Fund cash balance remained virtually unchanged from the prior year.
- The Capital Projects, Street Project Fund cash balance increased by \$20,200. The increase is primarily due to an increase in dollars transferred in from other funds during the current year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Utility Fund cash balance decreased by \$109,823 to \$591,237. The decrease was primarily due to more dollars transferred out to other funds.
- The Sewer Utility Fund cash balance increased by \$125,577 to \$1,032,943, primarily due to the fewer operating expenses as a result of the construction for the new wastewater treatment facility being completed in the prior year.
- The Child Care Facility Fund cash balance remained virtually unchanged from the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 14, 2012, and included an increase of \$272,272 to revenues and a decrease of \$23,045 to expenses. The amendment was to redistribute budgeted funds to the correct service area and account for additional funding from the Iowa Department of Transportation related to the Broadway and McClellan Street Project. Even with the budget amendment, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, debt service and capital projects functions.

DEBT ADMINISTRATION

At June 30, 2012, the City had \$4,121,505 in bonds and other long-term debt outstanding, compared to \$5,642,473 last year as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2012	2011
General obligation bonds	\$ 2,255,000	2,375,000
General obligation note	150,000	391,116
Revenue bond	231,291	231,291
Revenue notes	1,485,214	2,645,066
Total	<u>\$ 4,121,505</u>	<u>5,642,473</u>

Debt decreased primarily as a result of the forgiveness of the ARRA Forgivable loan for the new wastewater treatment construction project in the amount of \$1,154,000.

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The city's outstanding general obligation debt of \$2,405,000 is below its constitutional debt limit of \$4,721,493.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Toledo's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for various City activities.

During next fiscal year 2012-2013, the City has no plans to undertake any major capital projects as they completed the projects for the new public works and wastewater treatment facilities in the prior year, however, the City does plan to purchase a new fire truck. The City will be focusing on monitoring fund balances and repaying their outstanding debt balances, most of which arose from the two capital projects recently completed.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Julie Wilkerson
PO Box 234
Toledo, Iowa 52342

Basic Financial Statements

CITY OF TOLEDO
Statement of Activities and Net Assets-Cash Basis
As of and for the year ended June 30, 2012

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 775,382	240,683	56,020	-
Public works	275,551	-	222,047	22,390
Culture and recreation	322,408	7,432	16,270	-
Community and economic development	10,394	-	-	-
General government	241,831	26,637	1,698	-
Debt service	468,667	-	-	-
Capital projects	358,033	-	194	259,099
Total governmental activities	<u>2,452,266</u>	<u>274,752</u>	<u>296,229</u>	<u>281,489</u>
Business type activities:				
Water	287,505	303,582	1,914	-
Sewer	302,124	501,568	1,346	-
Solid waste	41,285	36,799	-	-
Reinig estate	63,236	37,185	20,795	-
Child care facility	20,880	-	72	-
Total business type activities	<u>715,030</u>	<u>879,134</u>	<u>24,127</u>	<u>-</u>
Total	<u>\$ 3,167,296</u>	<u>1,153,886</u>	<u>320,356</u>	<u>281,489</u>
General Receipts and Transfers:				
Property tax levied for:				
General purposes				
Employee benefits				
Debt service				
Other city tax				
Local option sales tax				
Unrestricted interest on investments				
Revenue note proceeds				
Miscellaneous				
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				
Property tax relief				
Other purposes				
Unrestricted				
Total cash basis net assets				

