

CITY OF ALBIA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

Peak & Co., LLP
Certified Public Accountants
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City of Albia

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Clark	Mayor	January 1, 2010
Tim Stoller *	Council Member	January 1, 2010
Gene Behrens **	Council Member	January 1, 2010
Merle Regenold	Council Member	January 1, 2012
Jeff Stoffa	Council Member	January 1, 2010
Cindy See	Council Member	January 1, 2012
Ron Yarkosky	Council Member	January 1, 2012
Norm Braun	Council Member	January 1, 2010
Linda Heller	City Clerk/Treasurer	January 1, 2010
Breckenridge & Duker	Attorney	January 1, 2010

Library Board

Joe Starcevic	Library Trustee	July 1, 2011
Dave Paxton	Library Trustee	July 1, 2012
Sally Bachman	Library Trustee	July 1, 2012
Lelah Marlin	Library Trustee	July 1, 2014
Lois Mick	Library Trustee	July 1, 2014
Matt Foster	Library Trustee	July 1, 2014
Marty Ryan	Library Trustee	July 1, 2014
Sharon Crall	Library Trustee	July 1, 2014
Sue Goode	Library Trustee	July 1, 2014

Cemetery Board

Rowland Barns	Cemetery Trustee	July 1, 2010
Ray Reeves	Cemetery Trustee	July 1, 2010
Renee Powers	Cemetery Trustee	July 1, 2012
Terri Bender	Cemetery Trustee	July 1, 2014
Sandy Clark	Cemetery Trustee	July 1, 2014

* - Resigned in July, 2008

** - Appointed on August 4, 2008.

City of Albia

PEAK & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS
1370 NW 114TH ST., SUITE 205
CLIVE, IA 50325

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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 Albia, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Albia'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.

The financial statements referred to above include only the primary government of the City of Albia, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component unit, which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Albia as of June 30, 2009, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

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 for the primary government of the City of Albia 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 7, 2009 on our consideration of the City of Albia'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 7 through 12 and 26 through 27 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 Albia's primary government financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the primary government 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 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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.

Peak & Co., LLP
Certified Public Accountants

November 7, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Albia 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 decreased 11.47%, or approximately \$397,000, from fiscal 2008 to fiscal 2009. Operating grants, contributions and restricted interest increased approximately \$43,000, capital grants, contribution and restricted interest increased approximately \$272,000, property tax increased approximately \$65,000, local option sales tax increased approximately \$96,000 and bond and loan proceeds decreased approximately \$890,000.
- * Disbursements of the City's governmental activities decreased 2.1%, or approximately \$61,000, in fiscal 2009 from fiscal 2008. Public safety disbursements decreased approximately \$40,000, public works disbursements decreased approximately \$52,000, debt service disbursements decreased approximately \$453,000, and capital projects disbursements increased approximately \$546,000.
- * The City's total cash basis net assets increased 13.5%, or approximately \$304,000, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities increased approximately \$267,000 and the assets of the business type activities increased by approximately \$36,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the nonmajor proprietary 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 operation of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- (1) Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- (2) Business Type Activities include the sanitary sewer system, landfill, airport, and the rural fire department. 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 Trust & Agency funds, 3) the Debt Service Fund, 4) the Capital Projects Fund and, 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial 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 Airport Fund and Sewer Fund, considered to be major funds of the City. The Landfill Fund and the Rural Fire Department Fund are considered to be non-major funds of the City.

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 a year ago, increasing from \$2.100 million to \$2.367 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

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

	Year ended <u>June 30, 2008</u>	Year ended <u>June 30, 2009</u>
Receipts:		
Program receipts:		
Charges for service	\$ 176	158
Operating grants, contributions and restricted interest	387	430
Capital grants, contributions and restricted interest	30	302
General receipts:		
Property tax	1,194	1,259
Local option sales tax	705	801
Grants and contributions not restricted to specific purposes	15	22
Unrestricted investment earnings	45	69
Bond and loan proceeds	890	-
Miscellaneous	14	19
Sale of assets	<u>4</u>	<u>3</u>
Total receipts	<u>3,460</u>	<u>3,063</u>
Disbursements:		
Public safety	540	500
Public works	485	433
Culture and recreation	289	293
Community and economic development	47	9
General government	254	226
Debt service	1,087	634
Capital projects	<u>197</u>	<u>743</u>
Total disbursements	<u>2,899</u>	<u>2,838</u>
Change in cash basis net assets before transfers	561	225
Transfers, net	<u>40</u>	<u>42</u>
Change in cash basis net assets	601	267
Cash basis net assets beginning of year	<u>1,499</u>	<u>2,100</u>
Cash basis net assets end of year	<u>\$2,100</u>	<u>2,367</u>

The City's total receipts for governmental activities decreased by 11.47%, or 397,000. The total cost of all programs and services decreased by approximately \$61,000, or 2.1%, with no new programs added this year. The significant decrease in receipts was primarily the result of a decrease in bond and loan proceeds.

The City's property tax collections increased approximately \$65,000 from fiscal 2008 to fiscal 2009. Approximately \$1,259,000 and \$1,194,000 in property taxes were collected in fiscal 2009 and 2008, respectively. Property tax receipts are budgeted to remain relatively the same in fiscal 2010.

