CITY OF MITCHELLVILLE, IOWA

Independent Auditors' Report
Basic Financial Statements and
Supplemental Information and Findings

June 30, 2008

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City of Mitchellville, Iowa
Officials

Name	Title	Term Expires
David Wieslander	Mayor	December, 2009
Peggy Olson	Mayor Pro Tem	December, 2011
Deb Thomas	Council Member	December, 2011
James Scott	Council Member	December, 2011
Sara Roland	Council Member	December, 2009
Dean McGhee	Council Member	December, 2009
Jeffrey Horne	City Administrator	Indefinite
Mildred Cunningham	City Clerk	Indefinite
Ruth Norton	Deputy City Clerk	Indefinite
Amy Beattie	City Attorney	Indefinite
Timothy Brandt	Director Public Works	Indefinite

POLLARD AND COMPANY P.C.

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Mitchellville

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 Mitchellville, Iowa, as of and for the year ended June 30, 2008, 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 Mitchellville's management. Our responsibility is to express an opinion 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 and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Mitchellville as of June 30, 2008, 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 included our reports on our consideration of the City of Mitchellville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mitchellville'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 three years ended June 30, 2007 (none of which is presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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 our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

March 21, 2009

Pollard and Company P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Mitchellville 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, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follows.

FY 2008 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased by $309,323 from FY 2007 to FY 2008.
- The general government disbursements decreased $503,673 from FY 2007 to FY 2008.
- The City's total cash basis net assets for FY 2008 were $2,118,629. Of this amount, the assets of the governmental activities were $1,298,152 and the assets of the business type activities were $820,477.

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 finances.

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 non-major governmental funds.

BASIS OF ACCOUNTING

The City maintains its financial records based on 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. generality 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 and debt service. 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 business at year-end that are available for spending. The major 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 Project Funds for the Center Avenue Improvement Project Fund, Library Renovation Project Fund, and City Hall Project Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government, operations and basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2) Proprietary funds account for City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer fund.

3) The required financial statements for proprietary funds include 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 analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	June 30, 2007	June 30, 2008
Program receipts:		
Charges for service	$158,777	$127,224
Operating grants, contributions and restricted interest	$286,458	$267,513
Capital grants, contributions and restricted interest	$639,168	$50,565
General receipts:		
Property tax		
for general purpose	$450,843	$435,371
for debt service	$33,955	$68,265
Bond Proceeds	$521,808	$810,000
Unrestricted investment earnings	$32,263	$26,120
Miscellaneous	$39,501	$54,640
Transfers - net	$57,891	$71,643
Total receipts and transfers	$2,220,664	$1,911,341
Disbursements:		
Public safety	$413,684	$389,989
Public works	$513,887	$442,743
Culture and recreation	$110,388	$123,509
Community and economic development	$16,638	$24,787
General government	$78,507	$111,070
Debt service	$154,754	$199,658
Capital Project	$745,256	$237,685
Total disbursements	$2,033,114	$1,529,441
Increase in cash basis net assets	$187,550	$381,900
Cash basis net assets beginning of year	$728,702	$916,252
Cash basis net assets end of year	$916,252	$1,298,152

The City's total receipts for governmental activities were $1,911,341 and the total disbursements of all programs and services were $1,529,441. The cash-basis net assets end of year 2008 was $1,298,152, which was an increase of $381,900 from the previous year.

Changes in Cash Basis Net Asset of Business Type Activities

	June 30, 2007	June 30, 2008
Program receipts:		
Charges for service		
Water	$349,454	$357,045
Sewer	$302,821	$319,494
Capital grants, contributions and restricted interest	$40,968	$35,441
General receipts:		
Bond Proceeds	$506,941	$0
Miscellaneous	$5,600	$4140
Transfers – Net	-$53,579	-$71,643
Total receipts and transfers	$1,152,205	$644,477
Disbursements and transfers:		
Water	$815,006	$425,313
Sewer	$256,447	$264,810
Total disbursements and transfer	$1,071,453	$690,123
Increase (decrease) in cash balance	$80,752	-$45,646
Cash basis net assets beginning of year	$785,371	$866,123
Cash basis net assets end of year	$866,123	$820,477

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Mitchellville completed the year, its governmental funds reported a combined fund balance of $1,298,152, and increase of $391,900 from last year's total of $916,252.

