

CITY OF BRITT

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

JUNE 30, 2009

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		4-5
Management's Discussion and Analysis		6-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	14
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	15
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	16
Notes to Financial Statements		17-23
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances-Budget and Actual (Cash Basis)-All Governmental Funds and Proprietary Funds		25
Notes to Required Supplementary Information-Budgetary Reporting		26
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances-Nonmajor Governmental Funds	1	28
Schedule of Indebtedness	2	29
Bond and Note Maturities	3	30
Schedule of Receipts by Source and Disbursements by Function-All Governmental Funds	4	31
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		32-33
Schedule of Findings		34-35

CITY OF BRITT

OFFICIALS

James Nelson	Mayor	Jan 2010
Douglas Weiland	Mayor Pro tem	Jan 2010
Nathan Lemmon	Council Member	Jan 2010
Gary Gelner	Council Member	Jan 2012
Curt Gast	Council Member	Jan 2012
Bryan Aitchison	Council Member	Jan 2012
Jean Purvis	City Clerk	Jan 2010
Darcy Eisenman	Deputy City Clerk	Jan 2010
Jane Swenson	Treasurer	Jan 2010
Earl Hill	Attorney	Jan 2010

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Britt, 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 City of Britt'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 that our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Britt 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 November 18, 2009 on our consideration of the City of Britt'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 6 through 12 and 25 through 26 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 Britt's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

November 18, 2009

Renner & Birchem, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Britt 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

- Receipts of the City's governmental activities increased 128.0% approximately \$1,848,743, from fiscal 2008 to fiscal 2009. Property tax increased approximately \$7,275 and bond proceeds increased \$1,549,416 due to Aquatic Center bonding.
- Disbursements increased 195.1% or approximately \$2,204,137 in fiscal 2009 from fiscal 2008. Culture and recreation, debt service and capital projects disbursements increased approximately \$90,995, \$218,548 and \$1,895,848 respectively. Community and economic development disbursements decreased approximately \$22,442.
- The City's total cash basis net assets increased 4.4%, or approximately \$78,393 from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities increased approximately \$44,412 and the assets of the business type activities increased by approximately \$33,981.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

The required financial 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. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$1,286,828 to \$1,331,240. The analysis that follows focuses on the changes in cash balances for governmental activities.

	Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service	\$ 73,814	39,329
Operating grants, contributions and restricted interest	202,677	206,767
Capital grants, contributions and restricted interest	234,501	
General receipts:		
Property tax	712,536	705,261
Local option sales tax	162,349	127,991
Unrestricted investment earnings	32,340	37,836
Bond issue	1,549,416	
Sale of assets	37,000	
Other general receipts	288,690	327,396
Total receipts and transfers	<u>3,293,323</u>	<u>1,444,580</u>

Disbursements:		
Public safety	231,053	219,589
Public works	285,650	282,552
Health and social services	3,500	
Culture and recreation	205,604	114,609
Community and economic development	64,894	87,336
General government	193,162	190,036
Debt service	325,867	107,319
Capital projects	2,024,181	128,333
Total disbursements	<u>3,333,911</u>	<u>1,129,774</u>
Change in cash basis net assets before other financing sources	(40,588)	314,806
Other financing sources (uses):		
Transfers, net	85,000	60,000
Internal loan repayment		(48,294)
Total other financing sources (uses)	<u>85,000</u>	<u>11,706</u>
Change in cash basis net assets	44,412	326,512
Cash basis net assets beginning of year	<u>1,286,828</u>	<u>960,316</u>
Cash basis net assets end of year	<u>\$ 1,331,240</u>	<u>1,286,828</u>

The City's total receipts for governmental activities increased by 128.0% or \$1,848,743. The total cost of all programs and services increased by \$2,204,137 or 195.1%. The majority of the increase is a result of the Aquatic Center construction.

The City's property tax receipts for 2009 increased by approximately \$7,275.