The cost of all governmental activities this year was \$2.838 million compared to \$2.899 million last year. However, as shown on the Statement of Activities and Net Assets on page 14, the amount taxpayers ultimately financed for these activities was only \$1.948 million because some of the cost was paid by those directly benefited from the programs (\$158,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$732,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2009 from approximately \$593,000 to approximately \$890,000, principally due to more federal highway grant funds received in fiscal 2009 compared to fiscal 2008. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$1,948,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

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

	Year ended <u>June 30, 2008</u>	Year ended <u>June 30, 2009</u>
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 325	318
Landfill	16	16
Airport	8	8
Rural fire department	36	41
Capital grants, contributions and restricted interest	19	286
General receipts:		
Unrestricted interest on investments	13	2
Miscellaneous	-	11
Sale of assets	<u>2</u>	<u>-</u>
Total receipts	<u>419</u>	<u>682</u>
Disbursements:		
Sewer	405	260
Landfill	22	14
Airport	24	298
Rural fire department	<u>29</u>	<u>32</u>
Total disbursements	<u>480</u>	<u>604</u>
Change in cash basis net assets before transfers	(61)	78
Transfers, net	<u>(40)</u>	<u>(42)</u>
Change in cash basis net assets	(101)	36
Cash basis net assets beginning of year	<u>262</u>	<u>161</u>
Cash basis net assets end of year	<u>\$ 161</u>	<u>197</u>

Total business type activities receipts for the fiscal year were approximately \$.682 million compared to approximately \$.419 million last year. This increase was due primarily to the grants received in fiscal 2009 for an airport project. The cash balance increased by approximately \$36,000 from the prior year because the sewer fund debt payment amount decreased from the prior year. Total disbursements for the fiscal year increased by 25.8% to a total of \$.604 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Albia completed the year, its governmental funds reported a combined fund balance of \$2,367,594, an increase of more than \$268,000 above last years total of \$2,099,918. 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 \$43,579 from the prior year to \$151,301. This increase was just due to spending less money than was received.
- * The Special Revenue, Road Use Tax Fund cash balance increased \$2,497 to \$7,483 during the fiscal year. This increase in cash is primarily due to watching our disbursements very close and only purchasing what is absolutely necessary.
- * The Special Revenue, Aquatic Center Fund cash balance increased by \$313,535 during the fiscal year to a total of \$1,741,974. This increase is due to the receipt of local option sales taxes in excess of the related costs and debt service payments. We are receiving a lot more local option sales tax funds than we ever expected.
- * The Special Revenue, Employee Benefits Fund cash balance increased \$67,413 to \$184,907 during the fiscal year. In the fiscal year, the City just levied more than related costs incurred in this fund.
- * The Debt Service Fund cash balance increased by \$265,566 to \$19,854 during the fiscal year. The increase in cash was due to a transfer of \$259,325 due from the Special Revenue, Aquatic Center Fund that should have been made in fiscal year 2008 but was not made until fiscal year 2009.
- * The Capital Projects, Street Paving Project Fund cash balance decreased \$456,008 to (\$124,983). Proceeds from the sale of bonds were received into this fund in fiscal 2008, and the proceeds were used to pay the costs of street repair in the City in fiscal 2009. The City is expecting reimbursement from the State of Iowa in fiscal year 2010 to make this fund positive. The City plans to use this money to pay for the costs of street repair.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- * The Airport Fund cash balance decreased (3,193) to \$24,481. This decrease is primarily due to the costs incurred by City for a major capital improvement at the airport.
- * The Sewer Fund cash balance increased by \$39,579 to \$87,012, due primarily to the fact that the sewer debt payment amount decreased from the prior year.

BUDGETARY HIGHLIGHTS

During the course of the year, the City amended its budget one time. The budget was amended because of equipment purchases and capital projects which were greater than originally anticipated.

The City's receipts were \$55,865 more than budgeted. This was primarily due to the City receiving more local option sales taxes than anticipated, even after the amendment.

Even with the budget amendment, the City exceeded the amounts budgeted in the debt service function. However, the actual disbursements for culture and recreation and public works functions were \$329,702 and \$176,160, respectively, less than the amended budget. This was primarily due to the City only purchasing items which were absolutely necessary. For all functions combined, total disbursements were less than budgeted disbursements.

DEBT ADMINISTRATION

At June 30, 2009, the City of Albia had approximately \$3,711,000 in bonds and other long-term debt, compared to approximately \$4,227,000 last year.

Outstanding Debt at Year-End (Expressed in Thousands)		
	<u>June 30, 2008</u>	<u>June 30, 2009</u>
General Obligation Bonds and Notes	\$4,067	3,587
Revenue Note	94	84
Lease – Purchase Agreement	<u>66</u>	<u>40</u>
Total	<u>\$4,227</u>	<u>3,711</u>

Debt decreased as a result of the payment of the scheduled payments, and there was no new debt obtained in the fiscal year.

The amount of general obligation debt a political subdivision of the State of Iowa can incur is controlled by constitutional debt limit, which is an amount equal to 5% of the actual value of property within the corporate limits, taken from the last county tax list. The City's debt limit, based upon said valuation, amounts to the following:

Actual Value of Property, 2007	\$114,273,349
Debt Limit	<u>.05</u>
	<u>\$5,713,667</u>

The City's outstanding general obligation debt of \$3,587,000 is below the constitutional debt limit of \$5,713,667.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Albia'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. One of those factors is the economy and the rising costs of employee benefits.

The across the board budget cuts will also reduce our property tax amounts received because the State of Iowa will not be fully funding the various property tax credits.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 0.2% for 2008 compared with the national increase of 0.2%. Inflation has been modest here due, in part, to the slowing of the residential housing market and increases in energy prices in 2008.

These indicators were taken into account when adopting the budget for fiscal year 2010. Amounts available for appropriation in the operating budget are approximately \$4.0 million, keeping in line with 2009 budget year.

CONTRACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayer, 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 Linda Heller, City Clerk, 120 South "A" Street, Albia, Iowa 52531.

