

CITY OF GREENE, IOWA

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

JUNE 30, 2006

- Prepared By -

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CITY OF GREENE, IOWA

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CITY OF GREENE, IOWA

OFFICIALS

(Before January 2006)

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Raymond DeVries	Mayor	January 2006
Marilyn Folkers	Mayor Pro Tem	January 2008
Scott Watkins	Council Member	January 2006
Daniel Barros	Council Member	January 2006
William Astor	Council Member	Resigned
Allan Zweck	Council Member (Appointed)	January 2006
Rod Fesenmeyer	Council Member	January 2006

(After January 2006)

Bill Christensen	Mayor	January 2008
Marilyn Folkers	Mayor Pro Tem	January 2008
Allan Zweck	Council Member	January 2008
Ben Backer	Council Member	January 2010
Les Johnson	Council Member	January 2010
Scott Watkins	Council Member	January 2010
Jayne Knapp	Clerk/Treasurer	Indefinite
Tom Lawler	Attorney	Indefinite



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

I 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 Greene, Iowa, as of and for the year ended June 30, 2006, 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 Greene's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe my audit provides a reasonable basis for my 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. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, I was unable to satisfy myself as to the distribution of the total fund balance at July 1, 2005.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to verify the distribution by fund of the total fund balance at July 1, 2005, as discussed in the preceding paragraph, 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 Greene as of June 30, 2006, 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, I have also issued my report dated October 26, 2006 on my consideration of the City of Greene's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my 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 my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 22 through 24 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Greene's basic financial statements. Other 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 has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "Sandy Pump".

October 26, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Greene 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, 2006. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities decreased 31%, or approximately \$514,000 from fiscal 2005 to fiscal 2006. The City received \$600,000 in bond proceeds during fiscal 2005.

Disbursements of the City's governmental activities decreased 30%, or approximately \$518,000, in fiscal 2006 from fiscal 2005. Public works disbursements decreased approximately \$674,000.

The City's total cash basis net assets decreased 1.6%, or approximately \$32,000, from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities decreased approximately \$59,000 and the assets of the business type activities increased by approximately \$27,000.

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.

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

Other Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds.

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, 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 and the sanitary sewer system. 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 Tax Increment Financing, 3) the Debt Service Fund, 4) the Capital Projects Funds and 5) the Permanent 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, sewer and sewer improvement funds, considered to be 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 a year ago, decreasing from \$1,818,007 to \$1,758,591. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2006	2005
Receipts:		
Program receipts:		
Charges for service	\$ 364	\$ 236
Operating grants, contributions and restricted interest	154	91
Capital grants, contributions and restricted assets	-	6
General receipts:		
Property tax	422	459
Local option sales tax	57	54
Unrestricted investment earnings	70	51
Other general receipts	59	143
Bond proceeds	-	600
Total receipts	\$1,126	\$1,640
Disbursements:		
Public safety	\$ 371	\$ 239
Public works	317	991
Health and social services	5	8
Culture and recreation	237	214
Community and economic development	6	29
General government	85	76
Debt service	164	146
Total disbursements	\$1,185	\$1,703
Decrease in cash basis net assets	\$ (59)	\$ (63)
Cash basis net assets beginning of year	1,818	1,881
Cash basis net assets end of year	\$1,759	\$1,818

The City's total receipts for governmental activities decreased by 31%, or \$514,000. The total cost of all programs and services decreased by approximately \$518,000, or 30%, with no new programs added this year. The decrease in disbursements was primarily the result of decreased public works disbursements.

The cost of all governmental activities this year was \$1,185,000 compared to \$1,703,000 last year. However, as shown in the Statement of Activities and Net Assets on pages 9-12, the amount taxpayers ultimately financed for these activities was only \$668,342 because some of the cost was paid by those directly benefited from the programs (\$363,525) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest \$(154,315). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$421,953 in tax (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
(Expressed in Thousands)

	Year ended June 30,	
	2006	2005
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 138	\$ 111
Sewer	116	95
Other	1	2
General receipts:		
Unrestricted interest on investments	2	1
Total receipts	\$ 257	\$ 209
Disbursements:		
Water	\$ 133	\$ 98
Sewer	95	73
Other	2	2
Total disbursements	\$ 230	\$ 173
Increase in cash basis net assets	\$ 27	\$ 36
Cash basis net assets beginning of year	97	61
Cash basis net assets end of year	\$ 124	\$ 97

Total business type activities receipts for the fiscal year were \$257,000 compared to \$209,000 last year. This increase was due primarily to an increase in water and sewer receipts. Total disbursements for the fiscal year increased by 33% to a total of \$230,000 because of higher operating costs in 2006.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Greene completed the year, its governmental funds reported a combined fund balance of \$1,758,591, a decrease of 3.3% from last year's total of \$1,818,007. 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 decreased \$9,574 from the prior year to \$241,353. This decrease was due mainly to revenues being less than operating disbursements.

