

CITY OF CHARLES CITY
Charles City, Iowa

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS & QUESTIONED COSTS

June 30, 2009

TABLE OF CONTENTS

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITORS' REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-9
BASIC FINANCIAL STATEMENTS:	<u>Exhibit</u>
Government-Wide Financial Statement:	
Statement of Activities and Net Assets-Cash Basis.....A.....	10-11
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances.....B.....	12
Reconciliation of the Statement of Cash Receipts,	
Disbursements and Changes in Cash Balances to	
the Statement of Activities and Net Assets.....C.....	13
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances.....D.....	14-15
Reconciliation of the Statement of Cash Receipts,	
Disbursements and Changes in Cash Balances to	
the Statement of Activities and Net Assets.....E.....	16
Notes to Financial Statements.....	17-30
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and	
Changes in Balances – Budget and Actual (Cash Basis) – All	
Governmental Funds and Proprietary Funds	31-32
Notes to Required Supplementary Information – Budgetary Reporting	33
OTHER SUPPLEMENTARY INFORMATION:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in	
Cash Balances – Nonmajor Governmental Funds.....1.....	34-37
Schedule of Cash Receipts, Disbursements and Changes in	
Cash Balances – Nonmajor Proprietary Funds.....2.....	38
Schedule of Indebtedness.....3.....	39-42
Bond and Note Maturities.....4.....	43-49
Schedule of Receipts by Source and Disbursements	
By Function- All Governmental Funds.....5.....	50-51
Schedule of Expenditures of Federal Awards.....6.....	52-53

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	54-56
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	57-58
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	59-65

CITY OF CHARLES CITY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James A. Erb	Mayor	January 2010
Jerry Joerger	Mayor Pro Tem	January 2010
Dean Andrews	Council Member	January 2012
Andy Cerio	Council Member	January 2012
DeLaine Freeseaman	Council Member	January 2010
Kevin Simonson	Council Member	January 2012
Trudy O'Donnell	City Clerk	Indefinite
Tom Brownlow	City Administrator	Indefinite
Ralph Smith	City Attorney	Indefinite



Gardiner Thomsen
Certified Public Accountants

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Charles City, Iowa, as of and for the year ended June 30, 2009, 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 Charles City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Charles City as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2009, on our consideration of the City of Charles City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 31 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain 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 Charles City's basic financial statements. The financial statements for the four years ended June 30, 2008 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the second paragraph of this report 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 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "Unaudited" (Schedule 5) on which we express no opinion, 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.

October 19, 2009

Gardiner Thomsen, P.C.

Basic Financial Statements

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Charles City 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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 3%, or approximately \$412,260, from fiscal 2008 to fiscal 2009. This was primarily due to the decreased receipts of bond proceeds and decrease in general revenues, such as Local Option Sales Tax.
- Disbursements of the City's governmental activities increased 9% or approximately \$863,347, in fiscal year 2009 from fiscal 2008. Public Safety, Public Works, and Community and Economic development showed the largest increases for 2009.
- The City's total cash basis net assets increased 12%, or approximately \$985,486 from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities increased approximately \$525,368 and the assets of the business-type activities increased by approximately \$460,118.

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 – Cash Basis. 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 funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

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 – Cash Basis reports information which helps answer this question.

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

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business-Type Activities include the waterworks, the sanitary sewer system, waste collection, transit and fire extinguisher funds. 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: (a) the General Fund, (b) the Special Revenue Funds, (c) the Debt Service Fund and (d) Capital Projects Funds. 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 statements for Governmental Funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business-type activities. The City maintains several Enterprise Funds to provide separate information for the water, sewer, waste collection, transit and fire extinguisher funds. The water and sewer funds are considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from \$7,101,351 a year ago to \$7,626,719. The analysis that follows focuses on the changes in cash basis net assets for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year Ended June 30,	
	2009	2008
Receipts		
Program Receipts		
Charges for Service	\$1,972,912	\$712,837
Operating Grants, Contributions and Restricted Interest	3,090,315	2,938,797
Capital Grants, Contributions and Restricted Interest	155,000	0
General Receipts		
Property Tax	4,209,286	4,016,439
Local Option Sales Tax	549,069	679,339
Grants and Contributions Not Restricted to a Specific Purpose	0	114,151
Unrestricted Investment Earnings	139,864	264,846
Bond and Loan Proceeds	212,000	1,644,093
Other General Receipts	599,426	647,804
Transfers, Net	447,163	768,989
Total Receipts	<u>11,375,035</u>	<u>11,787,295</u>
Disbursements		
Public Safety	2,345,105	1,939,361
Public Works	1,623,369	1,166,425
Health and Social Services	483,191	461,115
Culture and Recreation	986,846	877,328
Community and Economic Development	2,791,423	1,946,988
General Government	627,787	869,614
Debt Service	1,214,506	1,929,246
Capital projects	777,440	796,243
Total Disbursements	<u>10,849,667</u>	<u>9,986,320</u>
Increase in Cash Basis Net Assets	525,368	1,800,975
Cash Basis Net Assets – Beginning of Year	<u>7,101,351</u>	<u>5,300,376</u>
Cash Basis Net Assets – End of Year	<u>\$7,626,719</u>	<u>\$7,101,351</u>

The City's total receipts for governmental activities decreased 3%, or \$412,260. The total cost of all programs and services increased \$863,347, or 9%.

The cost of all governmental activities this year was \$10,849,667 compared to \$9,986,320 last year. As shown in the Statement of Activities and Net Assets – Cash Basis, the amount taxpayers ultimately financed for these activities was only \$5,631,440 because some of the cost was paid by those directly benefiting from the programs (\$1,972,912) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$3,245,315).

Changes in Cash Basis Net Assets of Business Type Activities		
	Year Ended June 30,	
	2009	2008
Receipts		
Program Receipts		
Charges for Service		
Water	\$1,551,424	\$1,387,180
Sewer	1,288,395	1,127,769
Waste Collection	320,651	298,400
Storm Utility	101,859	0
Transit and Fire Extinguisher	17,893	18,018
General Receipts		
Property Tax	0	49,454
Unrestricted Interest on Investments	20,818	18,809
Miscellaneous	631	1,682
Bond/loan Proceeds	1,873,660	460,024
	<u>5,175,331</u>	<u>3,361,336</u>
Disbursements and Transfers		
Water	2,658,998	964,682
Sewer Improvements	807,063	548,051
Waste Collection	301,722	311,634
Storm Utility	16,024	0
Transit and Fire Extinguisher	92,444	75,995
Debt Service	391,799	218,243
Transfers Net	447,163	768,989
Total Disbursements and Transfers	<u>4,715,213</u>	<u>2,887,594</u>
Increase in Cash Basis Net Assets	460,118	473,742
Cash Basis Net Assets - Beginning of Year	939,938	466,196
Cash Basis Net Assets - End of Year	<u>\$1,400,056</u>	<u>\$939,938</u>

Total business-type activities receipts for the fiscal year were \$5,175,331 compared to \$3,361,336 last year. The cash balance increased approximately \$460,118 from the prior year. Total disbursements for the fiscal year increased by approximately \$1,827,619 (63%) due to the significant amount of capital outlay required in 2009 for the water and sewer project.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Charles City completed the year, its governmental funds reported a combined fund balance of \$7,180,018, an increase of \$462,845 from last year’s total of \$6,717,173. 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 \$346,002 from the prior year to \$879,354. This decrease was primarily due to lower interest rates and Intergovernmental receipts.
- The Debt Service Fund cash balance decreased by \$9,341 to a deficit balance of \$2,877 during the fiscal year. This was primarily due to decreases in property tax collections and transfers from other funds.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$271,941 to \$623,488.
- The Sewer Fund cash balance increased by \$85,674 to \$603,370 primarily due to a significant increase in charges for service revenue.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 18, 2009. Changes in revenue included decreases in interest and Local Option Sales Tax. Bond proceeds that were budgeted to be received in fiscal 2008, were actually received in 2009 along with funding for flood repairs. Amendments to disbursements included flood repair expenditures and changes to the street projects.

For the year, the City’s actual receipts were \$13,223,360 compared to the final budget of \$12,894,161 and actual disbursements were \$14,401,692 compared to budgeted disbursements of \$15,096,411.

DEBT ADMINISTRATION

At June 30, 2009, the City had \$13,657,761 in bonds and other long-term debt compared to \$12,883,083 last year, as shown below:

	Outstanding Debt at Year-End	
	Year Ended June 30,	
	2009	2008
General Obligation Bonds and Notes	\$5,709,000	\$6,358,000
Revenue Bonds and Notes	6,769,042	4,912,851
Lease Purchase Agreements	1,179,719	1,259,695
Other Loans	0	352,537
Total	\$13,657,761	\$12,883,083

The Constitution of the State of Iowa limits the amount of general obligation and tax increment financing 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 and tax increment financing debt of approximately \$7,745,964 is significantly below its constitutional debt limit of \$17,096,766. The outstanding revenue bonds include \$832,110 of nontax increment financing debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Charles City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates and fees that will be charged for various City activities.

For 2010, the City has incorporated estimated revenue and expenditures into the budget for several anticipated capital projects, including an expansion of the water plant, the building of a cable-stayed bridge and a street project. These projects are to be financed by a state revolving fund loan, federal and state grants, local option sales tax, reserves in the water and sewer funds and community pledges. A porous paving project and replacement of all water meters with radio read meters are two projects planned for 2010, as well as completion of the water plan expansion project.