- The General Fund cash balance had a decrease in revenues, but it also had a decrease in spending.
- The road Use Tax Fund cash balance had a decrease of $210,628 from $267,332 for a end of year balance $56,694. The Road Use Tax Fund money is used to help maintain or upgrade the condition of all City roads.
- The Library Renovation Fund has a deficit of $15,949. This will decrease when the Library Foundation receives more donations to eliminate this deficit.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decrease by $269,945 due primarily to extra expenses in the fund.
- The Sewer Fund cash balance increased by $71,689 due primarily to controlled spending.
- At the end of FY 2008, there was a deficit balance in the water capital project fund of $152, 610. A transfer was made from the water fund to eliminate this deficit.

BUDGETARY HIGHLIGHTS

- Over the course of the year, the City amended its budget. The amendment was approved on May 27, 2008. The budget was increased $392,369 to provide for additional disbursements in certain city departments. The City had sufficient cash balance to absorb these additional costs.

DEBT ADMINISTRATION

At June 30, 2008, the City had approximately $5,273,252 in bonds and other long-term debt.

Outstanding Debt at Year -End

	June 30, 2007	June 30, 2008
General Obligation Capital Loan Notes	$1,483,614	$2,150,252
Lease Purchase Agreement	$11,409	$0
Revenue Loan Notes	$3,256,000	$3,123,000
Total	$4,751,023	$5,273,252

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 $2,150,252 is significantly below its constitutional debt limit of $3,518,414.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Mitchellville has elected and appointed officials, and department heads who have considered many factors when setting the fiscal year 2009 budget, tax rates, and fees that will be charged for various City activities.

In FY 2007/2008, the City Council had been discussing a sidewalk plan for the City. This would make a great improvement for the City. This would also eliminate citizens from walking in the street.

The City passed a resolution authorizing an $810,000 General Obligation Bond for the Center Avenue Improvement Pavement Project/City Hall Renovation Project. The street improvement will be from Third Street to Sixth Street on Center Avenue N. The Center Avenue Improvement Pavement Project will be paid by property taxes and the City Hall Renovation Project will be paid by the City reserves.

The water tower was painted during the year. This is the first time it has been painted since the tower was built in 1991.

In April 2008, the City signed an agreement to repair the railroad crossings. The total cost for the City of Mitchellville will be 20% for the repairs with the IDOT paying 60% and Iowa Interstate Railroad paying 20%. The payment for the repairs will be made in FY 2008/2009.

The Deer Run Development is located off Sixth Street NE. What a great asset to the City with homes being built in this development. The City is hoping more homes will be added to this development in the next year.

CONTRACTING 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 Mildred Cunningham, City Clerk, 204 Center Avenue N, Mitchellville, Iowa.

City of Mitchellville, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2008

Functions/Programs	Disbursements	Program Receipts: Charges for Services	Program Receipts: Operating Grants, Contributions, and Restricted Interest	Program Receipts: Capital Grants, Contributions and Restricted Interest
Governmental Activities				
Public safety	$ 389,989	$ 51,080	$ 39,415	$ -
Public works	442,743	73,934	197,218	-
Culture and recreation	123,509	1,100	18,954	-
Community and economic development	24,787	1,110	-	-
General government	111,070		11,926	-
Debt service	199,658	-	-	-
Capital Projects	237,685	-	-	50,565
Total governmental activities	1,529,441	127,224	267,513	50,565
Business type activities				
Water	425,313	376,708	-	-
Sewer	264,810	339,412	-	-
Total business type activities	690,123	716,120	-	-
Total	$ 2,219,564	$ 843,344	$ 267,513	$ 50,565
General Receipts				
Property tax levied for				
General purposes				
Debt service				
Unrestricted interest on investments				
Bond 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 (deficit)				
Streets				
Capital project				
Debt service				
Employee benefits				
Other purposes				
Unrestricted				
Total cash basis net assets				

There were no reconciling items between the Governmental and Proprietary Fund Statements of Cash Receipts, Disbursements and Changes in Cash Balances and the above Statement. See notes to financial statements.