The Library Trust Fund cash balance decreased by \$9,981 to \$643,710 in 2006 due to increased disbursements.

The Ambulance Fund cash balance increased by \$49,387 to \$252,118 due primarily to fewer capital outlays in 2006.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance increased by \$5,323 to \$20,624, due primarily to an increase in operating receipts.

The Sewer Fund cash balance increased by \$23,261 to \$100,694, due primarily to an increase in operating receipts.

BUDGETARY HIGHLIGHTS

Over the course of the year the City did not amend its budget.

DEBT ADMINISTRATION

At June 30, 2006, the City had approximately \$927,000 in bonds and other long-term debt, compared to approximately \$1,056,000 last year, as follows:

Outstanding Debt at Year-End
(Expressed in Thousands)

	June 30,	
	2006	2005
General obligation bonds	\$ 891	\$1,012
Urban renewal tax increment	36	44
Total	<u>\$ 927</u>	<u>\$1,056</u>

The City did not incur any new debt during 2006. Principal and interest payments were made as scheduled. The Constitution of the State of Iowa limits the amount of general obligation debt 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 \$891,000 is significantly below its constitutional debt limit of \$1,840,750.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Greene's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy.

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 Jayne Knapp, City Clerk, City of Greene.

CITY OF GREENE, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Service</u>	<u>Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 371,000	\$ 163,709	\$ 24,472	\$ -
Public works	317,089	130,493	129,843	-
Health and social services	5,280	3,660	-	-
Culture and recreation	237,459	65,663	-	-
Community and economic development	6,267	-	-	-
General government	85,098	-	-	-
Debt service	<u>163,989</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$1,186,182</u>	<u>\$ 363,525</u>	<u>\$ 154,315</u>	<u>\$ -</u>
Business type activities:				
Water	\$ 133,135	\$ 138,346	\$ -	\$ -
Sewer rental	94,551	116,338	-	-
Other	<u>1,500</u>	<u>750</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$ 229,186</u>	<u>\$ 255,434</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$1,415,368</u>	<u>\$ 618,959</u>	<u>\$ 154,315</u>	<u>\$ -</u>

(Continued)

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

Governmental Activities	Business Type Activities	Total
\$ (182,819)	\$ -	\$ (182,819)
(56,753)	-	(56,753)
(1,620)	-	(1,620)
(171,796)	-	(171,796)
(6,267)	-	(6,267)
(85,098)	-	(85,098)
(163,989)	-	(163,989)
\$ (668,342)	\$ -	\$ (668,342)
\$ -	\$ 5,211	\$ 5,211
-	21,787	21,787
-	(750)	(750)
\$ -	\$ 26,248	\$ 26,248
\$ (668,342)	\$ 26,248	\$ (642,094)

CITY OF GREENE, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

General Receipts:

Property and other city tax levied for:
 General purposes
 Tax increment financing
 Debt service
Local option sales tax
Unrestricted interest on investments
Miscellaneous

Total general receipts

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:
 Urban renewal purposes
 Other purposes
Unrestricted

Total cash basis net assets

See Notes to Financial Statements.

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 285,906	\$ -	\$ 285,906
41,590	-	41,590
94,457	-	94,457
57,177	-	57,177
70,404	1,554	71,958
<u>59,392</u>	<u>32</u>	<u>59,424</u>
<u>\$ 608,926</u>	<u>\$ 1,586</u>	<u>\$ 610,512</u>
\$ (59,416)	\$ 27,834	\$ (31,582)
<u>1,818,007</u>	<u>96,649</u>	<u>1,914,656</u>
<u>\$ 1,758,591</u>	<u>\$ 124,483</u>	<u>\$ 1,883,074</u>
\$ 42,333	\$ -	\$ 42,333
-	3,165	3,165
<u>1,716,258</u>	<u>121,318</u>	<u>1,837,576</u>
<u>\$ 1,758,591</u>	<u>\$ 124,483</u>	<u>\$ 1,883,074</u>