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 Trudy O'Donnell, City Clerk/Finance Officer at 105 Milwaukee Mall, Charles City, IA 50616, phone (641) 257-6300 or email trudy@cityofcharlescity.org.

Basic Financial Statements

CITY OF CHARLES CITY
Charles City, Iowa

STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS
As of and for the Year Ended June 30, 2009

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions, and Restricted Interest
Functions/Programs:			
Governmental Activities:			
Public Safety	\$2,345,105	\$791,531	\$32,059
Public Works	1,623,369	176,853	651,737
Health & Social Services	483,191	2,865	472,353
Culture & Recreation	986,846	232,100	114,910
Community & Economic Development	2,791,423	603,584	1,709,691
General Government	627,787	158,943	92,335
Debt Service	1,214,506	0	0
Capital Projects	777,440	7,036	17,230
Total Governmental Activities	<u>10,849,667</u>	<u>1,972,912</u>	<u>3,090,315</u>
Business Type Activities:			
Water	2,830,887	1,551,424	0
Sewer	1,026,973	1,288,395	0
Waste Collection	301,722	320,651	0
Transit	86,972	11,760	0
Storm Utility	16,024	101,859	0
Fire Extinguishers	5,472	6,133	0
Total Business Type Activities	<u>4,268,050</u>	<u>3,280,222</u>	<u>0</u>
Total	<u>\$15,117,717</u>	<u>\$5,253,134</u>	<u>\$3,090,315</u>

General Receipts:

Property and Other City Tax Levied for:
 General Purposes
 Debt Service
Tax Increment Financing
Local Option Sales Tax
Unrestricted Interest on Investments
Bond Proceeds
Miscellaneous

Transfers

Total General Receipts & 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:

 Streets

 Urban Renewal Purposes

 Debt Service

Unrestricted

Total Cash Basis Net Assets

See Notes to Financial Statements

Program Receipts Capital Grants, Contributions and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business - Type Activities	Total
\$0	\$(1,521,515)	\$0	\$(1,521,515)
5,000	(789,779)	0	(789,779)
0	(7,973)	0	(7,973)
50,000	(589,836)	0	(589,836)
0	(478,148)	0	(478,148)
0	(376,509)	0	(376,509)
0	(1,214,506)	0	(1,214,506)
100,000	(653,174)	0	(653,174)
<u>155,000</u>	<u>(5,631,440)</u>	<u>0</u>	<u>(5,631,440)</u>
0	0	(1,279,463)	(1,279,463)
0	0	261,422	261,422
0	0	18,929	18,929
0	0	(75,212)	(75,212)
0	0	85,835	85,835
0	0	661	661
<u>0</u>	<u>0</u>	<u>(987,828)</u>	<u>(987,828)</u>
<u>\$155,000</u>	<u>(5,631,440)</u>	<u>(987,828)</u>	<u>(6,619,268)</u>
	2,242,281	0	2,242,281
	340,758	0	340,758
	1,626,247	0	1,626,247
	549,069	0	549,069
	139,864	20,818	160,682
	212,000	1,873,660	2,085,660
	599,426	631	600,057
	447,163	(447,163)	0
	<u>6,156,808</u>	<u>1,447,946</u>	<u>7,604,754</u>
	525,368	460,118	985,486
	<u>7,101,351</u>	<u>939,938</u>	<u>8,041,289</u>
	<u>\$7,626,719</u>	<u>\$1,400,056</u>	<u>\$9,026,775</u>
	\$335,262	\$0	\$335,262
	2,444,662	0	2,444,662
	0	141,687	141,687
	4,846,795	1,258,369	6,105,164
	<u>\$7,626,719</u>	<u>\$1,400,056</u>	<u>\$9,026,775</u>

CITY OF CHARLES CITY
Charles City, Iowa

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH BALANCES – GOVERNMENTAL FUNDS
 As of and for the Year Ended June 30, 2009

	General	Debt Service	Nonmajor	Total
Receipts:				
Property Tax	\$1,569,190	\$340,758	\$673,091	\$2,583,039
Tax Increment Financing Collections	0	0	1,626,247	1,626,247
Other City Tax	229,216	0	549,069	778,285
Licenses & Permits	62,657	0	0	62,657
Use of Money & Property	35,622	0	109,623	145,245
Intergovernmental	658,222	0	2,051,184	2,709,406
Charges for Service	151,015	0	1,340,361	1,491,376
Special Assessments	0	0	7,036	7,036
Miscellaneous	257,219	0	384,218	641,437
Total Receipts	2,963,141	340,758	6,740,829	10,044,728
Disbursements:				
Operating:				
Public Safety	1,835,439	0	186,999	2,022,438
Public Works	651,617	0	962,919	1,614,536
Health & Social Services	1,750	0	481,178	482,928
Culture & Recreation	891,451	0	36,070	927,521
Community & Economic Development	27,148	0	2,606,040	2,633,188
General Government	568,489	0	0	568,489
Debt Service	0	1,214,506	0	1,214,506
Capital Projects	0	0	777,440	777,440
Total Disbursements	3,975,894	1,214,506	5,050,646	10,241,046
Excess (Deficiency) of Receipts Over (Under) Disbursements	(1,012,753)	(873,748)	1,690,183	(196,318)
Other Financing Sources (Uses):				
Bond Proceeds	0	11,109	200,891	212,000
Interfund Loan Activity	0	0	34,361	34,361
Operating Transfers In	1,178,729	853,298	210,408	2,242,435
Operating Transfers Out	(511,978)	0	(1,317,655)	(1,829,633)
Total Other Financing Sources (Uses)	666,751	864,407	(871,995)	659,163
Net Change in Cash Balances	(346,002)	(9,341)	818,188	462,845
Cash Balances Beginning of Year	1,225,356	6,464	5,485,353	6,717,173
Cash Balances End of Year	\$879,354	\$(2,877)	\$6,303,541	\$7,180,018
Cash Basis Fund Balances				
Unreserved :				
General Fund	\$879,354	\$0	\$0	\$879,354
Special Revenue Funds	0	0	6,168,887	6,168,887
Debt Service Fund	0	(2,877)	0	(2,877)
Capital Projects Fund	0	0	134,654	134,654
Total Cash Basis Fund Balances	\$879,354	\$(2,877)	\$6,303,541	\$7,180,018

See Notes to Financial Statements

CITY OF CHARLES CITY
Charles City, Iowa

RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES TO THE STATEMENT OF ACTIVITIES AND NET ASSETS
As of and for the Year Ended June 30, 2009

Total Governmental Funds Cash Balances (Pg. 12) \$7,180,018

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

The Internal Service Fund is used by management to charge the costs of self funding of the City's health insurance benefit plan to individual funds. A portion of the assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

446,701

Cash Basis Net Assets of Governmental Activities (Pg. 11)

\$7,626,719

Net Change in Cash Balances (Pg. 12)

\$462,845

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

The Internal Service Fund is used by management to charge the costs of self funding of the City's health insurance benefit plan to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with governmental activities.

62,523

Change in Cash Basis Net Assets of Governmental Activities (Pg. 11)

\$525,368

See Notes To Financial Statements.

CITY OF CHARLES CITY
Charles City, Iowa

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
 IN CASH BALANCES – PROPRIETARY FUNDS
 As of and for the Year Ended June 30, 2009

	Enterprise Funds	
	Water	Sewer
Operating Receipts:		
Charges for Service	\$1,429,764	\$1,288,395
Miscellaneous	0	0
Total Operating Receipts	1,429,764	1,288,395
Operating Disbursements:		
Business Type Activities	2,551,594	807,063
Non-Program	0	0
Total Operating Disbursements	2,551,594	807,063
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(1,121,830)	481,332
Non-Operating Receipts (Disbursements):		
Intergovernmental	342	289
Interest on Investments	8,961	10,021
General Obligation Bond Proceeds	1,873,660	0
Debt Service	(171,889)	(219,910)
Total Non-Operating Receipts (Disbursements)	1,711,074	(209,600)
Excess of Receipts Over Disbursements	589,244	271,732
Operating Transfers In (Out)	(317,303)	(186,058)
Net Change in Cash Balances	271,941	85,674
Cash Balances Beginning of Year	351,547	517,696
Cash Balances End of Year	\$623,488	\$603,370
Cash Basis Fund Balances		
Reserved for Debt Service	\$141,687	\$0
Unreserved	481,801	603,370
Total Cash Basis Fund Balances	\$623,488	\$603,370

See Notes to Financial Statements

Exhibit D

<u>Enterprise Funds</u>		<u>Internal Service Fund</u>
<u>Other Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Employee Health</u>
\$440,403	\$3,158,562	\$736,133
0	0	48,857
<u>440,403</u>	<u>3,158,562</u>	<u>784,990</u>
410,190	3,768,847	0
0	0	716,025
<u>410,190</u>	<u>3,768,847</u>	<u>716,025</u>
30,213	(610,285)	68,965
0	631	0
457	19,439	9,193
0	1,873,660	0
0	(391,799)	0
<u>457</u>	<u>1,501,931</u>	<u>9,193</u>
30,670	891,646	78,158
56,198	(447,163)	0
86,868	444,483	78,158
2,899	872,142	451,974
<u>\$89,767</u>	<u>\$1,316,625</u>	<u>\$530,132</u>
\$0	\$141,687	\$0
89,767	1,174,938	530,132
<u>\$89,767</u>	<u>\$1,316,625</u>	<u>\$530,132</u>

CITY OF CHARLES CITY
Charles City, Iowa

RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES TO THE STATEMENT OF ACTIVITIES AND NET ASSETS –
PROPRIETARY FUNDS
As of and for the Year Ended June 30, 2009

Total Enterprise Funds Cash Balances (Pg. 15) \$1,316,625

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

The Internal Service Fund is used by management to charge the costs of self funding of the City's health insurance benefit plan to individual funds. A portion of the assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

83,431

Cash Basis Net Assets of Business-Type Activities (Pg. 11)

\$1,400,056

Net Change in Cash Balances (Pg. 15)

\$444,483

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

The Internal Service Fund is used by management to charge the costs of self funding of the City's health insurance benefit plan to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with business type activities.