Governmental Activities	Business Type Activities	Total
$ (299,494)	$ -	$ (299,494)
(171,591)	-	(171,591)
(103,455)	-	(103,455)
(23,677)	-	(23,677)
(99,144)	-	(99,144)
(199,658)	-	(199,658)
(187,120)		(187,120)
(1,084,139)	-	(1,084,139)
-	(48,605)	(48,605)
-	74,602	74,602
-	25,997	25,997
$ (1,084,139)	$ 25,997	$ (1,058,142)
435,371	-	435,371
68,265	-	68,265
26,120	-	26,120
810,000	-	810,000
54,640	-	54,640
71,643	(71,643)	-
1,466,039	(71,643)	1,394,396
381,900	(45,646)	336,254
916,252	866,123	1,782,375
$ 1,298,152	$ 820,477	$ 2,118,629
$ 56,694	$ -	$ 56,694
745,796	-	745,796
12,488	19,612	32,100
(4,070)	-	(4,070)
108,182	-	108,182
379,062	800,865	1,179,927
$ 1,298,152	$ 820,477	$ 2,118,629

City of Mitchellville, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2008

		Special Revenue		
	General	Road Use Tax	Employee Benefits	Debt Service
Receipts				
Property Taxes	$ 356,614	$ -	$ 67,811	$ 68,265
Licenses and Permits	11,926	-	-	-
Use of Money and Property	16,679	6,442	-	-
Intergovernmental	56,275	197,218	-	-
Charges for Services	127,224	-	-	-
Miscellaneous	39,270	-	-	-
Total Receipts	607,988	203,660	67,811	68,265
Disbursements				
Operating				
Public Safety	341,034	-	48,910	-
Public Works	75,262	339,485	27,996	-
Culture and Recreation	110,944	-	12,565	-
Community and Economic Development	21,874	-	-	-
General Government	93,674	-	14,371	3,025
Debt Service	12,103	53,362	-	134,193
Capital Projects	-	-	-	-
Total Disbursements	654,891	392,847	103,842	137,218
Excess (deficiency) of receipts over (under) disbursements	(46,903)	(189,187)	(36,031)	(68,953)
Other financing sources (uses)				
Bond Proceeds	-	-	-	-
Operating transfers in	18,181	-	-	68,730
Operating transfers out	-	(21,441)	-	-
Total other financing sources (uses)	18,181	(21,441)	-	68,730
Net change in cash balances	(28,722)	(210,628)	(36,031)	(223)
Cash balance - beginning of year	407,784	267,322	31,961	12,711
Cash balance - end of year	$ 379,062	$ 56,694	$ (4,070)	$ 12,488
Cash basis fund balances (deficit)				
Reserved				
Debt service	$ -	$ -	$ -	$ 12,488
Employee Benefits	-	-	(4,070)	-
Unreserved				
General fund	379,062	-	-	-
Special revenue funds	-	56,694	-	-
Capital project funds	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	$ 379,062	$ 56,694	$ (4,070)	$ 12,488

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

Capital Projects				
Library Renovations	City Hall Project	Center Avenue Project	Other Nonmajor Governmental Funds	Total
$ -	$ -	$ -	$ 10,946	$ 503,636
-	-	-	-	11,926
26	-	-	3,329	26,476
-	-	-	-	253,493
-	-	-	-	127,224
50,565	-	-	17,108	106,943
50,591	-	-	31,383	1,029,698
-	-	-	45	389,989
-	-	-	-	442,743
-	-	-	-	123,509
-	-	-	2,913	24,787
-	-	-	-	111,070
-	-	-	-	199,658
173,075	525	47,730	16,355	237,685
173,075	525	47,730	19,313	1,529,441
(122,484)	(525)	(47,730)	12,070	(499,743)
-	175,000	635,000	-	810,000
-	-	-	17,913	104,824
-	-	-	(11,740)	(33,181)
-	175,000	635,000	6,173	881,643
(122,484)	174,475	587,270	18,243	381,900
106,535	-	-	89,939	916,252
$ (15,949)	$ 174,475	$ 587,270	$ 108,182	$ 1,298,152
$ -	$ -	$ -	$ -	$ 12,488
-	-	-	-	(4,070)
-	-	-	-	379,062
-	-	-	75,249	131,943
(15,949)	174,475	587,270	-	745,796
-	-	-	32,933	32,933
$ (15,949)	$ 174,475	$ 587,270	$ 108,182	$ 1,298,152