The cost of all governmental activities this year was \$3.33 million compared to \$1.13 million last year. However, as shown in the Statement of Activities and Net Assets on page 14, the amount taxpayers ultimately financed for these activities was \$2,822,919, including \$1,549,416 in bond proceeds, because some of the cost was paid by those directly benefited from the programs (\$73,814) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$437,178). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service totaled approximately \$3,378,323. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$2,822,919 in tax (some of which could only be used for certain programs), bond proceeds and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 171,095	159,886
Sewer	178,748	161,453
General receipts:		
Unrestricted interest on investments	2,774	10,542
Total receipts	<u>352,617</u>	<u>331,881</u>
Disbursements:		
Water	83,318	50,610
Sewer	150,318	126,907
Total disbursements	<u>233,636</u>	<u>177,517</u>
Change in cash basis net assets before other financing sources	118,981	154,364
Other financing sources (uses):		
Transfers, net	(85,000)	(60,000)
Loan repayment		48,294
Total other financing sources (uses)	<u>(85,000)</u>	<u>(11,706)</u>
Change in cash basis net assets	33,981	142,658
Cash basis net assets beginning of year	<u>507,884</u>	<u>365,226</u>
Cash basis net assets end of year	<u>\$ 541,865</u>	<u>507,884</u>

Total business type activities receipts for the fiscal year were \$352,617 compared to \$331,881 last year. Total disbursements for the fiscal year increased by 31.6% to a total of \$233,636. The cash balance increased by \$33,981 during the fiscal year compared to an increase of \$142,658 last year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Britt completed the year, its governmental funds reported a combined fund balance of \$1,331,240 an increase of \$44,412 above last year's total of \$1,286,828. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$25,134 from the prior year to \$250,024, including a transfer of \$25,000 from the Water Fund.
- The Local Option Tax Fund cash balance increased by \$83,446 to \$550,857 during the fiscal year.

- The Capital Projects Fund cash balance increased by \$6,578 to \$277,644 during the fiscal year, due to the bond issue and building of the Aquatic Center.
- The Debt Service Fund cash balance decreased by \$109,351 to \$5,631 during the fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$2,777 to \$293,186 during the fiscal year and will be used to maintain service and repair the water system.
- The Sewer Fund cash balance increased by \$31,204 to \$156,456 during the fiscal year and will be used to maintain service and repair the sewer system.

BUDGETARY HIGHLIGHTS

The City amended its budget on June 1, 2009. The amendment resulted in an increase in disbursements of \$683,890.

DEBT ADMINISTRATION

At June 30, 2009, the City had \$2,170,000 in general obligation and revenue bonds, compared to \$925,000 at the end of the prior year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2009	2008
General obligation bonds and short-term borrowing	\$ 2,095,000	780,000
Revenue notes	75,000	145,000
Total	<u>\$ 2,170,000</u>	<u>925,000</u>

Debt increased as a result of issuing general obligation bonds for the Aquatic Center construction project.

The constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,095,000 is significantly below its constitutional debt limit of approximately \$3,670,785.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Britt'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.

These among other economic factors were taken into account when adopting the budget for fiscal year 2010. Amounts available for appropriation in the operating budget are \$2.1 million, a decrease of 49% from the final 2009 budget. Budgeted disbursements are expected to decrease by approximately \$1,380,000 over 2009 actual.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$49,900 by the close of 2010. Actual amounts can and usually do differ from budgeted amounts.

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 Jeanie Purvis, City Clerk, 170 Main Avenue South, Britt, Iowa.