15,635

Change in Cash Basis Net Assets of Business-Type Activities (Pg. 11)

\$460,118

See Notes To Financial Statements.

**City of Charles City
Charles City, Iowa**

Notes to Financial Statements

June 30, 2009

Note 1: Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Floyd County Assessor's Conference Board, Floyd County Emergency Management Commission, Floyd-Mitchell-Chickasaw County Solid Waste Management Agency and Floyd County Joint E911 Service Board.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

Government-Wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of 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 non-fiduciary 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 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, and all remaining enterprise funds are aggregated and reported as other nonmajor enterprise funds.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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 this fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

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

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

The City also reports the following additional proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The City of Charles 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 accounting principles generally accepted in the United States of America.

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (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, 2009, disbursements exceeded the amounts budgeted in the Community and Economic Development, Debt Service and Capital Projects Functions.

Note 2: Deposits and Investments

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had no investments at June 30, 2009.

A. 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.

Notes to Financial Statements (Continued)

Note 3: Bonds and Notes Payable

Annual debt service requirements to maturity for General Obligation Notes and Bonds, Revenue Bonds and Notes and Lease Purchase are as follows:

Year Ending June 30,	General Obligation Notes		General Obligation Bonds		Revenue Bonds & Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$24,000	\$17,260	\$680,000	\$192,292	\$286,102	\$229,751
2011	29,000	16,240	690,000	171,032	295,679	222,878
2012	30,000	14,945	711,000	148,004	307,256	212,445
2013	31,000	13,595	701,000	123,060	334,422	201,521
2014	31,000	12,190	730,000	98,005	357,994	189,724
2015-19	110,000	41,175	1,680,000	174,560	2,034,296	742,623
2020-24	97,000	16,720	165,000	17,750	2,126,341	364,175
2025-29	0	0	0	0	1,026,952	92,777
Total	\$352,000	\$132,125	\$5,357,000	\$924,703	\$6,769,042	\$2,255,894

Year Ending June 30,	Lease Purchase		Total	
	Principal	Interest	Principal	Interest
2010	\$84,656	\$66,844	\$1,074,758	\$506,147
2011	89,609	61,891	1,104,288	472,041
2012	94,853	56,647	1,143,109	432,041
2013	100,403	51,097	1,166,825	389,273
2014	106,278	45,222	1,225,272	345,141
2015-19	632,272	125,228	4,456,568	1,083,586
2020-24	71,648	2,066	2,459,989	400,711
2025-29	0	0	1,026,952	92,777
Total	\$1,179,719	\$408,995	\$13,657,761	\$3,721,717

The City has issued Urban Renewal tax increment financing revenue bonds and notes between February, 2003 and November, 2005 for the purpose of defraying a portion of the costs of various construction and refurbishing projects within the urban renewal district. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds and notes are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$1,046,826, payable through June, 2022. For the current year, principal and interest paid and total TIF receipts were \$94,299 and \$1,720,544, respectively.

Notes to Financial Statements (Continued)

Note 3: Bonds and Notes Payable (Continued)

The City has pledged future water and sewer customer revenue, net of specified operating expenses, to repay \$4.83 million in water and sewer system revenue bonds issued from March, 2003 to January, 2005. Proceeds from the bonds provided financing for various water and sewer utility construction projects. The bonds are payable solely from water and sewer customer net revenue and are payable through 2024. Annual principal and interest payments on the bonds are expected to require less than 37% of net revenue. The total principal and interest remaining to be paid on the bonds is \$4,919,003. Principal and interest paid for the current year and total customer net revenue was \$352,216 and \$2,718,159, respectively.

The resolution providing for the issuance of the enterprise fund revenue bonds includes the following provisions:

1. The bond will only be redeemed from the future earnings of the enterprise activity, and the bond holders hold a lien on the future earnings of the funds.
2. Sufficient monthly transfers shall be made to a separate water revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
3. Additional monthly transfers of \$1,000 plus 25% of the amount required in the water revenue bond sinking account to a revenue reserve account within the Enterprise Funds shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.

On December 5, 2006, the City entered into a lease purchase agreement with Valero Charles City, LLC (Valero) in the amount of \$1,335,250. Valero built an ethanol plant outside of the City. Waterline extensions were necessary as a part of the construction. Therefore, the lease purchase agreement was made in order to transfer the ownership of these waterlines to the City and also to reimburse Valero for a portion of the construction costs. The City is making semiannual payments of \$75,750 to Valero at 5.75% interest, which began on December 1, 2007 and ends on December 1, 2019. Total lease payments equal 45% of projected costs.

Notes to Financial Statements (Continued)

Note 3: Bonds and Notes Payable (Continued)

In February, 2008, the City entered into a loan agreement not to exceed \$1,149,000 with the Iowa Finance Authority under the State Revolving loan program. The loan was obtained in order to provide funds to pay a portion of the cost of construction improvements and extensions to the City's water utility system. Proceeds are available as project costs are incurred. Through June 30, 2009, the City had drawn \$664,779 of the available proceeds for planning and design and released the balance of \$484,221.

On February 11, 2009, the City issued not to exceed \$9,800,000 of Water Revenue Bonds which includes the planning and design amount of \$664,779. During the year ended June 30, 2009, the City drew \$1,364,152 of additional funds for construction. These notes are payable solely from water customer net receipts and are payable through 2029. The total principal and interest outstanding on the notes is \$3,059,108 at June 30, 2009. The City will continue to draw on the note as necessary.

In June, 2008, the City entered into an interest-free lease agreement with Elgin Sweeper Company for a street sweeper. The City received the street sweeper in June, 2008 and payment was not due until June, 2009, thus creating the debt. At that time, the City will pay Elgin Sweeper Company \$197,266, which consists of the total sales price of the sweeper, less the value of the trade-in allowance. The amount was paid in full during fiscal 2009.

In 2006, the City entered into a development agreement which includes the rebate of property taxes paid by the other party into the agreement. Rebated property taxes will not exceed \$430,000 over seven years; however, since amounts are unknown, they are not included in the schedule of maturities of debt.

Note 4: Interfund Loan Agreements

The City has approved various interfund loans from the general and cablevision funds at a 7% annual interest rate as follows:

Lending Fund	Borrowing Fund	Original Loan	Outstanding 6-30-08	Annual Payment	Final Due Date
Cablevision	Riverside TIF	\$50,000	\$9,853	\$9,853	6-1-09
Police Retirement	Riverside TIF	50,000	22,260	22,260	6-1-09

These loans were paid in full during the year ended June 30, 2009.

Notes to Financial Statements (Continued)

Note 5: County Urban Renewal Bonds

The Southwest Bypass Tax Increment Financing (TIF) District is located partially within the City limits and partially outside the City limits. The TIF district is jointly governed by a 28E agreement between the City and Floyd County. The City is responsible for the financial administration of the district. The County issued \$1,335,000 of the bonds secured by the TIF revenue of the district. In turn, the County transferred the proceeds to the City to pay the expense of the current projects. The City, as financial administrator, will receive the TIF revenue from the district and will transfer the funds to the County as the bonds mature.

The bond payment schedule is as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2010	\$90,000	\$33,590
2011	90,000	30,800
2012	95,000	27,920
2013	95,000	24,785
2014	100,000	21,555
2015-18	460,000	46,040
Total	\$930,000	\$184,690

Note 6: Pension and Retirement Benefits

The City offers employees the following retirement plans:

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, Iowa 50266.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, cannot be less than 17% of earnable compensation. Contribution requirements are established by state statute. The City's contributions to the Plan for the years ended June 30, 2009, 2008 and 2007 were \$185,379, \$213,514 and \$223,459, respectively, which met the required contribution for each year.

Notes to Financial Statements (Continued)

Note 6: Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of annual covered payroll. 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, 2009, 2008 and 2007 were \$110,113, \$103,602 and \$96,005, respectively, equal to the required contributions for each year.

Note 7: Compensated Absences

City employees earn vacation at rates dependant upon years of service. Vacation leave vests on the employee's anniversary date and must be used prior to the next anniversary date. Certain employees are allowed to accumulate vested compensatory time off (vacation) for overtime at one and one-half times the hours worked. Sick leave may also be accumulated at a rate of one and one-half days per month with a maximum of 120 days for all employees except for firefighters who are limited to 90 days. Sick leave is forfeited if not used. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$224,725
Compensatory	16,424
Total	<u>\$241,149</u>

This liability has been computed based on rates of pay in effect at June 30, 2009.