Basic Financial Statements

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2009

Functions / Programs	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating		Governmental Activities	Business Type Activities	Total
			Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest			
Governmental activities:							
Public safety	\$ 499,768	35,037	7,715	-	(457,016)	-	(457,016)
Public works	433,586	1,195	369,137	-	(63,254)	-	(63,254)
Culture and recreation	292,741	106,165	47,529	15,095	(123,952)	-	(123,952)
Community and economic development	9,185	-	5,298	-	(3,887)	-	(3,887)
General government	225,846	15,635	-	-	(210,211)	-	(210,211)
Debt service	633,696	-	-	-	(633,696)	-	(633,696)
Capital projects	743,120	-	-	287,363	(455,757)	-	(455,757)
Total governmental activities	2,837,942	158,032	429,679	302,458	(1,947,773)	-	(1,947,773)
Business type activities:							
Sewer	260,111	317,784	-	-	-	57,673	57,673
Landfill	14,362	15,818	-	-	-	1,456	1,456
Airport	297,494	7,625	-	286,323	-	(3,546)	(3,546)
Rural fire department	32,274	41,304	-	-	-	9,030	6,741
Total business type activities	604,241	382,531	-	286,323	-	64,613	64,613
Total	\$ 3,442,183	540,563	429,679	588,781	(1,947,773)	64,613	(1,883,160)
General Receipts:							
Property and other city tax levied for:							
General purposes					916,719	-	916,719
Debt service					342,756	-	342,756
Local option sales tax					801,237	-	801,237
Grants and contributions not restricted to specific purposes					22,489	-	22,489
Unrestricted interest on investments					69,399	2,384	71,783
Miscellaneous					18,683	11,228	29,911
Sale of assets					2,750	-	2,750
Transfers					41,416	(41,416)	-
Total general receipts and transfers					2,215,449	(27,804)	2,187,645
Change in cash basis net assets					267,676	36,809	304,485
Cash basis net assets beginning of year					2,099,918	160,453	2,260,371
Cash basis net assets end of year					\$ 2,367,594	197,262	2,564,856
Cash Basis Net Assets							
Restricted:							
Streets					\$ 7,483	-	7,483
Debt service					19,854	3,317	23,171
Other purposes					2,188,956	-	2,188,956
Unrestricted					151,301	193,945	345,246
Total cash basis net assets					\$ 2,367,594	197,262	2,564,856

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

	Special Revenue					Capital Projects	Nonmajor	Total
	General	Road Use Tax	Aquatic Center	Employee Benefits	Debt Service	Street Paving Project		
Receipts:								
Property tax	\$ 613,620	-	-	285,159	342,756	-	17,940	1,259,475
Other city tax	22,489	-	798,531	-	-	-	-	821,020
Licenses and permits	13,035	-	-	-	-	-	-	13,035
Use of money and property	20,570	-	51,171	677	1,161	428	6,893	80,900
Intergovernmental	93,598	307,486	-	-	-	286,935	4,734	692,753
Charges for service	101,782	-	-	-	-	-	-	101,782
Miscellaneous	58,499	-	2,706	-	-	-	31,282	92,487
Total receipts	<u>923,593</u>	<u>307,486</u>	<u>852,408</u>	<u>285,836</u>	<u>343,917</u>	<u>287,363</u>	<u>60,849</u>	<u>3,061,452</u>
Disbursements:								
Operating:								
Public safety	398,070	-	-	97,429	-	-	4,269	499,768
Public works	77,039	304,989	-	48,174	-	-	3,384	433,586
Culture and recreation	231,105	-	22,288	26,479	-	-	12,869	292,741
Community and economic development	-	-	-	-	-	-	9,185	9,185
General government	176,550	-	-	49,296	-	-	-	225,846
Debt service	-	-	-	-	633,696	-	-	633,696
Capital projects	-	-	-	-	-	743,120	-	743,120
Total disbursements	<u>882,764</u>	<u>304,989</u>	<u>22,288</u>	<u>221,378</u>	<u>633,696</u>	<u>743,120</u>	<u>29,707</u>	<u>2,837,942</u>
Excess (deficiency) of receipts over (under) disbursements	<u>40,829</u>	<u>2,497</u>	<u>830,120</u>	<u>64,458</u>	<u>(289,779)</u>	<u>(455,757)</u>	<u>31,142</u>	<u>223,510</u>
Other financing sources (uses):								
Sale of capital assets	2,750	-	-	-	-	-	-	2,750
Operating transfers in	-	-	-	2,955	555,345	48	-	558,348
Operating transfers out	-	-	(516,585)	-	-	(299)	(48)	(516,932)
Total other financing sources (uses)	<u>2,750</u>	<u>-</u>	<u>(516,585)</u>	<u>2,955</u>	<u>555,345</u>	<u>(251)</u>	<u>(48)</u>	<u>44,166</u>
Net change in cash balances	43,579	2,497	313,535	67,413	265,566	(456,008)	31,094	267,676
Cash balances beginning of year	107,722	4,986	1,428,439	117,494	(245,712)	331,025	355,964	2,099,918
Cash balances end of year	<u>\$ 151,301</u>	<u>7,483</u>	<u>1,741,974</u>	<u>184,907</u>	<u>19,854</u>	<u>(124,983)</u>	<u>387,058</u>	<u>2,367,594</u>
Cash Basis Fund Balances								
Reserved for debt service	\$ -	-	-	-	19,854	-	-	19,854
Unreserved:								
General fund	151,301	-	-	-	-	-	-	151,301
Special revenue funds	-	7,483	1,741,974	184,907	-	-	212,028	2,146,392
Capital projects fund	-	-	-	-	-	(124,983)	-	(124,983)
Permanent funds	-	-	-	-	-	-	175,030	175,030
Total cash basis fund balances	<u>\$ 151,301</u>	<u>7,483</u>	<u>1,741,974</u>	<u>184,907</u>	<u>19,854</u>	<u>(124,983)</u>	<u>387,058</u>	<u>2,367,594</u>

See notes to financial statements.