BASIC FINANCIAL STATEMENTS

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2009

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental activities:							
Public safety	\$ 231,053				(231,053)		(231,053)
Public works	285,650	28,067	180,786		(76,797)		(76,797)
Health and social services	3,500				(3,500)		(3,500)
Culture and recreation	205,604	6,946	21,891		(176,767)		(176,767)
Community and economic development	64,894	7,216			(57,678)		(57,678)
General government	193,162				(193,162)		(193,162)
Debt service	325,867				(325,867)		(325,867)
Capital projects	2,024,181	31,585		234,501	(1,758,095)		(1,758,095)
Total governmental activities	3,333,911	73,814	202,677	234,501	(2,822,919)		(2,822,919)
Business type activities:							
Water	83,318	171,095				87,777	87,777
Sewer	150,318	178,748				28,430	28,430
Total business type activities	233,636	349,843				116,207	116,207
Total	\$ 3,567,547	423,657	202,677	234,501	(2,822,919)	116,207	(2,706,712)
General Receipts:							
Property tax levied for:							
General purposes					\$ 393,073		393,073
Employee benefits and insurance					102,947		102,947
Debt service					216,516		216,516
Local option sales tax					162,349		162,349
Unrestricted interest on investments					32,340	2,774	35,114
Miscellaneous					288,690		288,690
Bond issue					1,549,416		1,549,416
Sale of assets					37,000		37,000
Transfers					85,000	(85,000)	
Total general receipts and transfers					2,867,331	(82,226)	2,785,105
Change in cash basis net assets					44,412	33,981	78,393
Cash basis net assets beginning of year					1,286,828	507,884	1,794,712
Cash basis net assets end of year					\$ 1,331,240	541,865	1,873,105
Cash Basis Net Assets							
Restricted:							
Streets					\$ 112,405		112,405
Debt service					5,631	92,223	97,854
Other purposes					963,180		963,180
Unrestricted					250,024	449,642	699,666
Total cash basis net assets					\$ 1,331,240	541,865	1,873,105

See notes to financial statements.

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

As of and for the year ended June 30, 2009

	<u>Special Revenue</u>					Total
	General	Local Option	Debt Service	Capital Projects	Nonmajor	
Receipts:						
Property tax	\$ 393,073		216,516		102,947	712,536
Other city tax		162,349				162,349
Licenses and permits	24,020					24,020
Use of money and property	34,635			2,272		36,907
Intergovernmental	24,760			232,229	177,917	434,906
Charges for services	42,229			31,585		73,814
Miscellaneous	49,851			178,257	34,267	262,375
Total receipts	568,568	162,349	216,516	444,343	315,131	1,706,907
Disbursements:						
Operating:						
Public safety	196,316				34,737	231,053
Public works	39,563				246,087	285,650
Health and social services		3,500				3,500
Culture and recreation	132,049	65,495			8,060	205,604
Community and economic development	29,224	9,908			25,762	64,894
General government	171,282				21,880	193,162
Debt service			325,867			325,867
Capital projects				2,024,181		2,024,181
Total disbursements	568,434	78,903	325,867	2,024,181	336,526	3,333,911
Excess (deficiency) of receipts over (under) disbursements	134	83,446	(109,351)	(1,579,838)	(21,395)	(1,627,004)
Other financing sources (uses):						
Bond issue				1,549,416		1,549,416
Sale of assets				37,000		37,000
Operating transfers in	25,000				60,000	85,000
Total other financing sources (uses)	25,000			1,586,416	60,000	1,671,416
Net change in cash balances	25,134	83,446	(109,351)	6,578	38,605	44,412
Cash balances beginning of year	224,890	467,411	114,982	271,066	208,479	1,286,828
Cash balances end of year	\$ 250,024	550,857	5,631	277,644	247,084	1,331,240
Cash Basis Fund Balances						
Reserved:						
Debt service			5,631			5,631
Unreserved:						
General fund	\$ 250,024					250,024
Special revenue funds		550,857			247,084	797,941
Capital projects				277,644		277,644
Total cash basis fund balances	\$ 250,024	550,857	5,631	277,644	247,084	1,331,240

See notes to financial statements.

City of Britt

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

As of and for the year ended June 30, 2009

	Enterprise Funds				Total
	Water	Sewer	Sewer Utility Sinking	Sewer Reserve	
Operating receipts:					
Charges for service	\$ 171,095	178,748			349,843
Total operating receipts	171,095	178,748			349,843
Operating disbursements:					
Business type activities	83,318	71,870			155,188
Total operating disbursements	83,318	71,870			155,188
Excess of operating receipts over operating disbursements	87,777	106,878			194,655
Non-operating receipts (disbursements):					
Interest on investments		2,774			2,774
Debt service		(78,448)			(78,448)
Net non-operating receipts (disbursements)		(75,674)			(75,674)
Excess of receipts over disbursements	87,777	31,204			118,981
Other financing sources (uses):					
Operating transfers out	(85,000)				(85,000)
Total other financing sources (uses)	(85,000)				(85,000)
Net change in cash balances	2,777	31,204			33,981
Cash balances beginning of year	290,409	125,252	20,223	72,000	507,884
Cash balances end of year	\$ 293,186	156,456	20,223	72,000	541,865
Cash Basis Fund Balances					
Reserved for debt service			20,223	72,000	92,223
Unreserved	\$ 293,186	156,456			449,642
Total cash basis fund balances	\$ 293,186	156,456	20,223	72,000	541,865

See notes to financial statements.