Notes to Financial Statements (Continued)

Note 8: Employee Health Care Plan

The City currently sponsors a self-funded health care plan. Under this plan, employees contribute a portion of their compensation, and COBRA participants and retirees contribute the total cost, towards the cost of maintaining the plan. The City contracts with an insurance company to administer the plan.

Claim costs are limited to \$25,000 per covered individual. Any amount in excess of \$25,000 is covered by a reinsurance policy. Additionally, the reinsurance policy covers claim costs in excess of 125% of the group aggregated total claims exposure, which was approximately \$565,280 for the year ended June 30, 2009.

The City has estimated costs of incurred but unsubmitted claims at June 30, 2009 to be \$48,607.

The City has established an Internal Service Fund to account for these activities to facilitate accountability and management control.

The following is a summary of the claims activity for the year ended June 30, 2009:

Estimated Cost Incurred but not Claimed – June 30, 2008	\$90,917
Claims Incurred and Claimed and Estimated Costs Incurred but Claimed for the Year Ended June 30, 2009	475,927
Claims Paid During the Year Ended June 30, 2009	<u>(518,237)</u>
Estimated Costs Incurred but not Claimed – June 30, 2009	<u>\$48,607</u>

Note 9: Health Care Facility Revenue Bond

From time to time, the City has issued Industrial or Health Facility Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

As of June 30, 2009, there was one series of Health Facility Revenue Bonds outstanding, with a principal amount payable of \$2,920,559.

Notes to Financial Statements (Continued)

Note 10: Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue	
	Road Use Tax	\$37,731
	Employee Benefits	575,897
	Riverside Tax Increment Financing	11,707
	Southwest Bypass Tax Increment Financing	11,500
	South Grand Tax Increment Financing	11,707
	Hotel/Motel Tax	6,307
	FGP Advisory & Operating	3,000
	Public Housing	39,000
	2008 Housing Rehabilitation Grant	14,999
	Enterprise	
	Water	107,388
	Sewer	104,829
	Waste Collection	21,606
Special Revenue		
Park & Rec	General	187,186
	Special Revenue:	
	Hotel/Motel Tax	45,872
Road Use Tax	Enterprise:	
	Water	5,000
CVTC Operating	Special Revenue:	
	Road Use Tax	24,858
Police Retirement	Riverside Tax Increment Financing	23,818
Debt Service	Special Revenue:	
	Park & Rec	14,259
	Road Use Tax	67,801
	Riverside Tax Increment Financing	54,273
	Southwest Bypass Tax Increment Financing	43,570
	South Grand Tax Increment Financing	342,919
	Park Avenue Tax Increment Financing	44,332
	Enterprise:	
	Water	209,915
	Sewer	76,229

Notes to Financial Statements (Continued)

Note 10: Interfund Transfers (Continued)

Transfer To	Transfer From	Amount
Capital Projects		
Riverfront Project	General	\$58,000
	Special Revenue:	
	Park & Rec	122,550
Enterprise		
Waste	General	2,592
Transit	General	75,212
Cablevision	Special Revenue:	
	Riverside Tax Increment Financing	10,543

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

Note 11: Risk Management

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

Note 12: Deficit Fund Balances

The Debt Service Fund had a deficit balance of \$2,877 at June 30, 2009. The deficit will be eliminated through property tax.

The Special Revenue, Fire Retirement Fund, had a deficit balance of \$27,595 at June 30, 2009. The deficit balance was a result of unexpected expenses and an insufficient levy. The deficit will be eliminated through property tax.

The Capital Projects Fund, Pedestrian Bridge, had a deficit balance of \$121,652 at June 30, 2009. The deficit balance was a result of costs incurred prior to the availability of funds. The deficit will be eliminated upon receipt of FEMA funds.

Notes to Financial Statements (Continued)

Note 13: Floyd-Mitchell-Chickasaw Solid Waste Management Agency

The City, in conjunction with 23 other municipalities, has created the Floyd-Mitchell-Chickasaw Solid Waste Management Agency. The Agency was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. On dissolution of the corporation, the net assets of the Agency will be prorated among the municipalities. The Agency is governed by a board composed of an elected representative of the governing body of each participating governmental jurisdiction.

The City is obligated to remit a share of the operating and administration costs. During the year ended June 30, 2009, the City of Charles City paid Jendro Sanitation \$299,140. The sanitation company is then responsible for paying all landfill fees for the City's share of the costs. Completed financial statements for the Agency can be obtained from the Floyd-Mitchell-Chickasaw Solid Waste Management Agency.

Note 14: Commitments and Contingencies

The City was notified by the United States Environmental Protection Agency (EPA) in March, 1989 that the area known as the Shaw Avenue Dump had been determined to contain hazardous waste that has resulted in or could result in an "imminent and substantial endangerment to the public health or welfare or the environment". The EPA placed the Shaw Avenue Dump on the National Priority List (NPL) on July 22, 1987.

On December 22, 1987, the City and Solvay Animal Hospital, Inc. (Solvay) entered into a cost-sharing agreement whereby each pays 50% of the costs associated with complying with the consent order.

On May 26, 1989, the City and Solvay entered into a consent order with the EPA. The purpose of the consent order was to determine the nature and extent of any releases or threatened releases of pollutants or contaminants; to assess the threat, if any, to the public health and welfare; and to identify and evaluate remedial alternatives to prevent or mitigate such releases. On October 4, 1991, the EPA released a Record of Decision on the investigation of the contaminated area. Their decision was to require the City to perform a stabilization process to secure the contaminants.

Notes to Financial Statements (Continued)

Note 14: Commitments and Contingencies (Continued)

Subsequent to issuance of the Record of Decision, the EPA determined that the technology to implement the stabilization process would not be adequate. On February 28, 1992, the City and Solvay entered into a Consent Decree with the EPA for remedial action which consisted of excavation and off-site treatment by best practical means and disposal of chemical fill and contaminated soil.

The Shaw Avenue Dump project has now been complete for several years. The EPA has approved the remedial plan. However, the City estimates expending \$7,000 for annual maintenance and testing fees until the EPA approves the final project. The City paid \$13,409 during fiscal year 2009 for maintenance and testing.

Required Supplementary Information

CITY OF CHARLES CITY
Charles City, Iowa

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS & CHANGES IN BALANCES – BUDGET AND
ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS AND
PROPRIETARY FUNDS – REQUIRED SUPPLEMENTARY INFORMATION
As of and for the Year Ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted	Total
Receipts:				
Property Taxes	\$2,583,039	\$0	\$0	\$2,583,039
Tax Increment Financing Collections	1,626,247	0	0	1,626,247
Other City Taxes	778,285	0	0	778,285
Licenses & Permits	62,657	0	0	62,657
Use of Money & Property	145,245	28,632	9,193	164,684
Intergovernmental	2,709,406	631	0	2,710,037
Charges for Service	1,491,376	3,894,695	736,133	4,649,938
Special Assessments	7,036	0	0	7,036
Miscellaneous	641,437	48,857	48,857	641,437
Total Receipts	10,044,728	3,972,815	794,183	13,223,360
Disbursements:				
Public Safety	2,022,438	0	0	2,022,438
Public Works	1,614,536	0	0	1,614,536
Health & Social Services	482,928	0	0	482,928
Culture & Recreation	927,521	0	0	927,521
Community & Economic Development	2,633,188	0	0	2,633,188
General Government	568,489	0	0	568,489
Debt Service	1,214,506	0	0	1,214,506
Capital Projects	777,440	0	0	777,440
Business Type Activities	0	4,160,646	0	4,160,646
Non-Program	0	716,025	716,025	0
Total Disbursements	10,241,046	4,876,671	716,025	14,401,692
Excess (Deficiency) of Receipts Over (Under) Disbursements	(196,318)	(903,856)	78,158	(1,178,332)
Other Financing Sources (Uses), Net	659,163	1,426,497	0	2,085,660
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	462,845	522,641	78,158	907,328
Balances Beginning of Year	6,717,173	1,324,116	451,974	7,589,315
Balances End of Year	\$7,180,018	\$1,846,757	\$530,132	\$8,496,643

See Accompanying Independent Auditors' Report

Budgeted Amounts		Final to Total Variance
Original	Final	
\$2,529,342	\$2,531,102	\$51,937
1,681,263	1,681,263	(55,016)
835,688	787,644	(9,359)
77,605	85,605	(22,948)
415,066	224,101	(59,417)
3,288,048	4,029,846	(1,319,809)
3,182,470	3,421,920	1,228,018
0	5,000	2,036
78,100	127,680	513,757
12,087,582	12,894,161	329,199
2,109,221	2,095,091	72,653
1,306,349	1,717,290	102,754
540,435	533,229	50,301
1,059,503	1,071,401	143,880
2,338,740	2,224,520	(408,668)
574,444	594,436	25,947
1,224,171	1,210,327	(4,179)
1,044,870	555,276	(222,164)
5,823,892	5,094,841	934,195
0	0	0
16,021,625	15,096,411	694,719
(3,934,043)	(2,202,250)	1,023,918
4,243,220	2,721,315	(635,655)
309,177	519,065	388,263
6,449,113	7,589,313	2
\$6,758,290	\$8,108,378	\$388,265

**City of Charles City
Charles City, Iowa**

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. 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 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, a budget amendment decreased budgeted disbursements by \$925,214. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the Community and Economic Development, Debt Service and Capital Projects functions.