Net (Disbursements) Receipts
and Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
(478,679)	-	(478,679)
(31,114)	-	(31,114)
(298,706)	-	(298,706)
(10,394)	-	(10,394)
(213,496)	-	(213,496)
(468,667)	-	(468,667)
(98,740)	-	(98,740)
(1,599,796)	-	(1,599,796)
-	17,991	17,991
-	200,790	200,790
-	(4,486)	(4,486)
-	(5,256)	(5,256)
-	(20,808)	(20,808)
-	188,231	188,231
(1,599,796)	188,231	(1,411,565)
505,206	-	505,206
248,517	-	248,517
241,019	-	241,019
111,889	-	111,889
100,333	-	100,333
260	-	260
-	45,887	45,887
81,409	35,092	116,501
239,168	(239,168)	-
1,527,801	(158,189)	1,369,612
(71,995)	30,042	(41,953)
344,719	1,622,586	1,967,305
\$ 272,724	1,652,628	1,925,352
\$ 3,546	434,889	438,435
2,471	-	2,471
39,992	-	39,992
10,862	-	10,862
215,853	1,217,739	1,433,592
\$ 272,724	1,652,628	1,925,352

CITY OF TOLEDO
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2012

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Debt Service
Receipts:				
Property tax	\$ 505,207	-	248,517	241,019
Other city tax	90,345	-	10,950	10,594
Licenses and permits	1,832	-	-	-
Use of money and property	5,647	-	1,193	-
Intergovernmental	70,045	244,004	-	-
Charges for service	257,350	-	-	-
Special assessments	-	-	-	-
Miscellaneous	78,699	1,945	5,965	-
Total receipts	1,009,125	245,949	266,625	251,613
Disbursements:				
Operating:				
Public safety	599,450	-	175,932	-
Public works	10,195	216,370	48,986	-
Culture and recreation	246,807	-	71,992	-
Community and economic development	10,394	-	-	-
General government	212,533	-	29,298	-
Debt service	-	-	-	468,667
Capital projects	-	-	-	-
Total disbursements	1,079,379	216,370	326,208	468,667
Excess (deficiency) of receipts over (under) disbursements	(70,254)	29,579	(59,583)	(217,054)
Other financing sources (uses):				
Operating transfers in	32,863	213,989	-	220,600
Operating transfers out	(46,604)	(75,000)	-	-
Total other financing sources (uses)	(13,741)	138,989	-	220,600
Net change in cash balances	(83,995)	168,568	(59,583)	3,546
Cash balances beginning of year	285,606	(166,097)	59,745	-
Cash balances end of year	\$ 201,611	2,471	162	3,546
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -	2,471	-	-
Debt service	-	-	-	3,546
Property tax relief	-	-	-	-
Other purposes	-	-	162	-
Assigned for:				
Ambulance equipment	73,899	-	-	-
Fire equipment	43,189	-	-	-
Other purposes	43,352	-	-	-
Unassigned	41,171	-	-	-
Total cash basis fund balances	\$ 201,611	2,471	162	3,546

See notes to financial statements.

<u>Capital Projects</u>	Other	
Street	Nonmajor	
Project	Governmental	Total
Funds		
-	-	994,743
-	100,333	212,222
-	-	1,832
-	839	7,679
259,099	3,062	576,210
-	3,885	261,235
-	433	433
-	140	86,749
<u>259,099</u>	<u>108,692</u>	<u>2,141,103</u>
-	-	775,382
-	-	275,551
-	3,609	322,408
-	-	10,394
-	-	241,831
-	-	468,667
342,223	15,810	358,033
<u>342,223</u>	<u>19,419</u>	<u>2,452,266</u>
(83,124)	89,273	(311,163)
103,324	5,124	575,900
-	(215,128)	(336,732)
<u>103,324</u>	<u>(210,004)</u>	<u>239,168</u>
20,200	(120,731)	(71,995)
(20,200)	185,665	344,719
-	64,934	272,724
-	-	2,471
-	-	3,546
-	39,992	39,992
-	10,700	10,862
-	-	73,899
-	-	43,189
-	14,242	57,594
-	-	41,171
-	64,934	272,724