Exhibit C

City of Mitchellville, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2008

	Sewer	Water	Water Capital Projects	Total
Operating receipts				
Use of money and property	$ 19,918	$ 15,523	$ -	$ 35,441
Charges for service	319,494	357,045	-	676,539
Miscellaneous	-	4,140	-	4,140
Total operating receipts	339,412	376,708	-	716,120
Operating disbursements				
Business-type activities	184,540	274,903	-	459,443
Total operating disbursements	184,540	274,903	-	459,443
Excess of operating receipts over operating disbursements	154,872	101,805	-	256,677
Non-operating receipts (disburseiments)				
Debt service	(80,270)	(150,410)	-	(230,680)
Total non-operating receipts (disbursements)	(80,270)	(150,410)	-	(230,680)
Excess of receipts over disbursements	74,602	(48,605)	-	25,997
Operating transfer in	-	-	152,610	152,610
Operating transfers out	(2,913)	(221,340)	-	(224,253)
Net change in cash balances	71,689	(269,945)	152,610	(45,646)
Cash balances - beginning of year	450,072	568,661	(152,610)	866,123
Cash balances - end of year	$ 521,761	$ 298,716	$ -	$ 820,477
Cash basis fund balances (deficit)				
Reserved for debt service	$ 7,126	$ 12,486	$ -	$ 19,612
Unreserved	514,635	286,230	-	800,865
Total cash basis fund balances	$ 521,761	$ 298,716	$ -	$ 820,477

See notes to financial statements

City of Mitchellville, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Fiduciary Funds
As of and for the year ended June 30, 2008

	Blake Trust	Library Memorial
Receipts		
Use of money and property	$ 2,597	$ 506
Miscellaneous	-	2,126
Total receipts	2,597	2,632
Disbursements	-	21,045
Net change in cash balances	2,597	(18,413)
Cash balance - beginning of year	59,873	31,165
Cash balance - end of year	$ 62,470	$ 12,752

1/ Summary of Significant Accounting Policies

The City of Mitchellville is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1856 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 nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements, and general administrative services.

A. Reporting Entity

For financial reporting purposes, the City of Mitchellville 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 board 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 that meet the criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the City's citizenry, but do not meet the criteria for 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: The Safety Coalition of Central Iowa Cities, HAZ-MAT Services, Urban Design Standards and Construction Specification Agreement, City of Colfax Mutual Fire and Police Assistance Agreement and Central Regional Iowa Drinking Water Commission.

In addition, the City, in conjunction with seventeen other cities, created the Metro Waste Authority. The Authority board consists of an elected representative of the governing body of each participating governmental jurisdiction. The purpose of this joint public body is to provide for the economic disposal of all solid waste produced or generated by the jurisdictions and private contractors. During the year ended June 30, 2008, the City paid the Metro Waste Authority $16,151 for the Curb It Program.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of 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.

B. Basis of Presentation (continued)

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.

The Statement of Activities and Net Assets demonstrates the degree to which 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 Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefits Fund is used to account for the tax levy and the disbursement for the benefits.

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

Capital Projects Fund:

Library Renovations Fund is used to account for the construction costs related to the library renovations.

City Hall Project is used to account for the construction costs related to the new City Hall.

Center Avenue Project is used to account for the construction costs of Center Avenue reconstruction.

The City reports the following major proprietary funds:

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

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition of capital facilities.

C. Measurement Focus and Basis of Accounting

The City of Mitchellville 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 operation of the funds in accordance with U.S. generally accepted accounting principles.

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 propriety funds' principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

2/ Cash and Pooled Investments

The City's deposits in banks at June 30, 2008 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.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of $1,239,886 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

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 maturities shall be consistent with the needs and use of the City.

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

3/ Bonds and Notes Payable

Annual debt service requirements for general obligation notes, and revenue bonds and notes are as follows:

	General Obligation Bonds		Revenue Bonds/ Notes		Total	
Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2009	214,362	66,377	137,000	93,690	351,362	160,067
2010	246,361	62,025	141,000	89,580	387,361	151,605
2011	252,361	55,464	145,000	80,970	397,361	136,434
2012	155,000	48,519	149,000	76,620	304,000	125,139
2013	137,000	42,844	154,000	72,150	291,000	114,994
2014-2018	704,000	141,528	843,000	297,360	1,547,000	438,888
2019-2024	381,000	39,520	976,000	176,280	1,357,000	215,800
2025-2029	60,168	1,805	578,000	32,670	638,168	34,475
Total	$ 2,150,252	$ 458,082	$ 3,123,000	$ 919,320	$ 5,273,252	$ 1,377,402