Other Supplementary Information

CITY OF CHARLES CITY
Charles City, Iowa

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
 IN CASH BALANCES – NONMAJOR GOVERNMENTAL FUNDS
 As of and for the Year Ended June 30, 2009**

	Special Revenue				
	Police Asset Forfeiture	Road Use Tax	Employee Benefits	CVTC Operating	2008 Flood
Receipts:					
Property Tax	\$0	\$0	\$579,113	\$0	\$0
Tax Increment Financing Collections	0	0	0	0	0
Other City Tax	0	0	0	0	0
Use of Money & Property	0	0	0	2,295	0
Intergovernmental	0	648,160	0	69,959	372,964
Charges for Services	0	0	0	0	0
Special Assessments	0	0	0	0	0
Miscellaneous	2,917	0	0	4,253	116,150
Total Receipts	2,917	648,160	579,113	76,507	489,114
Disbursements:					
Operating:					
Public Safety	1,620	0	0	0	0
Public Works	0	541,311	0	89,349	332,259
Health and Social Services	0	0	0	0	0
Culture & Recreation	0	0	0	0	0
Community and Economic Development	0	0	0	0	0
Capital Projects	0	0	0	0	0
Total Disbursements	1,620	541,311	0	89,349	332,259
Excess (Deficiency) of Receipts Over (Under) Disbursements	1,297	106,849	579,113	(12,842)	156,855
Other Financing Sources (Uses):					
Bond Proceeds	0	0	0	0	0
Interfund Loan Activity	0	0	0	0	0
Operating Transfers In	0	5,000	0	24,858	0
Operating Transfers Out	0	(130,390)	(575,897)	0	0
Total Other Financing Sources (Uses)	0	(125,390)	(575,897)	24,858	0
Net Changes in Cash Balances	1,297	(18,541)	3,216	12,016	156,855
Cash Balances Beginning of Year	2,056	353,803	102,904	116,168	(37,642)
Cash Balances End of Year	\$3,353	\$335,262	\$106,120	\$128,184	\$119,213
Cash Basis Fund Balances					
Unreserved:					
Special Revenue Funds	\$3,353	\$335,262	\$106,120	\$128,184	\$119,213
Capital Project Funds	0	0	0	0	0
Total Cash Basis Fund Balances	\$3,353	\$335,262	\$106,120	\$128,184	\$119,213

See Accompanying Independent Auditors' Report.

Schedule 1

									Special Revenue	
									Southwest	
Fire Retirement	Police Retirement	Local Option Sales Tax	Riverside Tax Increment Financing	Bypass Tax Increment Financing	South Grand Tax Increment Financing	East Park Tax Increment Financing	Park Avenue Tax Increment Financing	Charley Western Rec Trail		
\$65,037	\$28,941	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	516,002	400,651	630,390	2	79,202	0	0	0
0	0	549,069	0	0	0	0	0	0	0	0
0	0	18,798	10,716	15,674	14,554	0	2,370	0	0	0
0	0	45,699	0	0	0	0	0	0	28,149	0
0	0	0	2,371	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	27,990	15,992	0	0	0	0	0	0
<u>65,037</u>	<u>28,941</u>	<u>613,566</u>	<u>557,079</u>	<u>432,317</u>	<u>644,944</u>	<u>2</u>	<u>81,572</u>	<u>28,149</u>	<u>28,149</u>	<u>0</u>
65,005	120,374	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	403,522	282,189	29,560	0	216,244	0	0	0
0	0	603,993	0	0	0	0	0	0	0	0
<u>65,005</u>	<u>120,374</u>	<u>603,993</u>	<u>403,522</u>	<u>282,189</u>	<u>29,560</u>	<u>0</u>	<u>216,244</u>	<u>0</u>	<u>216,244</u>	<u>0</u>
32	(91,433)	9,573	153,557	150,128	615,384	2	(134,672)	28,149	28,149	0
0	0	0	0	0	0	0	200,891	0	0	0
0	23,818	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	(100,341)	(55,070)	(354,626)	0	(44,332)	0	0	0
0	23,818	0	(100,341)	(55,070)	(354,626)	0	156,559	0	0	0
32	(67,615)	9,573	53,216	95,058	260,758	2	21,887	28,149	28,149	0
(27,627)	71,282	861,634	565,886	791,962	595,476	510	59,907	(28,149)	(28,149)	0
<u>\$(27,595)</u>	<u>\$3,667</u>	<u>\$871,207</u>	<u>\$619,102</u>	<u>\$887,020</u>	<u>\$856,234</u>	<u>\$512</u>	<u>\$81,794</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$(27,595)	\$3,667	\$871,207	\$619,102	\$887,020	\$856,234	\$512	\$81,794	\$0	\$0	\$0
0	0	0	0	0	0	0	0	0	0	0
<u>\$(27,595)</u>	<u>\$3,667</u>	<u>\$871,207</u>	<u>\$619,102</u>	<u>\$887,020</u>	<u>\$856,234</u>	<u>\$512</u>	<u>\$81,794</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN CASH BALANCES – NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

	Special Revenue				
	CEBA Grant	Library	Foster Grandparent Advisory and Operating	Public Housing Security Deposits	Public Housing
Receipts:					
Property Tax	\$0	\$0	\$0	\$0	\$0
Tax Increment Financing Collections	0	0	0	0	0
Other City Tax	0	0	0	0	0
Use of Money & Property	0	13,195	0	592	26,051
Intergovernmental	165,000	0	290,909	0	0
Charges for Services	0	0	0	6,370	632,543
Special Assessments	0	0	0	0	0
Miscellaneous	0	15,664	184,022	0	0
Total Receipts	<u>165,000</u>	<u>28,859</u>	<u>474,931</u>	<u>6,962</u>	<u>658,594</u>
Disbursements:					
Operating:					
Public Safety	0	0	0	0	0
Public Works	0	0	0	0	0
Health and Social Services	0	0	481,178	0	0
Culture & Recreation	0	36,070	0	0	0
Community and Economic Development	165,000	0	0	5,197	462,942
Capital Projects	0	0	0	0	0
Total Disbursements	<u>165,000</u>	<u>36,070</u>	<u>481,178</u>	<u>5,197</u>	<u>462,942</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	0	(7,211)	(6,247)	1,765	195,652
Other Financing Sources (Uses):					
Bond Proceeds	0	0	0	0	0
Interfund Loan Activity	0	0	0	0	0
Operating Transfers In	0	0	0	0	0
Operating Transfers Out	0	0	(3,000)	0	(39,000)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(3,000)</u>	<u>0</u>	<u>(39,000)</u>
Net Changes in Cash Balances	0	(7,211)	(9,247)	1,765	156,652
Cash Balances Beginning of Year	0	294,040	34,041	31,393	1,360,744
Cash Balances End of Year	<u>\$0</u>	<u>\$286,829</u>	<u>\$24,794</u>	<u>\$33,158</u>	<u>\$1,517,396</u>
Cash Basis Fund Balances					
Unreserved:					
Special Revenue Funds	\$0	\$286,829	\$24,794	\$33,158	\$1,517,396
Capital Project Funds	0	0	0	0	0
Total Cash Basis Fund Balances	<u>\$0</u>	<u>\$286,829</u>	<u>\$24,794</u>	<u>\$33,158</u>	<u>\$1,517,396</u>

See Accompanying Independent Auditors' Report.

Schedule 1 (Continued)

Special Revenue				Capital Projects					
Section 8 Voucher	Capital Funds	2008 Housing Rehabilitation	Cablevision	Suspension Bridge	Street Capital Improvements	Riverfront Project	Pedestrian Bridge	Total	
		Grant							
\$0	\$0	0	\$0	\$0	\$0	\$0	\$0	\$673,091	
0	0	0	0	0	0	0	0	1,626,247	
0	0	0	0	0	0	0	0	549,069	
4,442	0	0	0	0	0	936	0	109,623	
0	330,344	0	0	100,000	0	0	0	2,051,184	
612,205	0	0	86,872	0	0	0	0	1,340,361	
0	0	0	0	0	7,036	0	0	7,036	
0	0	0	0	0	0	17,230	0	384,218	
616,647	330,344	0	86,872	100,000	7,036	18,166	0	6,740,829	
0	0	0	0	0	0	0	0	186,999	
0	0	0	0	0	0	0	0	962,919	
0	0	0	0	0	0	0	0	481,178	
0	0	0	0	0	0	0	0	36,070	
619,132	330,344	0	91,910	0	0	0	0	2,606,040	
0	0	0	0	1,797	14,211	35,787	121,652	777,440	
619,132	330,344	0	91,910	1,797	14,211	35,787	121,652	5,050,646	
(2,485)	0	0	(5,038)	98,203	(7,175)	(17,621)	(121,652)	1,690,183	
0	0	0	0	0	0	0	0	200,891	
0	0	0	10,543	0	0	0	0	34,361	
0	0	0	0	0	0	180,550	0	210,408	
0	0	(14,999)	0	0	0	0	0	(1,317,655)	
0	0	(14,999)	10,543	0	0	180,550	0	(871,995)	
(2,485)	0	(14,999)	5,505	98,203	(7,175)	162,929	(121,652)	818,188	
241,107	0	19,999	73,510	(95,326)	97,675	0	0	5,485,353	
\$238,622	\$0	\$5,000	\$79,015	\$2,877	\$90,500	\$162,929	\$(121,652)	\$6,303,541	
\$238,622	\$0	\$5,000	\$79,015	\$0	\$0	\$0	\$0	\$6,168,887	
0	0	0	0	2,877	90,500	162,929	(121,652)	134,654	
\$238,622	\$0	\$5,000	\$79,015	\$2,877	\$90,500	\$162,929	\$(121,652)	\$6,303,541	