CITY OF GREENE, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

	Special Revenue		
	General	Library Trust	Ambulance
RECEIPTS:			
Property tax	\$ 189,783	\$ -	\$ -
Tax increment financing	-	-	-
Other city tax	4,279	-	-
Licenses and permits	2,915	-	-
Use of money and property	30,125	20,463	4,863
Intergovernmental	141,841	11,943	-
Charges for service	154,721	-	59,697
Special assessments	-	-	-
Miscellaneous	31,291	27,796	24,472
Total receipts	\$ 554,955	\$ 60,202	\$ 89,032
DISBURSEMENTS:			
Operating:			
Public safety	\$ 312,113	\$ -	\$ 39,645
Public works	198,584	-	-
Health and social services	5,280	-	-
Culture and recreation	91,124	102,743	-
Community and economic development	3,564	-	-
General government	78,233	-	-
Debt service	-	-	-
Total disbursements	\$ 688,898	\$ 102,743	\$ 39,645
Excess (deficiency) of receipts over (under) disbursements	\$ (133,943)	\$ (42,541)	\$ 49,387
Other financing sources (uses):			
Operating transfers in	\$ 161,216	\$ 32,560	\$ -
Operating transfers out	(36,847)	-	-
Total other financing sources (uses)	\$ 124,369	\$ 32,560	\$ -
Net change in cash balances	\$ (9,574)	\$ (9,981)	\$ 49,387
Cash balances beginning of year	250,927	653,691	202,731
Cash balances end of year	\$ 241,353	\$ 643,710	\$ 252,118
Cash Basis Fund Balances:			
Unreserved:			
General fund	\$ 241,353	\$ -	\$ -
Special revenue funds	-	643,710	252,118
Debt service	-	-	-
Capital project funds	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	\$ 241,353	\$ 643,710	\$ 252,118

See Notes to Financial Statements.

Other Nonmajor Governmental Funds	Total
\$ 190,580	\$ 380,363
41,590	41,590
52,898	57,177
-	2,915
14,953	70,404
92,014	245,798
-	214,418
29,492	29,492
1,050	84,609
<u>\$ 422,577</u>	<u>\$ 1,126,766</u>
\$ 19,242	\$ 371,000
118,505	317,089
-	5,280
43,592	237,459
2,703	6,267
6,865	85,098
163,989	163,989
<u>\$ 354,896</u>	<u>\$ 1,186,182</u>
<u>\$ 67,681</u>	<u>\$ (59,416)</u>
\$ 46,153	\$ 239,929
(203,082)	(239,929)
<u>\$ (156,929)</u>	<u>\$ -</u>
\$ (89,248)	\$ (59,416)
<u>710,658</u>	<u>1,818,007</u>
<u>\$ 621,410</u>	<u>\$ 1,758,591</u>
\$ -	\$ 241,353
446,573	1,342,401
(2,903)	(2,903)
97,340	97,340
80,400	80,400
<u>\$ 621,410</u>	<u>\$ 1,758,591</u>

CITY OF GREENE, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

	Enterprise Funds	
	Water	Sewer Rental
Operating receipts:		
Charges for service	\$ 138,346	\$ 116,338
Operating disbursements:		
Business type activities	133,135	94,551
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 5,211	\$ 21,787
Non-operating receipts:		
Interest on investments	\$ 80	\$ 1,474
Miscellaneous	32	-
Total non-operating receipts	\$ 112	\$ 1,474
Net change in cash balances	\$ 5,323	\$ 23,261
Cash balances beginning of year	15,301	77,433
Cash balances end of year	\$ 20,624	\$ 100,694
Cash Basis Fund Balances		
Reserved for other	\$ -	\$ -
Unreserved	20,624	100,694
Total cash basis fund balances	\$ 20,624	\$ 100,694

See Notes to Financial Statements.

<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
\$ 750	\$ 255,434
<u>1,500</u>	<u>229,186</u>
<u>\$ (750)</u>	<u>\$ 26,248</u>
\$ -	\$ 1,554
-	32
<u>\$ -</u>	<u>\$ 1,586</u>
\$ (750)	\$ 27,834
<u>3,915</u>	<u>96,649</u>
<u>\$ 3,165</u>	<u>\$ 124,483</u>
\$ 3,165	\$ 3,165
-	<u>121,318</u>
<u>\$ 3,165</u>	<u>\$ 124,483</u>

CITY OF GREENE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(1) Summary of Significant Accounting Policies

The City of Greene is a political subdivision of the State of Iowa located in Butler County. It was first incorporated in 1879 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 Greene 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 Butler County Assessor's Conference Board and Butler County Emergency Management Commission.