3/ Bonds and Notes Payable (continued)

Revenue Bonds and Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay $2,230,000 in water revenue bonds issued in September 2005. Proceeds from the bonds provided financing for the water system construction and improvement The bonds are payable solely from water customer net receipts and are payable through 2026. Annual principal and interest payments on the bonds are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the bonds is $2,671,170. For the current year, principal and interest paid and customer net receipts were $150,410 and $165,390, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay $ 1,200,000 in sewer revenue capital notes issued in May 2004. Proceeds from the notes provided financing for the sewer treatment plant construction and improvement. The notes are payable solely from sewer customer net receipts and are payable through 2025. Annual principal and interest payments on the notes are expected to require less than 51 percent of net receipts. The total principal and interest remaining to be paid on the notes is $ 1,371,150. For the current year, principal and interest paid and customer net receipts were $154,872 and $ 80,270, respectively.

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

a) The bonds/notes will only be redeemed from the future earnings of each enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.

b) Sufficient monthly transfers shall be made to separate water and sewer revenue bond/note sinking accounts for the purpose of making the bond/note principal and interest payments when due.

c) User rates shall be established and charged to customers of the activity at least sufficient to pay the expenses of operation and maintenance and to have a balance of net revenues equal to at least 110% of the principal and interest on the bonds/notes falling due in the same year.

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

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were $29,541, $26,811, and $26,488, respectively, equal to the required contributions for each year.

5/ 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 these earned termination payments payable to employees at June 30, 2008, primarily relating to the General Fund, is $16,700.

This liability has been computed based on rates of pay as of June 30, 2008.

6/ Risk Management

The City of Mitchellville 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, 2008 is as follows:

	Transfer To					
	General	Urban Service Area	Debt Service	Water Capital Project	Railroad Crossing	Total
Transfer from						
Water	$ -	$ -	$ 68,730	$ 152,610	$ -	$ 221,340
Sewer	-	2,913	-	-	-	2,913
Emergency Levy	10,575	-	-	-	-	10,575
Road Use Tax	6,441	-	-	-	15,000	21,441
Cemetery Trust	1,165	-	-	-	-	1,165
	$ 18,181	$ 2,913	$ 68,730	$ 152,610	$ 15,000	$ 257,434

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 Employee Benefits Fund had a deficit balance of $4,070. The deficit was a result of expenditures being greater than property tax revenues. Subsequent receipts from property taxes will eliminate the deficit.

The Library Renovations Fund had a deficit balance of $15,949. The deficit was a result of project expenditures being made ahead of receipts. Subsequent receipts from the library foundation or transfers from the General Fund will eliminate the deficit..

9/ Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that effect the reported amounts and disclosure of liabilities, contingent liabilities, and commitments at the date of the financial statements, and the classification of receipts and disbursements during the reporting period. Actual results could differ from the estimates that were used.

10/ Construction Commitments

The City has committed to construction contracts for Center Avenue. As of June 30, 2008, approximately $609,000 remained to be paid on the contract. The City had also committed to a contract for the repair of the City's water tower. As of June 30, 2008, approximately $59,000 remained to be paid on the contract.

11/ Urban Service Area

In October 2005, Polk County and the City entered into an agreement under Chapter 28 of the Code of Iowa to provide water and sewer extensions to customers outside the city limits. The service fees will be divided 50% to the City and 50% to a Joint Water and Sewer Trust Fund maintained by the County to be applied to construction costs within the Urban Service area.

City of Mitchellville, 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, 2008

	Governmental Funds Actual	Enterprise Funds Actual	Net
Receipts			
Property Taxes	$ 503,636	$ -	$ 503,636
Other City Taxes	-	-	-
Licenses and permits	11,926	-	11,926
Use of money and property	26,476	35,441	61,917
Intergovernmental	253,493	-	253,493
Charges for Service	127,224	676,539	803,763
Miscellaneous	106,943	4,140	111,083
Total Receipts	1,029,698	716,120	$ 1,745,818
Disbursements			
Public safety	389,989	-	389,989
Public works	442,743	-	442,743
Culture and recreation	123,509	-	123,509
Community and economic development	24,787	-	24,787
General government	111,070	-	111,070
Debt service	199,658	230,680	430,338
Capital Projects	237,685	-	237,685
Business type activities	-	459,443	459,443
Total Disbursements	1,529,441	690,123	2,219,564
Excess (deficiency) of receipts over (under) disbursements	(499,743)	25,997	(473,746)
Other financing sources, net	881,643	(71,643)	810,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	381,900	(45,646)	336,254
Balance - beginning of year	916,252	866,123	1,782,375
Balance - end of year	$ 1,298,152	$ 820,477	$ 2,118,629