CITY OF TOLEDO
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 Utility	Sewer Utility	Child Care Facility
Operating receipts:			
Charges for services	\$ 303,582	501,568	-
Miscellaneous	7,186	-	27,906
Total operating receipts	<u>310,768</u>	<u>501,568</u>	<u>27,906</u>
Operating disbursements:			
Business type activities	<u>287,505</u>	<u>218,418</u>	<u>-</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>23,263</u>	<u>283,150</u>	<u>27,906</u>
Non-operating receipts (disbursements):			
Interest on investments	1,914	1,346	72
Revenue note proceeds	-	45,887	-
Rent	-	-	-
Debt service	-	(81,878)	(20,880)
Capital projects	-	(1,828)	-
Total non-operating receipts (disbursements)	<u>1,914</u>	<u>(36,473)</u>	<u>(20,808)</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(135,000)	(121,100)	-
Total other financing sources (uses)	<u>(135,000)</u>	<u>(121,100)</u>	<u>-</u>
Net change in cash balances	(109,823)	125,577	7,098
Cash balances beginning of year	<u>701,237</u>	<u>907,366</u>	<u>23,283</u>
Cash balances end of year	<u>\$ 591,414</u>	<u>1,032,943</u>	<u>30,381</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ 241,179	172,830	20,880
Unreserved	350,235	860,113	9,501
Total cash basis fund balances	<u>\$ 591,414</u>	<u>1,032,943</u>	<u>30,381</u>

Nonmajor	Total
64,959	870,109
9,025	44,117
<u>73,984</u>	<u>914,226</u>
 104,521	 610,444
 <u>(30,537)</u>	 <u>303,782</u>
 -	 3,332
-	45,887
20,795	20,795
-	(102,758)
-	(1,828)
<u>20,795</u>	<u>(34,572)</u>
 16,932	 16,932
-	(256,100)
<u>16,932</u>	<u>(239,168)</u>
 7,190	 30,042
 <u>(9,300)</u>	 <u>1,622,586</u>
 <u>(2,110)</u>	 <u>1,652,628</u>
 -	 434,889
<u>(2,110)</u>	<u>1,217,739</u>
<u>(2,110)</u>	<u>1,652,628</u>

CITY OF TOLEDO
Notes to Financial Statements
June 30, 2012

Note 1 – Summary of Significant Accounting Policies

The City of Toledo is a political subdivision of the State of Iowa located in Tama County. It was first incorporated in 1866 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Tama County Assessor's Conference Board, Tama County Emergency Management Commission, Tama County Joint E-911 Service Board, Tama County Solid Waste Disposal Commission, Region Six Planning Commission and Tama County Economic Development Board.

B. Basis of Presentation

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

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

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

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

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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

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

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

The City reports the following major governmental funds:

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

Special Revenue Funds:

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

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

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

The Capital Project, Street Project Fund is used to account for all the resources used for the Broadway and McClellan Street construction project.

The City reports the following major proprietary funds:

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

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, debt service, and capital projects functions.

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

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

Note 3 – Pension and Retirement Benefits

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

Most regular plan members are required to contribute 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 contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$49,425, \$46,048, and \$41,799, respectively, equal to the required contributions for each year.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2012

Note 4 – Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2012, was \$20,306, primarily relating to the General Fund. This liability has been computed based on the rates of pay in effect at June 30, 2012.

Note 5 – Risk Management

The City of Toledo is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 6 – Other Postemployment Benefits

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 13 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

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

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$530 for single coverage and \$1,608 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$202,491 and plan members eligible for benefits did not contribute to the plan.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2012

Note 7 – Interfund Transfers

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 27,000
	Urban Renewal Tax Increment	4
	Special Assessments	2,214
	Capital Projects:	
	Housing Project	3,645
		<u>32,863</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	114,500
	Enterprise:	
	Water	35,000
	Sewer	71,100
		<u>220,600</u>
Capital Projects:	General	24,549
Street Project	Special Revenue:	
	Road Use Tax	75,000
	Capital Projects:	
	Storm Sewer	3,775
		<u>103,324</u>
Enterprise:		
Solid Waste	General	<u>16,932</u>
Special Revenue:	Capital Projects:	
Road Use Tax	Housing Project	40,000
	Deer Creek Bridge	23,989
	Enterprise:	
	Water	100,000
	Sewer	50,000
		<u>213,989</u>
Special Revenue:		
Police Forfeiture	General	<u>5,124</u>
Total		<u>\$ 592,832</u>