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 services.

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

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 category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

CITY OF GREENE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(1) Summary of Significant Accounting Policies - continued

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 are aggregated and reported as 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 Library Trust Fund is used to account for library operations and maintenance.

The Ambulance Fund is used to account for ambulance funds.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

The City of Greene 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.

CITY OF GREENE, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

(1) Summary of Significant Accounting Policies - continued

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the public safety, public works, debt service and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2006 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City's Investments at June 30, 2006 are as follows:

	Carrying Amount	Market Value
Common Stock	\$244,771	\$244,771
U.S. Treasury Securities	139,648	150,000
Total	\$384,419	\$394,771

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) in 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.

CITY OF GREENE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bond and Notes		TIF Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$121,000	\$ 31,120	\$ 6,596	\$ 3,446	\$ 127,596	\$ 34,566
2008	121,000	28,159	6,955	3,087	127,955	31,246
2009	121,000	24,718	7,351	2,691	128,351	27,409
2010	121,000	21,060	7,761	2,281	128,761	23,341
2011	121,000	16,698	7,700	1,848	128,700	18,546
2012-2014	286,000	21,547	-	-	286,000	21,547
Total	<u>\$891,000</u>	<u>\$143,302</u>	<u>\$ 36,363</u>	<u>\$ 13,353</u>	<u>\$ 927,363</u>	<u>\$156,655</u>

The resolutions providing for the issuance of the general obligation notes include the following provision:

At the option of the City, the essential corporate purpose notes issues are subject to redemption and prepayment on any date, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot, at a price of par plus accrued interest to call date, by giving proper notice.

(4) 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 statement and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% 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 year ended June 30, 2006, was \$13,359, which was equal to the required contribution for the year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, comp time and sick leave hours for subsequent use. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable, comp time payable, and sick leave payable to employees at June 30, 2006, primarily relating to the General Fund, is \$7,231. This liability has been computed based on rates of pay in effect at June 30, 2006.

CITY OF GREENE, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

(6) **Risk Management**

The City of Greene 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.

(7) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Emergency Levy	\$ 5,226
	Local Option Sales Tax	89,495
	Street Improvements	66,495
		<u>\$161,216</u>
Special Revenue: Albrecht Trust	General	\$ 10,447
	Special Revenue:	
	Employee Benefits	626
		<u>\$ 11,073</u>
Special Revenue: Library Trust	General	\$ 26,400
	Special Revenue:	
	Employee Benefits	6,160
		<u>\$ 32,560</u>
Special Revenue: Tax Increment Financing Residential	Special Revenue: Street Improvements	<u>\$ 6,500</u>
Special Revenue: Street Improvements	Special Revenue: Special Assessments	<u>\$ 28,580</u>
Total		<u>\$239,929</u>

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

(8) **Deficit Fund Balance**

The Debt Service Fund had a deficit balance of \$2,903 at June 30, 2006. The deficit will be eliminated upon receipt of property taxes.

(9) **Subsequent Events**

In July 10, 2006 the council approved the ambulance building bid with Matt Construction for \$197,700 and approved \$80,000 toward construction of a spec building in the Industrial Park.

On September 11, 2006 the council approved a loan agreement for an ambulance building of \$163,500 and approved the issuance of \$80,000 Urban Renewal Tax Increment Financing (TIF) bonds.

Required Supplementary Information

CITY OF GREENE, IOWA
 BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS
 AND CHANGES IN BALANCES
 BUDGET AND ACTUAL (CASH BASIS) - ALL
 GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2006