Budgeted Amounts		Final to Net
Original	Final	Variance
$ 486,023	$ 486,023	$ 17,613
12,162	12,162	(12,162)
11,130	11,130	796
11,000	11,000	50,917
203,273	218,833	34,660
813,942	813,942	(10,179)
21,220	21,220	89,863
1,558,750	1,574,310	171,508
352,109	420,363	30,374
387,280	539,557	96,814
119,134	128,694	5,185
9,800	9,800	(14,987)
103,789	103,789	(7,281)
68,538	68,538	(361,800)
20,000	20,000	(217,685)
875,490	875,490	416,047
1,936,140	2,166,231	(53,333)
(377,390)	(591,921)	118,175
-	(177,838)	987,838
(377,390)	(769,759)	1,106,013
1,254,442	1,254,442	527,933
$ 877,052	$ 484,683	$ 1,633,946

City of Mitchellville, Iowa
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2008

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 nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by $230,091. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the community and economic development, general government, debt service, and capital projects functions.

City of Mitchellville, Iowa
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2008

	Special Revenue		Capital Projects		
	Emergency Levy	Urban Service Area	Special Assessment	Railroad Crossing Repair	DARE	Urban Service Area
Receipts						
Property tax	$ 10,575	$ -	$ 371		$ -	$ -
Use of money and property			803	1,234	-	-
Miscellaneous		16,508	-		-	-
Total Receipts	10,575	16,508	1,174	1,234	-	
Disbursements						
Operating						
Public Safety	$ -	$ -	$ -	$ -	$ 45	$ -
Community and Economic Development	-	-	-	-	-	2,913
Capital Projects	-	16,355	-	-	-	-
Total Disbursements	-	16,355	-	-	45	2,913
Excess (deficiency) of receipts over (under) disbursements	10,575	153	1,174	1,234	(45)	(2,913)
Other financing sources (uses)						
Operating transfers in	-	-	-	15,000	-	2,913
Operating transfers out	(10,575)	-	-	-	-	-
Total other financing sources (uses)	(10,575)	-	-	15,000	-	2,913
Net change in cash balances	-	153	1,174	16,234	(45)	-
Cash balance - beginning of year	-	(153)	23,049	31,439	45	-
Cash balance - end of year	$ -	$ -	$ 24,223	$ 47,673	$ -	$ -
Cash basis fund balances						
Unreserved						
Special revenue funds	$ -	$ -	$ 24,223	$ 47,673	$ -	$ -
Permanent fund	-	-	-	-	-	-
Total cash basis fund balances	$ -		$ 24,223	$ 47,673	$ -	

See accompanying independent auditors' report.

Schedule 1

Park Fund	Permanent: Cemetery Perpetual Care	Total
$ -	$ -	$ 10,946
127	1,165	3,329
-	600	17,108
127	1,765	31,383
$ -	$ -	$ 45
-	-	2,913
-	-	16,355
-	-	19,313
127	1,765	12,070
-	-	17,913
-	(1,165)	(11,740)
-	(1,165)	6,173
127	600	18,243
3,226	32,333	89,939
$ 3,353	$ 32,933	$ 108,182
$ 3,353	$ -	$ 75,249
-	32,933	32,933
$ 3,353	$ 32,933	$ 108,182