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

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2012

Note 8 – Bonds and Notes Payable

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

Year Ending June 30	General Obligation Bonds		General Obligation Note		Sewer Revenue Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 121,000	83,522	50,000	5,925	46,000	33,330
2014	128,000	79,267	50,000	4,025	48,000	31,950
2015	130,000	74,687	50,000	2,050	50,000	30,510
2016	137,000	69,977	-	-	51,000	29,010
2017-2021	761,000	269,125	-	-	281,000	121,080
2022-2026	705,000	108,749	-	-	330,000	76,050
2027-2031	273,000	16,560	-	-	305,000	23,220
2032-2036	-	-	-	-	-	-
2037-2041	-	-	-	-	-	-
2042-2046	-	-	-	-	-	-
Total	\$ 2,255,000	701,887	150,000	12,000	1,111,000	345,150

Year Ending June 30	Water Revenue Bond		Child Care Center Revenue Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 231,291	9,888	5,477	15,403	453,768	148,068
2014	-	-	5,708	15,172	231,708	130,414
2015	-	-	5,948	14,932	235,948	122,179
2016	-	-	6,197	14,682	194,197	113,669
2017-2021	-	-	35,122	69,277	1,077,122	459,482
2022-2026	-	-	43,152	61,248	1,078,152	246,047
2027-2031	-	-	53,019	51,381	631,019	91,161
2032-2036	-	-	65,139	39,260	65,139	39,260
2037-2041	-	-	80,032	24,368	80,032	24,368
2042-2046	-	-	74,420	6,509	74,420	6,509
Total	\$ 231,291	9,888	374,214	312,232	4,121,505	1,381,157

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

- a) The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to separate Water, Sewer and Child Care Center revenue sinking accounts within the Enterprise Funds for the purpose of making the principal and interest payments when due.
- c) Additional monthly transfers of \$218 to a Child Care Center reserve account within the Enterprise Fund shall be made until \$26,100 has been accumulated. This account is restricted for the purpose of transferring and crediting to the sinking account whenever necessary to prevent or remedy a default in the payment of the principal or interest on the notes.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2012

Note 8 – Bonds and Notes Payable (Continued)

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

As of June 30, 2012, the City has established the depository accounts required by the bond resolution for the water revenue and daycare facility bonds.

Note 9 – Deficit Balances

The Enterprise, Reinig Center Fund had a deficit balance of \$2,244 at June 30, 2012. The deficit balance was the result operating costs for the center exceeding charges for services for use of the center. The deficit balance will be addressed by making necessary transfers of funds in the future.

Note 10 – Related Party Transactions

The City had business transactions between the City and City officials totaling \$12,041 during the year ended June 30, 2012.

Note 11 – Subsequent Events

The City has evaluated all subsequent events through October 12, 2012, the date the financial statements were available to be issued.

Following fiscal year 2012, the City approved the prepayment of the 1983 Water Revenue note to pay off the note in full. The remaining principal and interest totaling \$241,179 was paid on July 2, 2012. Thus, the total remaining principal amount is shown as a current obligation on the schedule of bond and note maturities.

Other Information

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

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 994,743	-
Other city taxes	212,222	-
Licenses and permits	1,832	-
Use of money and property	7,679	24,127
Intergovernmental	576,210	-
Charges for service	261,235	870,109
Special assessments	433	-
Miscellaneous	86,749	44,117
Total receipts	2,141,103	938,353
Disbursements:		
Public safety	775,382	-
Public works	275,551	-
Health and social services	-	-
Culture and recreation	322,408	-
Community and economic development	10,394	-
General government	241,831	-
Debt service	468,667	-
Capital projects	358,033	-
Business type activities	-	715,030
Total disbursements	2,452,266	715,030
Excess (deficiency) of receipts over (under) disbursements	(311,163)	223,323
Other financing sources (uses), net	239,168	(193,281)
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(71,995)	30,042
Balances beginning of year	344,719	1,622,586
Balances end of year	\$ 272,724	1,652,628