Schedule 2

CITY OF CHARLES CITY
Charles City, Iowa

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BALANCES – NONMAJOR PROPRIETARY FUNDS
As of and for the Year Ended June 30, 2009

	Waste Collection	Transit	Storm Water Utility	Fire Extinguisher	Total
Operating Receipts					
Charges for Service	\$320,651	\$11,760	\$101,859	\$6,133	\$440,403
Operating Disbursements					
Business-Type Activities	301,722	86,972	16,024	5,472	410,190
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	18,929	(75,212)	85,835	661	30,213
Non-Operating Receipts					
Interest on Investments	85	0	372	0	457
Total Non-Operating Receipts	85	0	372	0	457
Excess (Deficiency) of Receipts Over (Under) Disbursements	19,014	(75,212)	86,207	661	30,670
Operating Transfers In (Out)	(19,014)	75,212	0	0	56,198
Net Change in Cash Balances	0	0	86,207	661	86,868
Cash Balances Beginning of Year	0	0	0	2,899	2,899
Cash Balances End of Year	\$0	\$0	\$86,207	\$3,560	\$89,767
Cash Basis Fund Balances					
Unreserved	\$0	\$0	\$86,207	\$3,560	\$89,767

See Accompanying Independent Auditors' Report.

CITY OF CHARLES CITY
Charles City, Iowa

SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds:			
Water Utility	9-1-00	5.10%	\$1,180,000
Corporate Purpose	4-1-02	4.20	1,410,000
Corporate Purpose	2-13-03	2.85-4.20	980,000
Corporate Purpose	2-18-03	3.50-4.50	139,000
Refunding	7-1-03	2.60-3.25	1,235,000
Refunding	9-1-04	3.50-4.00	1,340,000
Refunding	6-1-05	3.10-3.75	1,620,000
Corporate Purpose	7-11-07	4.30-5.00	585,000
Corporate Purpose	5-15-08	2.45-3.65	440,000
Refunding	5-15-08	2.45-3.15	760,000
Total General Obligation Bonds			
General Obligation Notes			
Corporate Purpose	5-29-03	4.00	260,000
Refunding	6-1-04	3.22	359,000
Corporate Purpose	12-18-08	5.50	212,000
Total General Obligation Notes			
Revenue Bonds			
Urban Renewal	2-13-03	3.40-4.75	585,000
Water Utility	3-13-03	3.50-4.90	1,400,000
Sewer Utility	7-1-03	3.00	3,000,000
Urban Renewal	12-23-03	4.00	136,000
Water 2004B	7-8-04	3.50-5.00	320,000
Tax Increment Financing	1-10-05	4.50	255,000
Water Pollution Control	1-10-05	3.50	110,000
Water Revenue	2-11-09	3.00	9,800,000*
Total Revenue Bonds			
Revenue Notes			
Urban Renewal	11-1-05	2.00	95,684

* Maximum Amount

See Accompanying Independent Auditors' Report.

Schedule 3

Balance 7-1-2008	Issued During Year	Redeemed During Year	Balance 6-30-09	Interest Paid
\$65,000	\$0	\$65,000	\$0	\$40,205
90,000	0	90,000	0	46,270
720,000	0	60,000	660,000	27,510
76,000	0	14,000	62,000	3,151
645,000	0	155,000	490,000	18,987
1,140,000	0	90,000	1,050,000	42,870
1,620,000	0	0	1,620,000	0
565,000	0	20,000	545,000	26,455
440,000	0	120,000	320,000	14,411
760,000	0	150,000	610,000	22,111
<u>\$6,121,000</u>	<u>\$0</u>	<u>\$764,000</u>	<u>\$5,357,000</u>	<u>\$241,970</u>
\$160,000	\$0	\$20,000	\$140,000	\$6,400
77,000	0	77,000	0	2,479
0	212,000	0	212,000	5,279
<u>\$237,000</u>	<u>\$212,000</u>	<u>\$97,000</u>	<u>\$352,000</u>	<u>\$14,158</u>
\$435,000	\$0	\$35,000	\$400,000	\$18,873
1,160,000	0	55,000	1,105,000	51,050
2,533,000	0	126,000	2,407,000	73,283
120,900	0	8,100	112,800	4,756
255,000	0	20,000	235,000	12,363
255,000	0	6,000	249,000	11,407
75,000	0	12,000	63,000	2,520
155,271	1,971,660	0	2,126,931	33,301
<u>\$4,989,171</u>	<u>\$1,971,660</u>	<u>\$262,100</u>	<u>\$6,698,731</u>	<u>\$207,553</u>
\$78,939	\$0	\$8,628	\$70,311	\$1,536

SCHEDULE OF INDEBTEDNESS (CONTINUED)

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Interfund Loan Agreements			
Cablevision	7-1-02	7.00%	\$50,000
Police Retirement	7-1-02	7.00	50,000
Total Interfund Loan Agreements			
Lease Purchase Agreement (Valero)	12-5-06	5.70	1,335,250
Other Loans			
Street Sweeper Loan	6-17-08	0.00	197,266
Total Other Loans			

* Maximum Amount

See Accompanying Independent Auditors' Report.

Schedule 3 (Continued)

Balance 7-1-2008	Issued During Year	Redeemed During Year	Balance 6-30-09	Interest Paid
\$9,853	\$0	\$9,853	\$0	\$690
22,260	0	22,260	0	1,558
\$32,113	\$0	\$32,113	\$0	\$2,248
\$1,259,695	\$0	\$79,976	\$1,179,719	\$71,524
\$197,266	\$0	\$197,266	\$0	\$0

CITY OF CHARLES CITY
Charles City, Iowa

Schedule of Bond and Note Maturities
June 30, 2009

General Obligation Bonds				
Year Ending June 30,	Corporate Purpose		Refunding	
	Issued 2-13-03		Issued 9-1-04	
	Interest Rates	Amount	Interest Rates	Amount
2010	3.40%	\$60,000	4.00%	\$95,000
2011	3.40	65,000	4.00	115,000
2012	3.75	70,000	3.50	120,000
2013	3.75	70,000	3.60	220,000
2014	4.00	70,000	3.70	250,000
2015	4.00	75,000	3.80	250,000
2016	4.20	80,000	0.00	0
2017	4.20	80,000	0.00	0
2018	4.20	90,000	0.00	0
2019	0.00	0	0.00	0
2020	0.00	0	0.00	0
2021	0.00	0	0.00	0
2022	0.00	0	0.00	0
2023	0.00	0	0.00	0
Total		<u>\$660,000</u>		<u>\$1,050,000</u>

General Obligation Bonds				
Year Ending June 30,	Refunding		Corporate Purpose	
	Issued 6-1-05		Issued 7-11-07	
	Interest Rates	Amount	Interest Rates	Amount
2010	3.10%	\$170,000	4.35%	\$20,000
2011	3.20	175,000	4.40	35,000
2012	3.30	185,000	4.45	35,000
2013	3.40	200,000	4.50	35,000
2014	3.50	200,000	4.55	35,000
2015	3.60	270,000	4.60	35,000
2016	3.65	290,000	4.65	40,000
2017	3.75	130,000	4.70	45,000
2018	0.00	0	4.75	50,000
2019	0.00	0	4.80	50,000
2020	0.00	0	4.85	50,000
2021	0.00	0	4.90	50,000
2022	0.00	0	4.95	50,000
2023	0.00	0	5.00	15,000
Total		<u>\$1,620,000</u>		<u>\$545,000</u>

See Accompanying Independent Auditors' Report.

Schedule of Bond and Note Maturities (Continued)

General Obligation Bonds				
Year Ending June 30,	Corporate Purpose		Refunding	
	Issued 2-18-03		Issued 7-1-03	
	Interest Rates	Amount	Interest Rates	Amount
2010	4.00%	\$15,000	2.80%	\$160,000
2011	4.25	15,000	3.10	165,000
2012	4.40	16,000	3.25	165,000
2013	4.50	16,000	0.00	0
2014	0.00	0	0.00	0
2015	0.00	0	0.00	0
2016	0.00	0	0.00	0
2017	0.00	0	0.00	0
2018	0.00	0	0.00	0
2019	0.00	0	0.00	0
2020	0.00	0	0.00	0
2021	0.00	0	0.00	0
2022	0.00	0	0.00	0
2023	0.00	0	0.00	0
Total		<u>\$62,000</u>		<u>\$490,000</u>

General Obligation Bonds					
Year Ending June 30,	Corporate Purpose		Refunding		Total
	Issued 5-15-08		Issued 5-15-08		
	Interest Rates	Amount	Interest Rates	Amount	
2010	3.00%	\$10,000	2.60%	\$150,000	\$680,000
2011	3.00	10,000	2.75	110,000	690,000
2012	3.00	10,000	2.90	110,000	711,000
2013	3.00	40,000	3.00	120,000	701,000
2014	3.30	55,000	3.15	120,000	730,000
2015	3.30	50,000	0.00	0	680,000
2016	3.65	50,000	0.00	0	460,000
2017	3.65	35,000	0.00	0	290,000
2018	3.65	60,000	0.00	0	200,000
2019	0.00	0	0.00	0	50,000
2020	0.00	0	0.00	0	50,000
2021	0.00	0	0.00	0	50,000
2022	0.00	0	0.00	0	50,000
2023	0.00	0	0.00	0	15,000
Total		<u>\$320,000</u>		<u>\$610,000</u>	<u>\$5,357,000</u>