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Less Funds Not Required to be Budgeted</u>
RECEIPTS:			
Property tax	\$ 380,363	\$ -	\$ -
Tax increment financing	41,590	-	-
Other city tax	57,177	-	-
Licenses and permits	2,915	-	-
Use of money and property	70,404	1,554	-
Intergovernmental	245,798	-	-
Charges for service	214,418	255,434	-
Special assessments	29,492	-	-
Miscellaneous	84,609	32	-
Total receipts	<u>\$ 1,126,766</u>	<u>\$ 257,020</u>	<u>\$ -</u>
DISBURSEMENTS:			
Public safety	\$ 371,000	\$ -	\$ -
Public works	317,089	-	-
Health and social services	5,280	-	-
Culture and recreation	237,459	-	-
Community and economic development	6,267	-	-
General government	85,098	-	-
Debt service	163,989	-	-
Business type activities	-	229,186	-
Total disbursements	<u>\$ 1,186,182</u>	<u>\$ 229,186</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (59,416)	\$ 27,834	\$ -
Balance beginning of year	<u>1,818,007</u>	<u>96,649</u>	<u>-</u>
Balance end of year	<u>\$ 1,758,591</u>	<u>\$ 124,483</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$ 380,363	\$ 366,998	\$ 366,998	\$ 13,365
41,590	59,904	59,904	(18,314)
57,177	61,539	61,539	(4,362)
2,915	1,175	1,175	1,740
71,958	38,620	38,620	33,338
245,798	216,533	216,533	29,265
469,852	408,200	408,200	61,652
29,492	14,500	14,500	14,992
84,641	29,000	29,000	55,641
<u>\$1,383,786</u>	<u>\$1,196,469</u>	<u>\$ 1,196,469</u>	<u>\$ 187,317</u>
\$ 371,000	\$ 333,151	\$ 333,151	\$ (37,849)
317,089	316,472	316,472	(617)
5,280	12,095	12,095	6,815
237,459	327,639	327,639	90,180
6,267	47,884	47,884	41,617
85,098	93,858	93,858	8,760
163,989	93,857	93,857	(70,132)
229,186	218,041	218,041	(11,145)
<u>\$1,415,368</u>	<u>\$1,442,997</u>	<u>\$ 1,442,997</u>	<u>\$ 27,629</u>
\$ (31,582)	\$ (246,528)	\$ (246,528)	\$ 214,946
<u>1,914,656</u>	<u>1,617,359</u>	<u>1,617,359</u>	<u>297,297</u>
<u>\$1,883,074</u>	<u>\$1,370,831</u>	<u>\$ 1,370,831</u>	<u>\$ 512,243</u>

CITY OF GREENE, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
JUNE 30, 2006

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 except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and nonprogram. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary 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 ended June 30, 2006, disbursements exceeded the amount budgeted in several functions.

Other Supplementary Information

CITY OF GREENE, IOWA
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

	Special		
	Road Use Tax	Employee Benefits	Special Assessments
RECEIPTS:			
Property tax	\$ -	\$ 90,897	\$ -
Tax increment financing	-	-	-
Other city tax	-	-	-
Use of money and property	-	-	-
Intergovernmental	92,014	-	-
Special assessments	-	-	29,492
Miscellaneous	-	-	-
Total receipts	\$ 92,014	\$ 90,897	\$ 29,492
DISBURSEMENTS:			
Operating:			
Public safety	\$ -	\$ 19,242	\$ -
Public works	94,465	24,040	-
Culture and recreation	-	27,027	-
Community and economic development	-	-	-
General government	-	6,865	-
Debt service	-	-	-
Total disbursements	\$ 94,465	\$ 77,174	\$ -
Excess (deficiency) of receipts over (under) disbursements	\$ (2,451)	\$ 13,723	\$ 29,492
Other financing sources (uses):			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers out	-	(6,786)	(28,580)
Total other financing sources (uses)	\$ -	\$ (6,786)	\$ (28,580)
Net change in cash balances	\$ (2,451)	\$ 6,937	\$ 912
Cash balances beginning of year	14,831	22,000	(912)
Cash balances end of year	\$ 12,380	\$ 28,937	\$ -
Cash Basis Fund Balances:			
Unreserved:			
Special revenue funds	\$ 12,380	\$ 28,937	\$ -
Debt service	-	-	-
Capital project funds	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	\$ 12,380	\$ 28,937	\$ -

(Continued)