CITY OF BRITT

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

The City of Britt is a political subdivision of the State of Iowa located in Hancock County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements and general administrative services. The City of Britt also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Britt has included all funds, organizations, agencies, 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 Britt has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also 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: Hancock County Assessor's Conference Board and Hancock County Development Commission, Hancock County Disaster/911 and Hancock County Task Force.

B. Basis of Presentation

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

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

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

CITY OF BRITT

Notes to Financial Statements (continued)

June 30, 2009

Unrestricted net assets consist of net assets not meeting 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.

The City reports the following major governmental funds:

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

Special Revenue:

The Local Option Tax Fund is used to account for local option sales tax collected.

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

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

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 waste water treatment and sanitary sewer system.

CITY OF BRITT

Notes to Financial Statements (continued)

June 30, 2009

The City also reports the following additional proprietary fund:

The Sewer Utility Sinking Fund and Sewer Revenue are to provide for payment of debt service on the sewer revenue bonds.

C. Measurement Focus and Basis of Accounting

The City of Britt 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.

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.

(2) **Cash and Pooled 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 meeting the disclosure requirements of Governmental Accounting Standards Board No. 3 as amended by Statement No. 40.

CITY OF BRITT

Notes to Financial Statements (continued)

June 30, 2009

(3) Bonds Payable

Annual debt service requirements to maturity for general obligation and revenue bonded indebtedness are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 155,000	91,900	75,000	4,388	230,000	96,288
2011	165,000	85,337			165,000	85,337
2012	175,000	78,313			175,000	78,313
2013	180,000	70,821			180,000	70,821
2014	185,000	63,060			185,000	63,060
2015-2022	<u>1,235,000</u>	<u>227,935</u>			<u>1,235,000</u>	<u>227,935</u>
Total	<u>\$2,095,000</u>	<u>617,366</u>	<u>75,000</u>	<u>4,388</u>	<u>2,170,000</u>	<u>621,754</u>

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to the sewer revenue bond sinking fund for the purpose of making the bond principal and interest payments when due.
- (c) \$720,000 of sewer revenue capital loan notes were issued April 1, 1997, payable until April 2010. A reserve fund of \$72,000 has been established to be used solely for the purpose of paying principal at maturity of or interest on the notes and parity obligations for the payment of which insufficient money shall be available in the sinking fund.

CITY OF BRITT

Notes to Financial Statements (continued)

June 30, 2009

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$25,107, \$22,946, and \$23,469 respectively, equal to the required contribution for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. Sick leave hours are accumulated for subsequent use but are not paid upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time termination payments payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount June 30, 2009</u>
Vacation and Comp Time	\$ <u>10,951</u>

This liability has been computed based on rates of pay as of June 30, 2009.

(6) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Enterprise:	
	Water	\$25,000
Road Use Tax		<u>60,000</u>
Total		<u>\$85,000</u>

CITY OF BRITT

Notes to Financial Statements (continued)

June 30, 2009

(7) Related Party Transactions

No transactions between the City and City officials occurred during the year ended June 30, 2009.

(8) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 577 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2009 were \$37,540.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

CITY OF BRITT

Notes to Financial Statements (continued)

June 30, 2009

(8) Risk Management (con't)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for the period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with fidelity bonding. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