Schedule of Bond and Note Maturities (Continued)

Year Ending June 30,	General Obligation Notes				Total	Revenue Note	
	Corporate Purpose		Corporate Purpose			Urban Renewal	
	Issued 5-29-03		Issued 12-18-08			Issued 11-1-05	
	Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount
2010	4.00%	\$20,000	5.50%	\$4,000	\$24,000	2.00%	\$8,802
2011	4.00	20,000	5.50	9,000	29,000	2.00	8,979
2012	4.00	20,000	5.50	10,000	30,000	2.00	9,156
2013	4.00	20,000	5.50	11,000	31,000	2.00	9,343
2014	4.00	20,000	5.50	11,000	31,000	2.00	9,531
2015	4.00	20,000	5.50	12,000	32,000	2.00	9,722
2016	4.00	20,000	5.50	13,000	33,000	2.00	9,917
2017	4.00	0	5.50	14,000	14,000	2.00	4,861
2018	0.00	0	5.50	15,000	15,000	0.00	0
2019	0.00	0	5.50	16,000	16,000	0.00	0
2020	0.00	0	5.50	17,000	17,000	0.00	0
2021	0.00	0	5.50	18,000	18,000	0.00	0
2022	0.00	0	5.50	19,000	19,000	0.00	0
2023	0.00	0	5.50	21,000	21,000	0.00	0
2024	0.00	0	5.50	22,000	22,000	0.00	0
Total		<u>\$140,000</u>		<u>\$212,000</u>	<u>\$352,000</u>		<u>\$70,311</u>

Schedule of Bond and Note Maturities (Continued)

Year Ending June 30,	Revenue Bonds					
	Urban Renewal		Water Utility		Sewer Utility	
	Issued 2-13-03		Issued 3-13-03		Issued 7-1-03	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2010	4.00%	\$35,000	4.00%	\$60,000	3.00%	\$129,000
2011	4.00	40,000	4.00	60,000	3.00	133,000
2012	4.20	40,000	4.00	65,000	3.00	137,000
2013	4.20	40,000	4.00	65,000	3.00	141,000
2014	4.40	45,000	4.10	70,000	3.00	146,000
2015	4.40	45,000	4.20	70,000	3.00	150,000
2016	4.75	50,000	4.30	75,000	3.00	155,000
2017	4.75	50,000	4.40	80,000	3.00	159,000
2018	4.75	55,000	4.50	85,000	3.00	164,000
2019	0.00	0	4.60	85,000	3.00	169,000
2020	0.00	0	4.70	90,000	3.00	174,000
2021	0.00	0	4.80	95,000	3.00	179,000
2022	0.00	0	4.90	100,000	3.00	185,000
2023	0.00	0	4.90	105,000	3.00	190,000
2024	0.00	0	0.00	0	3.00	196,000
2025	0.00	0	0.00	0	0.00	0
2026	0.00	0	0.00	0	0.00	0
2027	0.00	0	0.00	0	0.00	0
2028	0.00	0	0.00	0	0.00	0
2029	0.00	0	0.00	0	0.00	0
Total		<u>\$400,000</u>		<u>\$1,105,000</u>		<u>\$2,407,000</u>

Schedule of Bond and Note Maturities (Continued)

Year Ending June 30,	Revenue Bonds					
	Urban Renewal		Water 2004B		Tax Increment Financing	
	Issued 12-23-03		Issued 7-8-04		Issued 1-10-05	
	Interest Rates	Amount	Interest Rates	Interest Rates	Interest Rates	Amount
2010	4.00%	\$8,300	3.50%	\$20,000	4.50%	\$12,000
2011	4.00	8,700	4.50	20,000	4.50	12,000
2012	4.00	9,100	4.50	20,000	4.50	14,000
2013	4.00	9,400	4.50	20,000	4.50	15,000
2014	4.00	9,700	4.75	25,000	4.50	16,000
2015	4.00	10,100	4.75	25,000	4.50	18,000
2016	4.00	10,500	4.75	25,000	4.50	18,000
2017	4.00	11,100	5.00	25,000	4.50	20,000
2018	4.00	11,500	5.00	25,000	4.50	22,000
2019	4.00	11,900	5.00	30,000	4.50	23,000
2020	4.00	12,500	0.00	0	4.50	25,000
2021	0.00	0	0.00	0	4.50	26,000
2022	0.00	0	0.00	0	4.50	28,000
2023	0.00	0	0.00	0	0.00	0
2024	0.00	0	0.00	0	0.00	0
2025	0.00	0	0.00	0	0.00	0
2026	0.00	0	0.00	0	0.00	0
2027	0.00	0	0.00	0	0.00	0
2028	0.00	0	0.00	0	0.00	0
2029	0.00	0	0.00	0	0.00	0
Total		<u>\$112,800</u>		<u>\$235,000</u>		<u>\$249,000</u>

Schedule of Bond and Note Maturities (Continued)

Year Ending June 30,	Lease Purchase Agreement	
	Valero	
	Issued 12-5-06	
	Interest Rates	Amount
2010	5.70%	\$84,656
2011	5.70	89,609
2012	5.70	94,853
2013	5.70	100,403
2014	5.70	106,278
2015	5.70	112,496
2016	5.70	119,079
2017	5.70	126,046
2018	5.70	133,422
2019	5.70	141,229
2020	5.70	71,648
Total		<u>\$1,179,719</u>

CITY OF CHARLES CITY
Charles City, Iowa

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS
 BY FUNCTION – ALL GOVERNMENTAL FUNDS
 For the Last Five Years

	2009	Unaudited 2008
Receipts:		
Property Tax	\$2,583,039	\$2,503,216
Tax Increment Financing Collections	1,626,247	1,513,223
Other City Tax	778,285	882,215
Licenses & Permits	62,657	85,197
Use of Money & Property	145,245	269,194
Intergovernmental	2,709,406	3,052,946
Charges for Services	1,491,376	627,640
Special Assessments	7,036	2,185
Miscellaneous	641,437	442,743
Total Receipts	\$10,044,728	\$9,378,559
Disbursements:		
Operating:		
Public Safety	\$2,022,438	\$2,013,482
Public Works	1,614,536	1,166,425
Health & Social Services	482,928	461,115
Culture & Recreation	927,521	877,328
Community and Economic Development	2,633,188	2,021,109
General Government	568,489	869,614
Debt Service	1,214,506	1,963,587
Capital Projects	777,440	796,243
Total Disbursements	\$10,241,046	\$10,168,903

See Accompanying Independent Auditors' Report.

Schedule 5

	Unaudited		
2007	2006	2005	
\$2,342,749	\$2,288,779	\$2,010,746	
1,446,835	1,409,929	1,278,706	
780,460	751,310	741,546	
73,198	80,847	98,716	
301,274	667,531	545,075	
2,493,665	2,578,251	4,107,983	
843,353	459,281	468,856	
2,735	3,633	1,623	
610,435	418,135	595,563	
<u>\$8,894,704</u>	<u>\$8,657,696</u>	<u>\$9,848,814</u>	

\$1,912,405	\$1,846,906	\$1,799,353	
1,063,393	737,060	423,513	
494,914	501,019	472,537	
784,743	757,459	598,711	
1,820,229	2,181,687	2,329,510	
666,212	610,326	665,739	
1,466,941	692,919	1,638,919	
1,449,244	883,349	3,599,929	
<u>\$9,658,081</u>	<u>\$8,210,725</u>	<u>\$11,528,211</u>	

CITY OF CHARLES CITY
Charles City, Iowa

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

Grantor/Program Title	CFDA Number	Agency Pass-Through Number	Program Expenditures
Direct:			
U.S Department of Housing and Urban Development			
Public and Indian Housing	14.850	KC-9056	<u>\$216,933</u>
Section 8 Housing Choice Vouchers	14.871	KC-9079V	<u>610,255</u>
Public Housing Capital Fund			
Fiscal Year 2006	14.872	IA05POO250106	58,688
Fiscal Year 2007	14.872	IA05POO250107	118,832
Fiscal Year 2008	14.872	IA05POO250108	<u>152,824</u>
			<u>330,344</u>
U.S. Department of Justice:			
Bulletproof Vest Partnership Program	16.607		<u>1,203</u>
U.S. Department of Transportation:			
Federal Aviation Administration			
Airport Improvement Program	20.106	3-19-0015-05	<u>5,000</u>
Corporation for National and Community Service:			
Foster Grandparent Program	94.011	06SFNA003	<u>281,948</u>
U.S. Department of Homeland Security:			
Assistance to Firefighters Grant	97.044		<u>3,045</u>
Total Direct			<u>1,448,728</u>
Indirect:			
National Highway Traffic Safety Administration:			
Iowa Department of Public Safety:			
Traffic Safety Bureau:			
Seat Belt Use Incentive Grant	20.604		<u>4,801</u>
Environmental Protection Agency:			
Capitalization Grants for Drinking Water			
State Revolving Funds	66.468	PDDW0818 FS-34-08-DWSRF-038	<u>136,054</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency			
Management Division:			
Disaster Grants – Public Assistance	97.036	FEMA-1763-DRIA	<u>372,964</u>
Total Indirect			<u>513,819</u>
Total			<u>\$1,962,547</u>

**City of Charles City
Charles City, Iowa**

Basis of Presentation

June 30, 2009

The Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Charles City and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditors' report.