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

As of and for the year ended June 30, 2009

	Enterprise			
	Airport	Sewer	Nonmajor	Total
Operating receipts:				
Use of money and property	\$ 7,625	-	-	7,625
Charges for service	-	317,784	57,122	374,906
Total operating receipts	<u>7,625</u>	<u>317,784</u>	<u>57,122</u>	<u>382,531</u>
Operating disbursements:				
Business type activities	-	218,617	33,870	252,487
Total operating disbursements	<u>-</u>	<u>218,617</u>	<u>33,870</u>	<u>252,487</u>
Excess of operating receipts over operating disbursements	<u>7,625</u>	<u>99,167</u>	<u>23,252</u>	<u>130,044</u>
Non-operating receipts (disbursements):				
Intergovernmental	286,323	-	-	286,323
Interest on investments	353	780	1,251	2,384
Miscellaneous	-	11,188	40	11,228
Debt service	-	-	(12,766)	(12,766)
Capital projects	(297,494)	(41,494)	-	(338,988)
Net non-operating receipts (disbursements)	<u>(10,818)</u>	<u>(29,526)</u>	<u>(11,475)</u>	<u>(51,819)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(3,193)</u>	<u>69,641</u>	<u>11,777</u>	<u>78,225</u>
Other financing sources (uses):				
Operating transfers out	-	(30,062)	(11,354)	(41,416)
Total other financing sources (uses)	<u>-</u>	<u>(30,062)</u>	<u>(11,354)</u>	<u>(41,416)</u>
Net change in cash balances	(3,193)	39,579	423	36,809
Cash balances beginning of year	27,674	47,433	85,346	160,453
Cash balances end of year	<u>\$ 24,481</u>	<u>87,012</u>	<u>85,769</u>	<u>197,262</u>
Cash Basis Fund Balances				
Reserved for debt service	\$ -	-	3,317	3,317
Unreserved	24,481	87,012	82,452	193,945
Total cash basis fund balances	<u>\$ 24,481</u>	<u>87,012</u>	<u>85,769</u>	<u>197,262</u>

See notes to financial statements.

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

Except as discussed below, for financial reporting purposes, City of Albia 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.

These financial statements present the City of Albia (the primary government) and exclude the City's component unit. The component unit discussed below is not included in the City's reporting entity although its operational or financial relationship with the City is significant.

Excluded Component Unit

The Albia Municipal Waterworks was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Municipal Waterworks is governed by a three-member board appointed by the Mayor and approved by the City Council. The Waterworks operating budget is subject to the approval of the City Council. Complete financial statements of the component unit, which will issue separate financial statements, can be obtained from the Municipal Waterworks administrative office.

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: Monroe County Assessor's Conference Board and the Monroe County Joint E-911 Service Board.

Related Organization

The City Council members are also responsible for appointing the members of the Low Rent Housing Board, but the City's accountability for this organization does not extend beyond making the appointments.

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 nonfiduciary net assets. Net assets are reported in two categories:

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

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Aquatic Center Fund is used to account for the local option sales tax and the related costs and debt associated with the aquatic center.

The Employee Benefits Fund is used to account for the tax levy and the costs associated with providing employee benefits.

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 - Street Paving Project Fund is used to account for costs associated with major paving projects of the City.

The City reports the following major proprietary funds:

The Airport Fund accounts for the operation and maintenance of the City's airport operations.

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

C. Measurement Focus and Basis of Accounting

The City of Albia 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.

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

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 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 debt service function.

(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 the 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 Government Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

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

(3) **Bonds and Notes Payable**

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

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 506,000	\$ 133,156	\$ 9,300	\$ 3,466	\$ 515,300	\$ 136,622
2011	526,000	115,931	9,683	3,083	535,683	119,014
2012	515,000	97,272	10,083	2,683	525,083	99,955
2013	495,000	78,929	10,499	2,267	505,499	81,196
2014	490,000	60,542	10,932	1,834	500,932	62,376
2015	520,000	41,870	11,383	1,383	531,383	43,253
2016	485,000	21,307	11,852	914	496,852	22,221
2017	50,000	1,900	10,302	425	60,302	2,325
	<u>\$ 3,587,000</u>	<u>\$ 550,907</u>	<u>\$ 84,034</u>	<u>\$ 16,055</u>	<u>\$ 3,671,034</u>	<u>\$ 566,962</u>

Revenue Note

The City has pledged future township fire receipts, net of specified operating disbursements, to repay \$102,900 in a fire department revenue note issued in October, 2006. Proceeds from the note provided financing for the purchase of a new fire truck. The note is payable solely from township fire net receipts and is payable through fiscal year 2017. Annual principal and interest payments on the note are expected to require less than 58 percent of net receipts. The total principal and interest remaining to be paid on the note is \$100,089. For the current year, principal and interest paid and total customer net receipts were \$12,766 and \$21,796 respectively.

The note is payable to the U.S. Department of Agriculture (USDA) in annual installments of \$12,766, including interest at 4.125% per annum. During the year ended June 30, 2009, a payment of \$12,766 was made to the USDA, leaving a principal balance due at June 30, 2009 of \$84,034.

The resolution for the issuance of the fire department revenue note includes the following provisions:

- (a) The note will only be redeemed from the future earnings of the enterprise activity and the note holder holds a lien on the future earnings of the funds.
- (b) The City shall make annual payments of \$12,766 to the USDA, including interest at 4.125%, per annum, in fiscal years 2008 through 2017, inclusive.
- (c) Sufficient monthly transfers shall be made to a fire department revenue note sinking account for the purpose of making the above payments when due.
- (d) Additional monthly transfers shall be made to a fire department revenue note reserve account until a specific maximum balance has been accumulated. This account is restricted for making the annual principal and interest payments whenever there is insufficient money in the fire department revenue note sinking account.