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
994,743	995,234	995,234	(491)
212,222	278,086	179,486	32,736
1,832	2,900	27,700	(25,868)
31,806	9,700	105,150	(73,344)
576,210	279,484	642,500	(66,290)
1,131,344	1,153,544	1,101,651	29,693
433	-	-	433
130,866	131,071	70,570	60,296
3,079,456	2,850,019	3,122,291	(42,835)
775,382	704,343	698,944	(76,438)
275,551	669,460	388,179	112,628
-	-	4,200	4,200
322,408	366,520	287,160	(35,248)
10,394	18,000	28,512	18,118
241,831	342,285	287,996	46,165
468,667	362,594	440,784	(27,883)
358,033	-	342,226	(15,807)
715,030	855,120	817,276	102,246
3,167,296	3,318,322	3,295,277	127,981
(87,840)	(468,303)	(172,986)	85,146
45,887	-	-	45,887
(41,953)	(468,303)	(172,986)	131,033
1,967,305	1,577,878	1,967,305	-
1,925,352	1,109,575	1,794,319	131,033

CITY OF TOLEDO
Notes to Other Information – Budgetary Reporting
June 30, 2012

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment reclassified budgeted funds and decreased total budgeted disbursements by \$23,045. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, debt service, and capital project activities functions.

Supplementary Information

CITY OF TOLEDO
Schedule of Cash Receipts, Disbursements and
Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2012

	Special Revenue			
	Local Option Sales Tax	Library Gift Trust	Special Assessments	Urban Renewal Tax Increment
Receipts:				
Other city tax	\$ 100,333	-	-	-
Use of money and property	505	63	-	-
Intergovernmental	-	3,062	-	-
Charges for services	3,885	-	-	-
Special assessments	-	-	433	-
Miscellaneous	-	140	-	-
Total receipts	104,723	3,265	433	-
Disbursements:				
Operating:				
Culture and recreation	682	2,927	-	-
Capital projects	-	-	-	-
Total disbursements	682	2,927	-	-
Excess (deficiency) of receipts over (under) disbursements	104,041	338	433	-
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	(141,500)	-	(2,214)	(4)
Total other financing sources (uses)	(141,500)	-	(2,214)	(4)
Net change in cash balances	(37,459)	338	(1,781)	(4)
Cash balances at beginning of year	77,451	13,904	1,781	4
Cash balances at end of year	\$ 39,992	14,242	-	-
Cash Basis Fund Balances				
Restricted for:				
Property tax relief	\$ 39,992	-	-	-
Other purposes	-	-	-	-
Assigned for other purposes	-	14,242	-	-
Total cash basis fund balances	\$ 39,992	14,242	-	-

Police Federal Forfeiture	Capital Projects				Total
	Recreation Trail	Deer Creek Bridge	Housing Project	Storm Sewer Project	
-	-	-	-	-	100,333
-	-	-	194	77	839
-	-	-	-	-	3,062
-	-	-	-	-	3,885
-	-	-	-	-	433
-	-	-	-	-	140
-	-	-	194	77	108,692
-	-	-	-	-	3,609
-	-	-	2,499	13,311	15,810
-	-	-	2,499	13,311	19,419
-	-	-	(2,305)	(13,234)	89,273
5,124	-	-	-	-	5,124
-	-	(23,989)	(43,646)	(3,775)	(215,128)
5,124	-	(23,989)	(43,646)	(3,775)	(210,004)
5,124	-	(23,989)	(45,951)	(17,009)	(120,731)
-	5,576	23,989	45,951	17,009	185,665
5,124	5,576	-	-	-	64,934
-	-	-	-	-	39,992
5,124	5,576	-	-	-	10,700
-	-	-	-	-	14,242
5,124	5,576	-	-	-	64,934

CITY OF TOLEDO
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Enterprise Funds
As of and for the year ended June 30, 2012