Revenue						
<u>Emergency Levy</u>	<u>Local Option Sales Tax</u>	<u>Tax Increment Financing Industrial</u>	<u>Tax Increment Financing Residential</u>	<u>Fire Improvements</u>	<u>Pool Improvements</u>	<u>Street Improvements</u>
\$ 5,226	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	19,427	22,163	-	-	-
-	52,898	-	-	-	-	-
-	-	-	-	679	2,241	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	300	-
<u>\$ 5,226</u>	<u>\$ 52,898</u>	<u>\$ 19,427</u>	<u>\$ 22,163</u>	<u>\$ 679</u>	<u>\$ 2,541</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	2,703	-	-	-
-	-	-	-	-	-	-
-	-	10,042	15,852	-	45,000	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,042</u>	<u>\$ 18,555</u>	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ -</u>
\$ 5,226	\$ 52,898	\$ 9,385	\$ 3,608	\$ 679	\$ (42,459)	\$ -
\$ -	\$ -	\$ -	\$ 6,500	\$ -	\$ -	\$ 28,580
(5,226)	(89,495)	-	-	-	-	(72,995)
<u>\$ (5,226)</u>	<u>\$ (89,495)</u>	<u>\$ -</u>	<u>\$ 6,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (44,415)</u>
\$ -	\$ (36,597)	\$ 9,385	\$ 10,108	\$ 679	\$ (42,459)	\$ (44,415)
-	130,019	3,765	19,075	23,175	111,552	99,957
<u>\$ -</u>	<u>\$ 93,422</u>	<u>\$ 13,150</u>	<u>\$ 29,183</u>	<u>\$ 23,854</u>	<u>\$ 69,093</u>	<u>\$ 55,542</u>
\$ -	\$ 93,422	\$ 13,150	\$ 29,183	\$ 23,854	\$ 69,093	\$ 55,542
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 93,422</u>	<u>\$ 13,150</u>	<u>\$ 29,183</u>	<u>\$ 23,854</u>	<u>\$ 69,093</u>	<u>\$ 55,542</u>

CITY OF GREENE, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

	<u>Special Revenue</u>		
		Cemetery	
		Decorations	
	Park	and	Bi-
	<u>Improvements</u>	<u>Improvements</u>	<u>Centennial</u>
RECEIPTS:			
Property tax	\$ -	\$ -	\$ -
Tax increment financing	-	-	-
Other city tax	-	-	-
Use of money and property	-	197	15
Intergovernmental	-	-	-
Special assessments	-	-	-
Miscellaneous	-	-	-
Total receipts	<u>\$ -</u>	<u>\$ 197</u>	<u>\$ 15</u>
DISBURSEMENTS:			
Operating:			
Public safety	\$ -	\$ -	\$ -
Public works	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	-	-
General government	-	-	-
Debt service	-	-	-
Total disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ -</u>	<u>\$ 197</u>	<u>\$ 15</u>
Other financing sources (uses):			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in cash balances	\$ -	\$ 197	\$ 15
Cash balances beginning of year	<u>446</u>	<u>13,302</u>	<u>342</u>
Cash balances end of year	<u>\$ 446</u>	<u>\$ 13,499</u>	<u>\$ 357</u>
Cash Basis Fund Balances:			
Unreserved:			
Special revenue funds	\$ 446	\$ 13,499	\$ 357
Debt service	-	-	-
Capital project funds	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	<u>\$ 446</u>	<u>\$ 13,499</u>	<u>\$ 357</u>

See Accompanying Independent Auditor's Report.

<u>Albrecht Trust</u>	<u>Debt Service</u>	<u>Capital Projects</u>		<u>Permanent</u>	<u>Total</u>
		<u>CDBG Elm Springs</u>	<u>CDBG American Tool</u>	<u>Cemetery Perpetual Care</u>	
\$ -	\$ 94,457	\$ -	\$ -	\$ -	\$ 190,580
-	-	-	-	-	41,590
-	-	-	-	-	52,898
7,727	-	1,288	2,806	-	14,953
-	-	-	-	-	92,014
-	-	-	-	-	29,492
-	-	-	-	750	1,050
<u>\$ 7,727</u>	<u>\$ 94,457</u>	<u>\$ 1,288</u>	<u>\$ 2,806</u>	<u>\$ 750</u>	<u>\$ 422,577</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,242
-	-	-	-	-	118,505
16,565	-	-	-	-	43,592
-	-	-	-	-	2,703
-	-	-	-	-	6,865
-	93,095	-	-	-	163,989
<u>\$ 16,565</u>	<u>\$ 93,095</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 354,896</u>
<u>\$ (8,838)</u>	<u>\$ 1,362</u>	<u>\$ 1,288</u>	<u>\$ 2,806</u>	<u>\$ 750</u>	<u>\$ 67,681</u>
\$ 11,073	\$ -	\$ -	\$ -	\$ -	\$ 46,153
-	-	-	-	-	(203,082)
<u>\$ 11,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (156,929)</u>
\$ 2,235	\$ 1,362	\$ 1,288	\$ 2,806	\$ 750	\$ (89,248)
104,475	(4,265)	29,348	63,898	79,650	710,658
<u>\$106,710</u>	<u>\$ (2,903)</u>	<u>\$ 30,636</u>	<u>\$ 66,704</u>	<u>\$ 80,400</u>	<u>\$ 621,410</u>
\$106,710	\$ -	\$ -	\$ -	\$ -	\$ 446,573
-	(2,903)	-	-	-	(2,903)
-	-	30,636	66,704	-	97,340
-	-	-	-	80,400	80,400
<u>\$106,710</u>	<u>\$ (2,903)</u>	<u>\$ 30,636</u>	<u>\$ 66,704</u>	<u>\$ 80,400</u>	<u>\$ 621,410</u>