(4) Lease Purchase Obligations

The City is purchasing a street sweeper and lawn mower under capital lease contracts. Future payments in relation to these leases are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2010	\$ 26,845	\$ 2,176	\$ 29,021
2011	4,252	913	5,165
2012	4,603	562	5,165
2013	4,554	182	4,736
Total	<u>\$ 40,254</u>	<u>\$ 3,833</u>	<u>\$ 44,087</u>

(5) 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 contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$43,416, \$40,978 and \$37,430 respectively, equal to the required contributions for each year.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, holiday and compensatory leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for compensated absences payable to employees at June 30, 2009 primarily relating to the General Fund, was \$24,710. The liability has been computed based on rates of pay in effect at June 30, 2009.

(7) 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>
Special Revenue: Employee Benefits	Enterprise: Sewer	<u>\$ 2,955</u>
Debt Service	Special Revenue: Aquatic Center	516,585
	Capital Projects: Street Paving Project	299
	Enterprise: Sewer	27,107
	Rural Fire Department	<u>11,354</u>
		<u>555,345</u>
Capital Projects: Street Paving Project	Special Revenue: Special Assessment	<u>48</u>
	Total	<u><u>\$ 558,348</u></u>

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

(8) Related Party Transactions

The City had business transactions between the City and City officials, totaling \$2,602 during the year ended June 30, 2009.

(9) 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 contributions to the Pool for the year ended June 30, 2009 were \$57,602.

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.

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 a 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 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 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 workers compensation in the amount of \$1,000,000 for each accident, \$1,000,000 memorandum limit, and \$1,000,000 each employee. 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.

(10) Contingency

In prior years, the City received payments in lieu of taxes from the local housing agency. However it was later determined that some of these funds should have been distributed to the other political subdivisions in the county. The City Attorney's position was that the City owed the other political subdivisions in the County for the past five years only, which would amount to approximately \$21,000. However, in fiscal year 2004, the City agreed to pay approximately \$64,000 to the other political subdivisions in settlement of the payments in lieu of taxes from the local housing agency. The City and other political subdivisions signed an agreement whereby the other political subdivisions will receive the City's share of the payments in lieu of taxes until the City's liability has been satisfied. At June 30, 2009, the City owed approximately \$46,000 to the other political subdivisions.

The City participates in a number of Federal and State grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources are generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

(11) Deficit Balance

The Capital Projects – Street Paving Project Fund had a deficit balance of \$124,983 at June 30, 2009. This deficit was the result of the payment of claims prior to the related grant reimbursement. This deficit will be eliminated when the grant reimbursement is received in fiscal year 2010.

Required Supplementary Information

City of Albia

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	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 1,259,475	-	1,259,475	1,240,022	1,240,022	19,453
Other city tax	821,020	-	821,020	637,370	637,370	183,650
Licenses and permits	13,035	-	13,035	9,000	9,000	4,035
Use of money and property	80,900	10,009	90,909	15,391	15,391	75,518
Intergovernmental	692,753	286,323	979,076	788,589	1,272,205	(293,129)
Charges for service	101,782	374,906	476,688	499,065	499,065	(22,377)
Miscellaneous	92,487	11,228	103,715	-	15,000	88,715
Total receipts	3,061,452	682,466	3,743,918	3,189,437	3,688,053	55,865
Disbursements:						
Public safety	499,768	-	499,768	551,439	551,439	51,671
Public works	433,586	-	433,586	534,746	609,746	176,160
Culture and recreation	292,741	-	292,741	364,813	621,813	329,072
Community and economic development	9,185	-	9,185	55,500	55,500	46,315
General government	225,846	-	225,846	267,415	267,415	41,569
Debt service	633,696	-	633,696	255,669	337,209	(296,487)
Capital projects	743,120	-	743,120	252,000	752,000	8,880
Business type activities	-	604,241	604,241	585,563	690,963	86,722
Total disbursements	2,837,942	604,241	3,442,183	2,867,145	3,886,085	443,902
Excess (deficiency) of receipts over (under) disbursements	223,510	78,225	301,735	322,292	(198,032)	499,767
Other financing sources, net	44,166	(41,416)	2,750	250,000	507,000	(504,250)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	267,676	36,809	304,485	572,292	308,968	(4,483)
Balances beginning of year	2,099,918	160,453	2,260,371	2,582,080	2,582,080	(321,709)
Balances end of year	\$ 2,367,594	197,262	2,564,856	3,154,372	2,891,048	(326,192)

See accompanying independent auditor's report.

City of Albia

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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,018,940. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the debt service function.

Other Supplementary Information

City of Albia

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2009

	Special				
	Special Assessment	Historical Preservation Board	Police Department	Emergency	Library
Receipts:					
Property tax	\$ -	-	-	17,940	-
Use of money and property	-	99	-	22	1,563
Intergovernmental	-	-	-	-	4,734
Miscellaneous	-	-	3,715	-	26,177
Total receipts	-	99	3,715	17,962	32,474
Disbursements:					
Operating:					
Public safety	-	-	4,269	-	-
Public works	778	-	-	2,606	-
Culture and recreation	-	-	-	2,426	10,443
Community and economic development	-	1,323	-	-	-
Total disbursements	778	1,323	4,269	5,032	10,443
Excess (deficiency) of receipts over (under) disbursements	(778)	(1,224)	(554)	12,930	22,031
Other financing sources (uses):					
Operating transfers out	(48)	-	-	-	-
Total other financing sources (uses)	(48)	-	-	-	-
Net change in cash balances	(826)	(1,224)	(554)	12,930	22,031
Cash balances beginning of year	826	12,379	22,368	1,753	6,565
Cash balances end of year	\$ -	11,155	21,814	14,683	28,596
Cash Basis Fund Balances					
Unreserved:					
Special revenue funds	\$ -	11,155	21,814	14,683	28,596
Permanent funds	-	-	-	-	-
Total cash basis fund balances	\$ -	11,155	21,814	14,683	28,596

See accompanying independent auditor's report.