	Solid Waste	Reinig Center	Total
Operating receipts:			
Charges for services	\$ 36,799	28,160	64,959
Miscellaneous	-	9,025	9,025
Total operating receipts	<u>36,799</u>	<u>37,185</u>	<u>73,984</u>
Operating disbursements:			
Business type activities	<u>41,285</u>	<u>63,236</u>	<u>104,521</u>
Deficiency of operating receipts under operating disbursements	(4,486)	(26,051)	(30,537)
Non-operating receipts:			
Rent	-	20,795	20,795
Total non-operating receipts	<u>-</u>	<u>20,795</u>	<u>20,795</u>
Deficiency of receipts under disbursements	<u>(4,486)</u>	<u>(5,256)</u>	<u>(9,742)</u>
Other financing sources:			
Operating transfers in	<u>16,932</u>	-	<u>16,932</u>
Total other financing sources	<u>16,932</u>	<u>-</u>	<u>16,932</u>
Net change in cash balances	12,446	(5,256)	7,190
Cash balances beginning of year	<u>(12,312)</u>	<u>3,012</u>	<u>(9,300)</u>
Cash balances end of year	<u>\$ 134</u>	<u>(2,244)</u>	<u>(2,110)</u>
Cash Basis Fund Balances			
Unreserved	<u>\$ 134</u>	<u>(2,244)</u>	<u>(2,110)</u>
Total cash basis fund balances	<u>\$ 134</u>	<u>(2,244)</u>	<u>(2,110)</u>

CITY OF TOLEDO
Schedule of Indebtedness
Year ended June 30, 2012

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

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
760,000	-	45,000	715,000	34,013	-
310,000	-	20,000	290,000	14,488	-
1,305,000	-	55,000	1,250,000	39,150	-
2,375,000	-	120,000	2,255,000	87,651	-
51,116	-	51,116	-	2,428	-
200,000	-	50,000	150,000	7,750	-
140,000	-	140,000	-	5,460	-
391,116	-	241,116	150,000	15,638	-
231,291	-	-	231,291	-	-
1,110,113	45,887	45,000	1,111,000	33,988	-
1,154,000	-	1,154,000	-	-	-
380,953	-	6,739	374,214	14,141	-
2,645,066	45,887	1,205,739	1,485,214	48,129	-

CITY OF TOLEDO
Bond and Note Maturities
June 30, 2012

Year Ending June 30,	General Obligation Bonds					
	Aquatic Center		Aquatic Center		SRF Sewer	
	Issued Aug. 1, 2004		Issued Aug. 1, 2004		Issued Oct. 21, 2009	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2013	4.10 %	\$ 20,000	3.90 %	\$ 45,000	3.00 %	\$ 56,000
2014	4.20	20,000	4.00	50,000	3.00	58,000
2015	4.30	20,000	4.10	50,000	3.00	60,000
2016	4.40	20,000	4.20	55,000	3.00	62,000
2017	4.50	20,000	4.30	55,000	3.00	64,000
2018	4.60	25,000	4.40	55,000	3.00	66,000
2019	4.70	25,000	4.50	60,000	3.00	68,000
2020	4.80	25,000	4.60	65,000	3.00	70,000
2021	4.95	25,000	4.75	65,000	3.00	73,000
2022	5.05	30,000	4.85	70,000	3.00	75,000
2023	5.15	30,000	4.95	70,000	3.00	77,000
2024	5.25	30,000	5.05	75,000	3.00	80,000
2025		-		-	3.00	83,000
2026		-		-	3.00	85,000
2027		-		-	3.00	88,000
2028		-		-	3.00	91,000
2029		-		-	3.00	94,000
Total		<u>\$ 290,000</u>		<u>\$ 715,000</u>		<u>\$ 1,250,000</u>