Gardiner Thomsen
Certified Public Accountants

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Charles City, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 19, 2009. 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 Charles City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Charles City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Charles City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Charles 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 a misstatement of the City of Charles City's financial statements that is more than inconsequential will not be prevented or detected by the City of Charles City's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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

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 that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-09 and II-B-09 are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 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 Charles City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Charles City's responses and, accordingly, we express no opinion on them.

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

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

October 19, 2009

Gardiner Thomsen, P.C.



Gardiner Thomsen
Certified Public Accountants

Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council
City of Charles City, Iowa

Compliance

We have audited the compliance of the City of Charles City, Iowa, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2009. The City of Charles City's major federal programs are indentified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of the City of Charles City's management. Our responsibility is to express an opinion on the City of Charles City's compliance based on our audit.

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

In our opinion, the City of Charles City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The Management of the City of Charles City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs.

Internal Control Over Compliance (Continued)

In planning and performing our audit, we considered the City of Charles City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Charles City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

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

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

October 19, 2009

Gardiner Thomsen, P.C.

**City of Charles City
Charles City, Iowa**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

Part I: Summary of the Independent Auditors' Results:

- A. Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- B. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- C. The audit did not disclose any non-compliance which is material to the financial statements.
- D. An unqualified opinion was issued on compliance with requirements applicable to the major program.
- E. The major programs were CFDA Numbers 14.850 – Public and Indian Housing, 14.871 – Section 8 Housing Choice Vouchers, and 14.872 – Public Housing Capital Fund.
- F. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- G. The City of Charles City did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES/MATERIAL WEAKNESSES:

II-A-09 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that certain functions are not entirely segregated.

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 – We will review the procedures as suggested. We are in the process of cross training employees to further segregate duties.

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 transaction and reports.

**City of Charles City
Charles City, Iowa**

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2009

Part II: Findings Related to the Financial Statements (Continued):

II-B-09 Preparation of Full Disclosure Financial Statements – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by an other comprehensive basis of accounting. The City of Charles City does not have the internal resources to prepare the full-disclosure financial statements required by an other comprehensive basis of accounting for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and prepare full disclosure financial statements for external reporting purposes is difficult. However, we recommend that City officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

Response – We recognize our limitations, however it is not fiscally responsible to add additional staff at this time.

Conclusion – Response acknowledged.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

**CFDA Number 14.850 – Public Indian Housing, 14.871 – Section 8 Housing Choice Vouchers and 14.872 – Public Housing Capital Funds
U.S. Department of Housing and Urban Development**

No matters were reported.

SIGNIFICANT DEFICIENCIES:

**CFDA Number 14.850 – Public Indian Housing, 14.871 – Section 8 Housing Choice Vouchers and 14.872 – Public Housing Capital Funds
U.S. Department of Housing and Urban Development**

No matters were reported.

**City of Charles City
Charles City, Iowa**

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget – Disbursements during the year ended June 30, 2009, exceeded the amounts budgeted in the Community and Economic Development, Debt Service and Capital Projects 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 sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

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

Conclusion – Response accepted.

IV-B-09 Questionable Disbursements – No disbursements were noted that do not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

IV-C-09 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-09 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title & Business Connection	Transaction Description	Amount
Ginny Titus, Deputy City Clerk Husband is owner of Titus Lock Service	Lock Repair and Maintenance	\$838
Dave Boehmer, Assistant Fire Chief Wife is a landlord for Section 8 Housing	Landlord Services	\$3,090
Trudy O’Donnell, City Clerk Mother, Elizabeth Fox, is Foster Grandparent	Stipend and Travel Reimbursement	\$2,090

**City of Charles City
Charles City, Iowa**

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting (Continued):

IV-D-09 (Continued)

Name, Title & Business Connection	Transaction Description	Amount
Chris Guthart, Secretary Husband is owner of Guthart Gallery	Art for Circular	\$100
William Vetter, Police Officer Wife is owner of The Rustic Corner	Long Reach Punch & Tenant Services	\$59
Dave Sweet, Street Department Owner of Sweet Crete	Curb and Gutter Removal and Replacement	\$590
Curt Teeter, Fire Department Father is owner of Teeter's Specialty	Office Supplies, Mugs, Fire Extinguisher Decals	\$2,406
Marty Parcher, Fire Department Owner of Parcher Enterprises	Training Materials	\$80
Jerry Joerger, City Council Owner of Yeg's Sports	Mailbox Nameplate, Baseball Plates, Recognition	\$96
Rick Burton, Housing Landlord for Section 8 Housing	Landlord Services	\$228
Stacy Tynan, Library Father is landlord for Section 8 Housing	Landlord Services	\$2,578
Linn Wolf, Street Department Father is landlord for Section 8 Housing	Landlord Services	\$3,527
Steve Redmond, Maintenance, Housing Brother performs snow removal	Contract for Snow Removal	\$544

**City of Charles City
Charles City, Iowa**

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting (Continued):

IV-D-09 (Continued)

In accordance with Chapter 362.5(5) of the Code of Iowa, the transactions with Ginny Titus, Chris Guthart, William Vetter, Dave Sweet, Marty Parcher, Jerry Joerger, Rick Burton, and Steve Redmond do not appear to represent conflicts of interest since total transactions for each were less than \$1,500 during the fiscal year.

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with Dave Boehmer, Trudy O'Donnell, Curt Teeter, Stacy Tynan, and Linn Wolf do not appear to represent conflicts of interest since the duties of their employment do not directly involve procurement or preparation of any part of contracts.

Recommendation – The City should consult legal counsel for the disposition of this matter. The City should refrain from conducting business with related parties.

Response – We will refrain from conducting business with related parties when possible.

Conclusion - Response accepted.

IV-E-09 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

IV-F-09 Council Minutes – No transactions were found that we believe should have been approved in the council minutes but were not. The Council went into closed session on June 15, 2009. However, the minutes did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open meetings law.

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

Response – We will comply with Code requirements for closed sessions.

Conclusion - Response accepted.

IV-G-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted. However, the City's policy is written in accordance with Chapter 452 and 453 of the Code of Iowa.

City of Charles City
Charles City, Iowa

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting (Continued):

IV-G-09 (Continued)

Recommendation – The City should update the Investment Policy to be in accordance with Chapter 12 B and 12C of the Code of Iowa.

Response – We will update the policy immediately.

Conclusion – Response accepted.

IV-H-09 Excess Fund Balances – We noted the fund balances in the Special Revenue Funds: Local Option Sales Tax, Tax Increment Financing (3), Library Trust, Public Housing, and Capital Projects – Communication Equipment and Street Related Capital Improvements were in excess of disbursements for the current year.

Recommendation – The City should investigate alternatives to eliminate the excesses.

Response – Lost and street related excess Capital improvements will be used up in 2010 on the next street project (major projects every two years). The tax increment financing excess will be used for bond payments and projects. The library only uses the interest on CD's for projects. The Housing excess will be used for future projects determined by the Housing Department, and Communication Equipment excess is earmarked for future replacement of equipment.

Conclusion – Response accepted.

IV-I-09 Revenue Bonds and Notes – The City has complied with the revenue bond and note resolutions.

IV-J-09 Financial Position – We noted that the Debt Service, Special Revenue – Fire Retirement and Capital Project – Pedestrian Bridge Funds had deficit fund balances of \$2,877, \$27,595 and \$121,652, respectively at June 30, 2009.

Recommendation - The City should investigate alternatives to eliminate these deficits.

Response – The deficits in the Debt Service and Fire Retirement will be addressed when we do the next budget and we will levy extra money for them. The Pedestrian Bridge deficit will be resolved when we receive the money from FEMA for the project.

Conclusion – Response accepted.

City of Charles City
Charles City, Iowa

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting (Continued):

IV-K-09 Official Depositories – A resolution naming official depositories has been adopted by the City. However, the City deposits exceeded the maximum approved amount for one institution during the year.

Recommendation – The City should monitor and update its depository resolution as its cash balances fluctuate.

Response – We will review and change depository resolutions as needed.

Conclusion – Response accepted.

NEWS RELEASE

Gardiner Thomsen, Certified Public Accountants, today released an audit report on the City of Charles City.

The City's receipts totaled \$16,103,203 for the year ended June 30, 2009, a 12% increase from 2008. The receipts included \$2,583,039 in property tax, \$1,626,247 from tax increment financing collections, \$5,253,134 from charges for service, \$3,090,315 from operating grants, contributions and restricted interest, \$155,000 from capital grants, contributions and restricted interest, \$549,069 from local option sales tax, \$139,864 from unrestricted investment earnings and \$599,426 from other general receipts.

Disbursements for the year totaled \$15,117,717, a 25% increase from the prior year, and included \$2,791,423 for Community and Economic Development, \$2,345,105 for Public Safety, and \$1,623,369 for Public Works. Also, disbursements for business type activities totaled \$4,268,050.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/reports.htm>.