CITY OF GREENE, IOWA
 SCHEUDLE OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN CASH BALANCES
 NONMAJOR PROPRIETARY FUND
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

	Enterprise Funds <u>Meter</u> <u>Deposits</u>
Operating Receipts:	
Charges for service	\$ 750
Operating Disbursements:	
Business type activities	<u>1,500</u>
Net change in cash balance	\$ (750)
Cash balance beginning of year	<u>3,915</u>
Cash balance end of year	<u>\$ 3,165</u>
Cash Basis Fund Balance:	
Reserved for other	<u>\$ 3,165</u>

See Accompanying Independent Auditor's Report.

CITY OF GREENE, IOWA
 SCHEDULE OF INDEBTEDNESS
 YEAR ENDED JUNE 30, 2006

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds:			
Swimming Pool Note	09-30-02	2.24-4.50%	\$ 450,000
Street Improvement Note	07-01-04	2.00-4.20	600,000
Essential Corporate Purpose	11-15-01	4.25	160,000
Urban Renewal Tax Increment (TIF) Revenue Bonds			
	04-19-99	5.50%	\$ 101,000
 Total indebtedness			

See Accompanying Independent Auditor's Report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 360,000	\$ -	\$ 45,000	\$315,000	\$ 10,037	\$ -
540,000	-	60,000	480,000	18,150	-
112,000	-	16,000	96,000	4,760	-
<u>\$1,012,000</u>	<u>\$ -</u>	<u>\$121,000</u>	<u>\$891,000</u>	<u>\$ 32,947</u>	<u>\$ -</u>
\$ 44,084	\$ -	\$ 7,721	\$ 36,363	\$ 2,321	\$ -
<u>\$1,056,084</u>	<u>\$ -</u>	<u>\$128,721</u>	<u>\$927,363</u>	<u>\$ 35,268</u>	<u>\$ -</u>

CITY OF GREENE, IOWA
 BOND AND NOTE MATURITIES
 JUNE 30, 2006

Year Ending June 30,	G E N E R A L		O B L I G A T I O N	
	Swimming Pool		Street	
	Note		Improvement Note	
	Issued September 30, 2002		Issued July 1, 2004	
	Interest Rates	Amount	Interest Rates	Amount
2007	3.25%	\$ 45,000	2.50%	\$ 60,000
2008	3.50	45,000	2.90	60,000
2009	3.75	45,000	3.20	60,000
2010	4.10	45,000	3.40	60,000
2011	4.25	45,000	3.70	60,000
2012	4.40	45,000	4.00	60,000
2013	4.50	45,000	4.10	60,000
2014		-	4.20	60,000
Total		\$315,000		\$480,000

Year Ending June 30,	Urban Renewal Tax Increment Financing (TIF) Revenue Bonds	
	Issued April 19, 1999	
	Interest Rates	Amount
2007	5.50%	\$ 6,596
2008	5.50	6,955
2009	5.50	7,351
2010	5.50	7,761
2011	5.50	7,700
Total		\$ 36,363

See Accompanying Independent Auditor's Report.

<u>B O N D S</u>		
<u>Essential</u>		
<u>Corporate Purpose</u>		
<u>Issued November 15, 2001</u>		
<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
4.25%	\$ 16,000	\$ 121,000
4.25	16,000	121,000
4.25	16,000	121,000
4.25	16,000	121,000
4.25	16,000	121,000
4.25	16,000	121,000
	-	105,000
	-	60,000
	<u>\$ 96,000</u>	<u>\$ 891,000</u>



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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:

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the City of Greene, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated October 26, 2006. My report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed a qualified opinion since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2005. I conducted my 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

In planning and performing my audit, I considered the City of Greene's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Greene's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item II-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Greene's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my 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.