Schedule 1

Revenue	Permanent			
Cooper Estate Bequest	Cemetery Perpetual Care	Library Endowment		Total
-	-	-		17,940
5,199	10	-		6,893
-	-	-		4,734
-	1,390	-		31,282
5,199	1,400	-		60,849
-	-	-		4,269
-	-	-		3,384
-	-	-		12,869
7,862	-	-		9,185
7,862	-	-		29,707
(2,663)	1,400	-		31,142
-	-	-		(48)
-	-	-		(48)
(2,663)	1,400	-		31,094
138,443	80,964	92,666		355,964
135,780	82,364	92,666		387,058
135,780	-	-		212,028
-	82,364	92,666		175,030
135,780	82,364	92,666		387,058

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2009

	Enterprise		
	Landfill	Rural Fire Department	Total
Operating receipts:			
Charges for service	\$ 15,818	41,304	57,122
Total operating receipts	<u>15,818</u>	<u>41,304</u>	<u>57,122</u>
Operating disbursements:			
Business type activities	14,362	19,508	33,870
Total operating disbursements	<u>14,362</u>	<u>19,508</u>	<u>33,870</u>
Excess of operating receipts over operating disbursements	<u>1,456</u>	<u>21,796</u>	<u>23,252</u>
Non-operating receipts (disbursements):			
Interest on investments	746	505	1,251
Miscellaneous	-	40	40
Debt service	-	(12,766)	(12,766)
Net non-operating receipts (disbursements)	<u>746</u>	<u>(12,221)</u>	<u>(11,475)</u>
Excess of receipts over disbursements	<u>2,202</u>	<u>9,575</u>	<u>11,777</u>
Other financing sources (uses):			
Operating transfers out	-	(11,354)	(11,354)
Total other financing sources (uses)	<u>-</u>	<u>(11,354)</u>	<u>(11,354)</u>
Net change in cash balances	2,202	(1,779)	423
Cash balances beginning of year	<u>73,706</u>	<u>11,640</u>	<u>85,346</u>
Cash balances end of year	<u>\$ 75,908</u>	<u>9,861</u>	<u>85,769</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	3,317	3,317
Unreserved	<u>75,908</u>	<u>6,544</u>	<u>82,452</u>
Total cash basis fund balances	<u>\$ 75,908</u>	<u>9,861</u>	<u>85,769</u>

See accompanying independent auditor's report.

City of Albia

Schedule 3

Schedule of Indebtedness

Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds and Notes-									
Fire Equipment Note	May 4, 1999	4.23%	\$ 108,000	32,000	-	10,000	22,000	1,363	-
Corporate Purpose Bonds	December 1, 2002	1.90 to 4.35%	520,000	350,000	-	40,000	310,000	13,815	-
Swimming Pool Bonds	December 1, 2003	2.25 to 4.00%	2,000,000	1,765,000	-	195,000	1,570,000	62,060	-
Corporate Purpose Bonds	May 25, 2006	3.70 to 4.05%	1,345,000	1,075,000	-	115,000	960,000	41,817	-
Street Improvement Bonds	September 1, 2007	3.75 to 4.10%	250,000	205,000	-	25,000	180,000	8,086	-
Corporate Purpose Bonds	May 1, 2008	3.10 to 3.80%	640,000	640,000	-	95,000	545,000	23,495	-
Total				<u>\$ 4,067,000</u>	<u>-</u>	<u>480,000</u>	<u>3,587,000</u>	<u>150,636</u>	<u>-</u>
Revenue Note-									
Fire Department	October 30, 2006	4.125%	\$ 102,900	94,379	-	10,345	84,034	2,421	-
Lease Purchase Agreement-									
Equipment	September 29, 2004	4.10%	\$ 105,919	44,935	-	22,017	22,918	1,842	-
Equipment	June 3, 2008	7.95%	21,396	20,966	-	3,630	17,336	1,535	-
				<u>\$ 65,901</u>	<u>-</u>	<u>25,647</u>	<u>40,254</u>	<u>3,377</u>	<u>-</u>

See accompanying independent auditor's report.

City of Albia

Schedule 4

Bond and Note Maturities

June 30, 2009

Year Ending June 30,	General Obligation Bonds and Notes												
	Fire Equipment Note Issued May 4, 1999		Corporate Purpose Bonds Issued December 1, 2002		Swimming Pool Bonds Issued December 1, 2003		Corporate Purpose Bonds Issued May 25, 2006		Street Improvement Bonds Issued September 1, 2007		Corporate Purpose Bonds Issued May 1, 2008		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2010	4.23%	\$ 11,000	3.55%	\$ 50,000	3.10%	\$ 200,000	3.75%	\$ 125,000	3.85%	\$ 25,000	3.30%	\$ 95,000	\$ 506,000
2011	4.23%	11,000	3.80%	50,000	3.35%	210,000	3.80%	130,000	3.88%	25,000	3.35%	100,000	526,000
2012	-	-	4.00%	50,000	3.45%	215,000	3.85%	130,000	3.90%	25,000	3.10%	95,000	515,000
2013	-	-	4.05%	50,000	3.60%	225,000	3.90%	135,000	3.95%	25,000	3.35%	60,000	495,000
2014	-	-	4.25%	50,000	3.70%	230,000	3.95%	140,000	4.00%	25,000	3.35%	45,000	490,000
2015	-	-	4.35%	60,000	3.85%	240,000	4.00%	145,000	4.05%	25,000	3.80%	50,000	520,000
2016	-	-	-	-	4.00%	250,000	4.05%	155,000	4.10%	30,000	3.80%	50,000	485,000
2017	-	-	-	-	-	-	-	-	-	-	3.80%	50,000	50,000
		<u>\$ 22,000</u>		<u>\$ 310,000</u>		<u>\$ 1,570,000</u>		<u>\$ 960,000</u>		<u>\$ 180,000</u>		<u>\$ 545,000</u>	<u>\$ 3,587,000</u>

Revenue Note		
Fire Department		
Year Ending June 30,	Interest Rates	Amount
2010	4.125%	\$ 9,300
2011	4.125%	9,683
2012	4.125%	10,083
2013	4.125%	10,499
2014	4.125%	10,932
2015	4.125%	11,383
2016	4.125%	11,852
2017	4.125%	10,302
		<u>\$ 84,034</u>

See accompanying independent auditor's report.