City of Mitchellville, Iowa
Schedule of Indebtedness
For the year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Notes			
Storm Sewer Improvement	March, 1997	5.00%	375,000
Water Treatment Plant	June, 2006	3.00%	1,050,000
Library Renovations	August, 2006	4.25%	255,000
Street Reconstruction	August, 2006	0.00%	266,806
City Hall/Center Avenue Impovements	June, 2008	2.70% - 3.90%	810,000
Totals			
Lease Purchase Note			
Ambulance	July, 1997	6.04%	$ 88,910
(secured by a lien on the ambulance)			
Revenue Bonds/Notes			
Sewer Revenue Capital Notes	May, 2004	3.00%	$ 1,200,000
Water Revenue Bonds	September, 2005	3.00%	2,230,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
145,000	-	25,000	120,000	7,250
870,168	-	40,000	830,168	26,105
255,000	-	25,000	230,000	10,838
213,446	-	53,362	160,084	-
-	810,000	-	810,000	-
$ 1,483,614	$ 810,000	$ 143,362	$ 2,150,252	$ 44,193
$ 11,409	$ -	$ 11,409	$ -	$ 694
$ 1,109,000	$ -	$ 47,000	$ 1,062,000	$ 33,270
2,147,000	-	86,000	2,061,000	64,410
$ 3,256,000	$ -	$ 133,000	$ 3,123,000	$ 97,680

City of Mitchellville, Iowa
Bond and Note Maturities
June 30, 2008

General Obligation Bonds and Notes

Year Ending June 30,	Storm Sewer Improvement Issued March 1, 1997		Water Capital Notes Issued June 1, 2006		Street Project Issued August 30, 2006		Library Renovations Issued August 21, 2006		City Hall/Center Avenue Issued June 17, 2008		Total
	Interest Rates (%)	Amount	Interest Rates (%)	Amount	Interest	Amount	Interest	Amount	Interest	Amount	
2009	5.00	30,000	3.00	41,000	0.00	53,362	4.25	25,000	2.70	65,000	214,362
2010	5.00	30,000	3.00	43,000	0.00	53,361	4.25	25,000	2.85	95,000	246,361
2011	5.00	30,000	3.00	44,000	0.00	53,361	4.25	30,000	3.00	95,000	252,361
2012	5.00	30,000	3.00	45,000			4.25	30,000	3.10	50,000	155,000
2013			3.00	47,000			4.25	30,000	3.20	60,000	137,000
2014			3.00	48,000			4.25	30,000	3.30	65,000	143,000
2015			3.00	49,000			4.25	30,000	3.40	70,000	149,000
2016			3.00	51,000			4.25	30,000	3.50	70,000	151,000
2017			3.00	52,000					3.70	75,000	127,000
2018			3.00	54,000					3.80	80,000	134,000
2019			3.00	56,000					3.90	85,000	141,000
2020			3.00	57,000							57,000
2021			3.00	59,000							59,000
2022			3.00	61,000							61,000
2023			3.00	63,000							63,000
2016			3.00	60,168							60,168
Totals		$ 120,000		$ 830,168		$ 160,084		$ 230,000		$ 810,000	$ 2,150,252

Year Ending June 30,	Sewer Revenue Capital Notes Issued May 17, 2004		Water Revenue Bonds Issued September 21, 2005		Total
	Interest Rates (%)	Amount	Interest Rates (%)	Amount	
2009	3.00	49,000	3.00	88,000	137,000
2010	3.00	50,000	3.00	91,000	141,000
2011	3.00	52,000	3.00	93,000	145,000
2012	3.00	53,000	3.00	96,000	149,000
2013	3.00	55,000	3.00	99,000	154,000
2014	3.00	57,000	3.00	102,000	159,000
2015	3.00	58,000	3.00	105,000	163,000
2016	3.00	60,000	3.00	108,000	168,000
2017	3.00	62,000	3.00	112,000	174,000
2018	3.00	64,000	3.00	115,000	179,000
2019	3.00	66,000	3.00	118,000	184,000
2020	3.00	67,000	3.00	122,000	189,000
2021	3.00	69,000	3.00	126,000	195,000
2022	3.00	72,000	3.00	129,000	201,000
2023	3.00	74,000	3.00	133,000	207,000
2024		76,000	3.00	137,000	213,000
2025		78,000	3.00	141,000	219,000
2026			3.00	146,000	146,000
Totals		$ 1,062,000		$ 2,061,000	$ 3,123,000

See accompanying independent auditors' report.