City of Britt

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Total	Budgeted Amounts		Final to Total Variance
					Original	Final	
Receipts:							
Property tax	\$ 712,536			712,536	678,183	678,183	34,353
Other city tax	162,349			162,349	169,179	169,179	(6,830)
Licenses and permits	24,020			24,020	2,675	2,675	21,345
Use of money and property	36,907	2,774		39,681	16,500	16,500	23,181
Intergovernmental	434,906			434,906	243,390	243,390	191,516
Charges for services	73,814	349,843		423,657	396,475	396,475	27,182
Miscellaneous	262,375		34,267	228,108	71,340	71,340	156,768
Total receipts	1,706,907	352,617	34,267	2,025,257	1,577,742	1,577,742	447,515
Disbursements:							
Public safety	231,053			231,053	251,207	251,207	20,154
Public works	285,650			285,650	320,339	320,339	34,689
Health and social services	3,500			3,500	5,500	5,500	2,000
Culture and recreation	205,604			205,604	327,178	327,178	121,574
Community and economic development	64,894		25,000	39,894	90,861	90,861	50,967
General government	193,162			193,162	252,280	252,280	59,118
Debt service	325,867			325,867	216,758	400,648	74,781
Capital projects	2,024,181			2,024,181	2,000,000	2,500,000	475,819
Business type activities		233,636		233,636	275,772	275,772	42,136
Total disbursements	3,333,911	233,636	25,000	3,542,547	3,739,895	4,423,785	881,238
Excess (deficiency) of receipts over (under) disbursements	(1,627,004)	118,981	9,267	(1,517,290)	(2,162,153)	(2,846,043)	1,328,753
Other financing (uses) sources, net	1,671,416	(85,000)		1,586,416	2,000,000	2,518,000	(931,584)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	44,412	33,981	9,267	69,126	(162,153)	(328,043)	397,169
Balances beginning of year	1,286,828	507,884	85,153	1,709,559	1,438,478	1,438,478	271,081
Cash balances end of year	\$ 1,331,240	541,865	94,420	1,778,685	1,276,325	1,110,435	668,250

See accompanying independent auditor's report.

City of Britt

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 or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$683,890. The budget amendments are reflected in the final budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

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			
	Road Use Tax	Revolving Loan	Employee Benefits	Total
Receipts:				
Property tax			102,947	102,947
Intergovernmental	\$ 177,917			177,917
Miscellaneous		34,267		34,267
Total receipts	177,917	34,267	102,947	315,131
Disbursements:				
Public safety			34,737	34,737
Public works	211,509		34,578	246,087
Culture and recreation			8,060	8,060
Community and economic development		25,000	762	25,762
General government			21,880	21,880
Total disbursements	211,509	25,000	100,017	336,526
Excess (deficiency) of receipts over (under) disbursements	(33,592)	9,267	2,930	(21,395)
Other financing sources:				
Operating transfers in	60,000			60,000
Total other financing sources	60,000			60,000
Net change in cash balances	26,408	9,267	2,930	38,605
Cash balances beginning of year	85,997	85,153	37,329	208,479
Cash balances end of year	\$ 112,405	94,420	40,259	247,084
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ 112,405	94,420	40,259	247,084

See accompanying independent auditor's report.

City of Britt

Schedule of Indebtedness

Year ended June 30, 2009

Obligation	Date of Issue	Rate of Interest	Amount Originally Issued	Balance Beginning of Year	Issued During the Year	Redeemed During Year	Balance End of Year	Interest Paid
General Obligation Bonds:								
Capital loan	3-15-07	3.9-4.3%	\$ 845,000	780,000		75,000	705,000	32,078
Aquatic Center	8-1-08	4.5-4.6%	1,550,000		1,550,000	160,000	1,390,000	58,290
Total				780,000	1,550,000	235,000	2,095,000	90,368
Revenue Bond:								
Sewer	4-1-97	4.75-5.85%	720,000	145,000		70,000	75,000	8,448
Total				\$ 925,000	1,550,000	305,000	2,170,000	98,816

See accompanying independent auditor's report.