City of Albia

Schedule 5

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	\$ 1,259,475	1,194,235	1,171,575	1,083,508	946,940	950,378
Other city tax	821,020	720,239	802,383	592,594	395,200	132,780
Licenses and permits	13,035	14,213	10,027	12,467	12,251	10,933
Use of money and property	80,900	49,674	34,441	18,817	50,775	51,900
Intergovernmental	692,753	399,788	552,749	815,230	491,131	403,254
Charges for service	101,782	142,031	152,345	78,802	23,630	6,588
Special assessments	-	-	-	-	-	5,269
Miscellaneous	92,487	45,622	147,615	113,930	46,933	123,574
Total	\$ 3,061,452	2,565,802	2,871,135	2,715,348	1,966,860	1,684,676
Disbursements:						
Operating:						
Public safety	\$ 499,768	539,780	682,761	504,928	523,795	452,930
Public works	433,586	485,546	421,834	369,213	362,559	352,137
Culture and recreation	292,741	289,273	302,258	233,024	152,510	193,891
Community and economic development	9,185	46,670	2,477	11,714	32,956	47,637
General government	225,846	253,739	299,152	301,257	228,492	289,948
Debt service	633,696	1,086,975	620,756	1,478,044	417,219	387,104
Capital projects	743,120	197,074	635,254	1,275,365	1,867,844	235,007
Total	\$ 2,837,942	2,899,057	2,964,492	4,173,545	3,585,375	1,958,654

See accompanying independent auditor's report.

Schedule of Expenitures of Federal Awards

Year ended June 30, 2009

Grantor/Program	CFDA Number	Agency Pass-Through Number	Program Expenditures
Direct:			
U.S. Department of Transportation:			
Federal Aviation Administration Airports Division:			
Airport Improvement Program	20.106	3-19-0001-04	\$ 149,660
Airport Improvement Program	20.106	3-19-0001-05	132,863
Total			282,523
Total direct			282,523
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-0065(611)	432,624
U.S. Department of Transportation:			
National Highway Traffic Safety Administration:			
Iowa Department of Public Safety			
Governor's Traffic Safety Bureau:			
Safety Belt Performance Grants	20.609	09-406, Task 4	4,000
Total indirect			436,624
Total			\$ 719,147

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Albia and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit 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 auditor's report.

PEAK & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS
1370 NW 114TH ST., SUITE 205
CLIVE, IA 50325

(515) 277-3077

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 primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Albia, 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 issue our report thereon dated November 7, 2009. Our report expressed unqualified opinions on the primary government 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 Albia'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 Albia's internal control over financial reporting. Accordingly, we do not express our opinion on the effectiveness of the City of Albia'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 a combination of control deficiencies, that adversely affects City of Albia'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 City of Albia's financial statements that is more than inconsequential will not be prevented or detected by City of Albia'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 City of Albia'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, II-C-09, II-D-09 and II-E-09 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Albia'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 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.

City of Albia'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 City of Albia's responses and, accordingly, we do not express an opinion on them.

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

Peak & Co., LLP
Certified Public Accountants

November 7, 2009

PEAK & CO., LLP
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Independent Auditor's 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:

Compliance

We have audited the compliance of the City of Albia, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2009. The City of Albia's major federal program is identified 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 program is the responsibility of the City of Albia's management. Our responsibility is to express an opinion on the City of Albia'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 Albia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Albia's compliance with those requirements.

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

Internal Control Over Compliance

The management of the City of Albia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Albia'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 Albia'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. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

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. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weakness.

City of Albia'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 Albia's responses and, accordingly, we express no opinion on them.

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

Peak & Co., LLP
Certified Public Accountants

November 7, 2009

City of Albia

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part I: Summary of the Independent Auditor's 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) A significant deficiency in internal control over the major program was disclosed by the audit of the financial statements, which is considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 -- Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Albia did not qualify as a low-risk auditee.

City of Albia

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

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. The issuance of receipt slips, bank deposits and the posting of the cash receipts to the accounting records are sometimes all done by the same person.

Recommendation – We realize 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 consider 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.

II-B-09 Records of Account - The Albia Police Department maintains the accounting records and bank statements pertaining to two different bank accounts. These transactions and the resulting balances are not recorded in the Clerk's records. Chapter 384.20 of the Code of Iowa states in part "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." In addition, a certificate of deposit held by the City is not recorded on the City's accounting system either manually or on the computer.

Recommendation - For better accountability, financial and budgetary control, the financial activity and balances of all city accounts should be recorded on the Clerk's records. In addition, the City should record all funds on its computer system.

Response – We will review this situation.

Conclusion - Response accepted.

II-C-09 Financial Reporting – Instances were noted where receipts and disbursements were not always properly classified in the general ledger. Also, the City's general ledger account structure does not consistently follow the requirements as outlined by the City Finance Committee.

Recommendation – The City should implement procedures to ensure all receipts and disbursements are properly classified in the general ledger, and that the account structure follows the requirements as outlined by the City Finance Committee.

Response – We will also work on the proper classification of receipts and disbursements, and ensure compliance with the requirements as outlined by the City Finance Committee.

Conclusion – Response accepted.