City of Mitchellville, Iowa
Schedule of Receipts by Source and Disbursements by Function
All Government Funds
For the Last Four Years

	2008	2007	2006	2005
Receipts				
Property taxes	$ 503,636	$ 484,798	$ 499,829	$ 492,370
Licenses and permits	11,926	12,664	14,828	8,525
Use of money and property	26,476	32,527	16,155	7,166
Intergovernmental	253,493	303,544	214,152	185,486
Charges for service	127,224	126,160	113,830	113,646
Miscellaneous	106,943	681,272	62,197	35,337
Total	$ 1,029,698	$ 1,640,965	$ 920,991	$ 842,530
Disbursements				
Operating				
Public safety	$ 389,989	$ 413,684	$ 304,815	$ 268,519
Public works	442,743	513,887	274,089	224,577
Culture and recreation	123,509	110,388	120,699	120,433
Community and economic development	24,787	16,638	5,863	5,857
General government	111,070	78,508	92,410	90,115
Debt service	199,658	154,753	71,208	73,702
Capital projects	237,685	745,256	43,254	-
Total	$ 1,529,441	$ 2,033,114	$ 912,338	$ 783,203

See accompanying independent auditors' report.

POLLARD AND COMPANY P.C.

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IOWA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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, and each major fund and the aggregate remaining fund information of the City of Mitchellville, Iowa as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon as dated below. 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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we considered to be a significant deficiency and we considered to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mitchellville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 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 Mitchellville's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusion on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a matter of public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Mitchellville and other parties to whom the City of Mitchellville may report. This report is not intended to be and should not be used by anyone other than these specified parties.

March 21, 2009

Pollmann and Company P.C.

CITY OF MITCHELLVILLE, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

PART I Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES

I-A-08 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. The posting of the cash receipts to the general ledger, reconciliations and securities control and custody are all done by the same person.

Recommendation

We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response

Using the City Manager, the City will attempt to segregate duties to the extent possible to provide additional control through review of financial transactions and reports and segregation of duties.

Conclusion- Response accepted.

PART II Other Findings Related to Statutory Reporting

II-A-08 Certified Budget

A/ Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in community and economic development, general government, debt service, and capital projects functions.

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. The City did prepare an amended budget, however it was prepared incorrectly.

Response

The budget will be correctly amended in the future, if applicable.

Conclusion- Response accepted.

B/ The budget amendment did not offset transfers out with other financing revenues.

Recommendation

Even though the prescribed form does not provide a line for transfers- in, the City should reflect those amounts as other financing sources in the budget form

Response

The form will be completed correctly in the future.

Conclusion - Response accepted.

PART II Other Findings Related to Statutory Reporting (continued)

II-B-08 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment expenses that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-08 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-08 Business Transactions

The business transactions between the City and Peggy Olson, Council Member and Caterer, totaled $50. In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Council Member do not appear to represent a conflict of interest since the total transactions were less than $1,500 during the fiscal year.

II-E-08 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions.

II-F-08 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

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

Recommendation
The City should comply with the Code of Iowa and publish the minutes as required.

Response
We will publish the minutes as required.

Conclusion - Response accepted.

II-G-08 Deposits and Investments

Except as noted below, deposits and investments were in compliance with Chapter 12B and 12C of the Code of Iowa and the City's investment policy. The City has not adopted a depository resolution naming all of the City's current depositories.
Recommendation
The City should comply adopt a new depository resolution naming all of its current depositories.

Response
We will adopt a new depository resolution as required.

Conclusion - Response accepted

PART II Other Findings Related to Statutory Reporting (continued)

II-H-08 Financial Condition

The Employee Benefits Fund and the Library Renovations Fund had deficit balances at June 30, 2008.

Recommendation
The City should investigate alternatives to eliminate the deficits in order to return the funds to a sound financial position.

Response
Note 8 of the financial statements indicate the City's plans to eliminate the deficit.

Conclusion
Response accepted.

II-I-08 Retention of Cancelled Checks

The cancelled checks received electronically do not contain an image of the front and back of the check as required by Section 554D.114 (5) of the Code of Iowa.

Recommendation
The City should contact their bank and request that the electronic image contain both the front and back of each check.

Response
We contacted our bank and they corrected this in March 2008.

Conclusion - Response accepted.

II-J-08 Unclaimed Property

Chapter 556.11 of the Code of Iowa requires each City to file an annual report with the State Treasurer's Office, stating they do not have any unclaimed property as defined by the Code of Iowa.

Recommendation
The required report should be remitted to the State Treasurer's Office as required.

Response
We will file the report as required.

Conclusion -Response accepted.