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 Greene and other parties to whom the City of Greene may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



October 26, 2006

CITY OF GREENE, IOWA
Schedule of Findings
Year Ended June 30, 2006

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

- (a) A qualified opinion was issued on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2005.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-06 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. I noted that certain accounting functions are not properly segregated.

Recommendation - I realize 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.

Response - We will review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

II-B-06 Petty Cash - The petty cash account for the ambulance does not have an established dollar amount, and old invoices are being retained in the petty cash bag. The account is replenished periodically in an amount believed to be sufficient for operations.

Recommendation - To increase accountability, a specific authorized amount should be established and old invoices should be removed from petty cash and filed. Periodically, the cash on hand plus current petty cash vouchers should be reconciled to the established amount. The account should then be replenished to the established amount.

Response - We will try to implement this.

Conclusion - Response accepted.

CITY OF GREENE, IOWA
Schedule of Findings
Year Ended June 30, 2006

Part II: Findings Related to the Financial Statements: - continued

II-C-06 Clerk's Monthly Financial Report - The imprest cash funds were not included in the Clerk's balances.

Recommendation - Chapter 384.20 of the Code of Iowa states in part, that "a City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any City purpose." All funds of the City should be included in the Clerk's report to comply with Chapter 384.20 of the Code of Iowa.

Response - We will include all cash funds in the Clerk's report.

Conclusion - Response accepted.

II-D-06 Ambulance - Receipts were not issued for all collections.

Recommendation - Control over cash receipts would be strengthened if pre-numbered receipts were issued for all collections.

Response - Receipts will be issued for all collections.

Conclusion - Response accepted.

II-E-06 Countersignature of Checks - The City requires checks to be signed by two authorized individuals. I noted several checks with only one authorized signature.

Recommendation - Checks should be prepared and signed by one individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature.

Response - We will follow procedures for two signatures on all checks.

Conclusion - Response accepted.

II-F-06 Albrecht Building - Receipts were not issued for all collections.

Recommendation - Control over cash receipts would be strengthened if pre-numbered receipts were issued for all collections.

Response - Receipts will be issued.

Conclusion - Response accepted.

CITY OF GREENE, IOWA
Schedule of Findings
Year Ended June 30, 2006

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-06 Official Depositories - A resolution naming official depositories and maximum deposits has not been approved by the City.
- Recommendation - The Council should approve a resolution in amounts sufficient to cover anticipated balances for all depositories.
- Response - We will state an authorized depository and maximum amount.
- Conclusion - Response accepted.
- IV-B-06 Certified Budget - Disbursements during the year ended June 30, 2006, exceeded the amount budgeted in the public safety, public works, debt service and business type activities functions. Chapter 384.20 of the Code of Iowa states in part that 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 - We will do this in the future.
- Conclusion - Response accepted.
- IV-C-06 Questionable Disbursements - No disbursements were noted that I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-D-06 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-E-06 Business Transactions - No business transactions between the City and City officials or employees were noted.
- IV-F-06 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

CITY OF GREENE, IOWA
Schedule of Findings
Year Ended June 30, 2006

Part IV: Other Findings Related to Statutory Reporting: - continued

IV-G-06 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

IV-H-06 Deposits and Investments - One instance of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy was noted. The City's written investment policy lacks some required provisions of Chapter 12B.10B of the Code of Iowa.

Recommendation - The City should complete modifications to the written investment policy. The Council should approve all changes.

Response - The City will contact the league of cities to determine the necessary specifications and, with the approval of the City council, will adopt a suitable policy.

Conclusion - Response accepted.

IV-I-06 Financial Condition - The Debt Service Fund had a deficit balance of \$2,903 at June 30, 2006.

Recommendation - The City should monitor this account and investigate alternatives to eliminate the deficit in order to the fund to a sound financial condition.

Response - This account will be monitored in the future.

Conclusion - Response accepted.

IV-J-06 Payment of General Obligation Bonds - I noted that general obligation debt was paid from the Special Revenue Fund - Tax Increment Financing Account, and not from the Debt Service Fund, as required by Chapter 384.4 of the Code of Iowa.

Recommendation - The City should make general obligation debt payments from the Debt Service Fund as required by the Code.

Response - We will do this.

Conclusion - Response accepted.