Year Ending June 30,	Revenue Bond		Revenue Notes			
	Water Revenue		State Revolving Sewer Loan		Child Care Center	
	Issued Feb. 14, 1983		Issued Oct. 21, 2009		Issued Apr. 30, 2007	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2013	5.00 %	\$231,291	3.25 %	\$ 46,000	4.125 %	\$ 5,477
2014		-	3.25	48,000	4.125	5,708
2015		-	3.25	50,000	4.125	5,948
2016		-	3.25	51,000	4.125	6,197
2017		-	3.25	53,000	4.125	6,458
2018		-	3.25	54,000	4.125	6,730
2019		-	3.25	56,000	4.125	7,012
2020 - 2046		-	3.25	753,000	4.125	330,684
Total		<u>\$ 231,291</u>		<u>\$ 1,111,000</u>		<u>\$ 374,214</u>

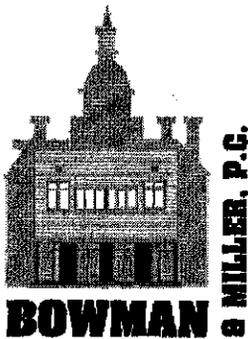
<u>General Obligation Note</u>		
<u>Library</u>		
<u>Issued Jan. 26, 2005</u>		
Interest		
<u>Rate</u>	<u>Amount</u>	<u>Total</u>
3.80 %	\$ 50,000	171,000
3.95	50,000	178,000
4.10	50,000	180,000
	-	137,000
	-	139,000
	-	146,000
	-	153,000
	-	160,000
	-	163,000
	-	175,000
	-	177,000
	-	185,000
	-	83,000
	-	85,000
	-	88,000
	-	91,000
	-	94,000
	<u>\$ 150,000</u>	<u>2,405,000</u>

<u>Total</u>
282,768
53,708
55,948
57,197
59,458
60,730
63,012
<u>1,083,684</u>
<u>1,716,505</u>

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

	2012	2011	2010	2009
Receipts:				
Property tax	\$ 994,743	830,125	795,846	1,019,718
Tax increment financing revenues	-	-	4	58,110
Other city tax	212,222	262,585	260,161	281,512
Licenses and permits	1,832	1,779	8,720	6,780
Use of money and property	7,679	10,877	11,372	18,529
Intergovernmental	576,210	1,046,767	322,416	323,665
Charges for services	261,235	268,413	259,659	275,803
Special assessments	433	1,781	4,333	5,431
Miscellaneous	86,749	30,395	57,532	25,888
Total	\$ 2,141,103	2,452,722	1,720,043	2,015,436
Disbursements:				
Operating:				
Public safety	\$ 775,382	591,036	535,157	555,569
Public works	275,551	1,118,827	415,945	243,301
Culture and recreation	322,408	316,721	282,916	276,533
Community and economic development	10,394	9,880	17,116	18,607
General government	241,831	269,665	273,114	256,755
Debt service	468,667	370,785	301,009	422,854
Capital projects	358,033	45,409	14,081	85,193
Total	\$ 2,452,266	2,722,323	1,839,338	1,858,812

2008	2007	2006	2005	2004	2003
846,398	929,723	655,072	795,644	768,290	888,719
113,070	241,150	181,716	114,003	64,186	62,259
277,758	240,350	187,403	211,542	175,149	107,346
3,125	8,608	3,896	27,301	227,244	266,451
24,971	31,516	25,450	31,953	22,974	5,417
336,680	1,073,176	675,868	219,645	24,402	58,807
283,499	259,096	211,365	39,348	47,774	386,887
2,169	16,350	9,255	19,618	14,032	24,315
41,230	98,423	170,651	1,164,122	955,589	384,072
<u>1,928,900</u>	<u>2,898,392</u>	<u>2,120,676</u>	<u>2,623,176</u>	<u>2,299,640</u>	<u>2,184,273</u>
582,666	608,738	500,940	456,775	370,519	324,280
673,534	227,432	253,431	296,595	277,218	267,176
261,814	241,929	257,869	243,387	306,754	216,416
18,607	23,349	39,770	181,362	204,155	72,043
250,725	269,839	341,222	317,135	268,226	274,163
363,650	1,090,034	461,614	359,262	287,311	432,979
99,371	1,003,493	1,048,057	2,548,724	962,651	20,683
<u>2,250,367</u>	<u>3,464,814</u>	<u>2,902,903</u>	<u>4,403,240</u>	<u>2,676,834</u>	<u>1,607,740</u>



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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Toledo, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 12, 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 Toledo is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Toledo's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Toledo's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Toledo's internal control over financial reporting.