City of Britt

Bond and Note Maturities

June 30, 2009

General Obligation Bond						
Year Ending June 30,	Capital Loan Issued March 15, 2007		Aquatic Center Issued August 1, 2008		Total	
	Interest Rates	Amount	Interest Rates	Amount		
2010	3.95%	\$ 75,000	4.50%	80,000	155,000	
2011	4.00	80,000	4.50	85,000	165,000	
2012	4.05	85,000	4.50	90,000	175,000	
2013	4.10	85,000	4.50	95,000	180,000	
2014	4.15	90,000	4.50	95,000	185,000	
2015	4.20	95,000	4.50	100,000	195,000	
2016	4.25	95,000	4.50	105,000	200,000	
2017	4.30	100,000	4.55	110,000	210,000	
2018			4.55	115,000	115,000	
2019			4.40	120,000	120,000	
2020			4.50	125,000	125,000	
2021			4.55	130,000	130,000	
2022			4.60	140,000	140,000	
Total		\$ 705,000		1,390,000	2,095,000	

Revenue Notes		
Year Ending June 30,	Sewer Issued April 1, 1997	
	Interest Rates	Amount
2010	5.85%	\$ 75,000
Total		\$ 75,000

See accompanying independent auditor's report.

City of Britt

Schedule of Receipts by Source and Disbursements by Function –
All Governmental Funds

For the Last Six Years

	2009	2008	2007	2006	2005	2004
Receipts:						
Property tax	\$ 712,536	704,736	587,176	527,179	452,456	424,817
Tax increment financing		525	86,642	57,755	46,303	19,110
Other city tax	162,349	127,991	134,871	142,126	122,940	126,438
Licenses and permits	24,020	23,992	22,291	2,651	1,981	3,969
Use of money and property	36,907	39,846	39,016	7,787	22,930	25,352
Intergovernmental	434,906	206,767	233,654	292,596	262,084	321,789
Charges for service	73,814	39,329	46,713	38,844	43,713	36,732
Miscellaneous	262,375	301,394	149,765	147,244	92,955	116,808
Total	\$ 1,706,907	1,444,580	1,300,128	1,216,182	1,045,362	1,075,015
Disbursements:						
Operating:						
Public safety	\$ 231,053	219,589	236,671	246,957	215,160	210,273
Public works	285,650	282,552	319,535	285,894	381,731	180,968
Health and social services	3,500					
Culture and recreation	205,604	114,609	162,517	164,626	153,489	117,531
Community and economic development	64,894	87,336	95,011	156,537	117,946	165,503
General government	193,162	190,036	233,067	223,085	164,539	78,845
Debt service	325,867	107,319	158,533	183,818	159,815	54,692
Capital projects	2,024,181	128,333	279,726	694,880	91,982	126,410
Total	\$ 3,333,911	1,129,774	1,485,060	1,955,797	1,284,662	934,222

See accompanying independent auditor's report.

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Britt, 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 November 18, 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 Britt'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 Britt's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Britt's internal control over financial reporting.

Our consideration of the 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 Britt'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 Britt's financial statements that is more than inconsequential will not be prevented or detected by the City of Britt's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in the 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 Britt'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 I-A-09 and I-C-09 are material weakness.

Compliance and Other Matters

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

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

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

November 18, 2009

Renner & Birchem, P.C.

City of Britt

Schedule of Findings

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant Deficiencies:

I-A-09 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The areas of cash receipts, cash disbursements, investments, and payroll under ideal conditions would be segregated.

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

Response - We will investigate this.

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

I-B-09 Separately Maintained Records – During the audit, it was noted that aquatic center funds were not run through the City Clerk’s office. A certificate of deposit and two money market accounts totaling \$105,758 were not reflected on the City’s financial statements.

Recommendation – All funds must be fully documented and accounted for on the City’s financial records.

Response – The accounts have been recorded on the City’s financial records.

Conclusion - Response accepted.

I-C-09 Preparation of Financial Statements – The City does not have an internal control system designed to provide for the preparation of the financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for a governmental entity similar in population to the City of Britt. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the City’s management and those charged with governance should decide whether to accept the degree of risk associated with this condition because of cost or other considerations.

City of Britt

Schedule of Findings

Year ended June 30, 2009

Response – The city will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in preparation of the financial statements.

Conclusion - Response accepted.

Instances of Non-compliance:

No matters were noted.

Part II: Other Findings Related to Statutory Reporting:

II-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.

II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

II-D-09 Business Transactions - No transactions between the City and City officials were noted.

II-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 insure that the coverage is adequate for current operations.

II-F-09 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-09 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-09 Revenue Bonds - The City has complied with the revenue bond resolutions.