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

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

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-B-12 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 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 Toledo's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Toledo's responses and, accordingly, we express no opinion on them.

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

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

Bowman and Miller, P.C.

Marshalltown, Iowa
October 12, 2012

CITY OF TOLEDO
Schedule of Findings
Year Ended June 30, 2012

Part I: Summary of the Independent Auditors' Results:

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

CITY OF TOLEDO
Schedule of Findings
Year Ended June 30, 2012

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one person has control over each of the following areas:

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

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

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

Conclusion – Response accepted.

II-B-12 Bank Reconciliations – Fund balances are reconciled to the bank account balances monthly however, outstanding variances in the reconciliations from prior years were never resolved.

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

Response – With our audit and new city clerk, reconciliation variances from previous years were resolved in the best way possible.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF TOLEDO
Schedule of Findings
Year Ended June 30, 2012

Part III: Other Findings Related to Required Statutory Reporting:

III-A-12 Certified Budget – Disbursements during the year ended June 30, 2012, exceeded the amounts budgeted in the public safety, culture and recreation, debt service and capital projects activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – This will be monitored more closely in the future and amendments will be done as necessary.

Conclusion – Response accepted.

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

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

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

Name, Title and Business Connection	Transaction Description	Amount
Tom Wilkerson, spouse of City Clerk, Owner of Wilkerson Hardware	Materials and supplies	\$ 7,797
Dwayne Wood, spouse of Mayor, Janitor for City Hall	Cleaning	4,244

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, these transactions appear to represent a conflict of interest since the total was greater than \$1,500 during the fiscal year.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The transactions between the City and Wilkerson, dba Wilkerson Hardware, spouse of the current city clerk, Julie Wilkerson, are for purchases of supplies and products as needed. These are not purchased on a ‘bid’ basis as Wilkerson Hardware is the only local source for many items purchased and there is no contract, implied or written, with Wilkerson Hardware. Wilkerson Hardware does participate as a bidder when an item is determined appropriate for bid. The purchase of miscellaneous supplies from Wilkerson Hardware will probably continue as long as it is the only supplier in the community given the City council’s commitment to keep business for the City as local as possible.

CITY OF TOLEDO
Schedule of Findings
Year Ended June 30, 2012

Part III: Other Findings Related to Required Statutory Reporting (continued):

The transactions between the City and Dwayne Wood, spouse of former Mayor, Pam Wood, are for cleaning services provided in the city community building. Dwayne and Pam Wood have provided this service as independent contractors for many years. There is no formal contract for the services provided and no calendared renewal date of their arrangement with the City. Pam Wood served as Mayor from 2008 until 2011. During her term of office all payments for services were apparently paid to Dwayne alone. She is no longer holding office with the City of Toledo. If Pam were still in office this matter would be resolved by other means which might include terminating the contract. At this time the issue raised is moot.

Conclusion – Response accepted.

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

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

The City Council went into closed session several times during the year. However, the minutes record did not document the specific information regarding the closed session required by Chapter 21 of the Code of Iowa, commonly known as the open meetings law.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa.

Response – We will handle future closed session in compliance with Chapter 21 of the Code of Iowa.

Conclusion – Response accepted.

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

III-H-12 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

III-I-12 Financial Condition – The Enterprise-Reinig Center Fund had deficit balance of \$2,244, at June 30, 2012.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

Response – A meeting is scheduled to discuss raising rental rates and contracts to eliminate the deficit in this fund.

Conclusion – Response accepted.

CITY OF TOLEDO
Audit Staff

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

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