City of Albia

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

II-D-09 Library Procedures – Pre-numbered receipt slips are not issued for Library memorial and donation monies. Library monies are not timely deposited, currently the monies are normally deposited approximately once per month. In addition, Library monies on hand are taken home at night by the Librarian for safekeeping. Also, an adequate written record is not maintained which documents the amount of unspent Library memorial monies, by memorial, at any one time.

Recommendation – The Library issue pre-numbered receipts slips for memorial and donation monies. Library monies should be deposited when cash and checks on hand exceed \$100. In addition, Library monies should not be taken home at night by the Librarian. Also, written records need to be maintained documenting the amount of unspent Library memorial monies, by memorial, at any one time.

Response – We will implement the above to the best of our ability.

Conclusion – Response accepted.

II-E-09 Receipts – Accounting for pool receipts is weak. There is no documented reconciliation between monies deposited to the bank, with monies recorded on the cash registers. There is no formal analysis of gross margin on the concession activity at the pool. Pool monies are taken home at night by the Pool Manager for safekeeping.

Pop machine money collected by the police department is not timely deposited. There is no initial record of receipt for fees collected by the police department.

Recommendation – For the pool, there should be a documented reconciliation of monies deposited with monies recorded on the cash registers. There should also be a formal analysis of gross margin in relation to the concession activity at the pool. Also, pool monies should not be taken home at night by the Pool Manager.

Police department receipts should be deposited on a timely basis, and an initial record of receipt should be maintained for all police department collections.

Response – We will implement these to the best of our ability

Conclusion – Response accepted.

II-F-09 Emergency Fund – The Code of Iowa allows the City to tax for an emergency levy. The City has established an Emergency Fund to account for those monies. However, the City has not transferred the balance in this fund to the General Fund, as required.

Recommendation – The City transfer the balance in the Emergency Fund to the General Fund at least once per year.

Response – We will implement this recommendation.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Albia

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCY:

CFDA Number 20.205: Highway Planning and Construction
Pass-through Agency Number: STP-U-0068(611)
Federal Award Year: 2007
U.S. Department of Transportation

III-A-09 Segregation of Duties over Federal Receipts – The City did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See item II-A-09.

City of Albia

Schedule of Findings and Questioned Costs

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 debt service function. 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. The property tax levy adopted by the City exceeded the property tax levy published in the newspaper. This does not appear allowable according to Chapter 384.16 of the Code of Iowa.

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. In addition, the City should implement procedures to ensure the property tax levy adopted is not more than the property tax levy published, as required by the Code of Iowa.

Response – The budget will be amended in the future, if applicable. Also, we will ensure future compliance with Chapter 384 of the Code of Iowa.

Conclusion – Response accepted.

IV-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.

IV-C-00 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:

<u>Name, Title, and Business Connection</u>	<u>Transaction/Description</u>	<u>Amount</u>
John Hughes, Volunteer Fireman, Owner, Hughes Automotive	Service Trucks	\$441
Warren Woolums, Volunteer Fireman	Service Trucks	\$713
Ray Vitko, Jr. Volunteer Fireman, Owner, Vitko's	Service Trucks	\$1,448

In accordance with Chapter 362.5(8) of the Code of Iowa, the above transactions with the Volunteer Fireman do not appear to represent conflicts of interest.

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 insure that the coverage is adequate for current operations

IV-F-09 Council Minutes - Transactions were found that we believe should have been approved in the Council minutes but were not. Several invoices and interfund transfers were not approved by the City Council.

City of Albia

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

A summary of all receipts was not consistently published in the newspaper. Total expenditures from each city fund, one City Council minutes, and several claims were not published in the newspaper. All of this is required by Chapter 372.13(6) of the Code of Iowa. An affirmative roll call vote for entering into a closed session and the specific reason for holding the closed session were not documented in the City Council minutes as required by Chapter 21.5 of the Code of Iowa. The City Clerk did not consistently sign the official record of the Council minutes as required by Chapter 380.7 of the Code of Iowa.

Recommendation - The City should implement procedures to ensure that all invoices and interfund transfers are approved by the City Council. The City should also implement procedures to ensure that total expenditures from each city fund, all invoices, a summary of all receipts and all City Council minutes are published in the newspaper as required by the Code of Iowa. In addition, procedures should be implemented to ensure compliance with Chapter 21.5 of the Code of Iowa in relation to closed sessions. Also, the City Clerk should sign the official record of the council minutes as required by the Code of Iowa.

Response - We will implement these recommendations.

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 was noted.

IV-H-09 Revenue Note -- No instances of non-compliance with the revenue note resolutions were noted.

IV-I-09 Financial Condition – The balance in the Proprietary Funds - Landfill appears to be excessive. The Capital Projects – Street Paving Project Fund had a deficit balance at June 30, 2009 of \$124,983.

Recommendation – Procedures should be implemented to reduce the fund with excessive balances, and increase the fund with a deficit balance.

Response - We will continue to monitor the Property Funds - Landfill and take action accordingly. The balance in the Capital Projects – Street Paving Project Fund will be positive once the grant from the State is received in fiscal year 2010.

Conclusion - Response accepted.

IV-J-09 Transfers – At June 30, 2009, \$283 was due from the Special Revenue - Aquatic Center Fund to the Capital Projects – Street Paving Project Fund, and \$2,461 was due from the Proprietary Funds - Sewer Fund to the Special Revenue - Employee Benefits Fund.

Recommendation – The City make the above transfers.

Response – We will implement this recommendation.

Conclusion – Response accepted.

City of Albia

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

- IV-K-09 Compliance Issues – Some general obligation bond principal and interest payments were not paid from the Debt Service Fund, as required by Chapter 384.4 of the Code of Iowa. Adjustments were subsequently made so that all general obligation bond principal and interest payments were charged to the Debt Service Fund.

Personal use of a City vehicle is not consistently taxed to the employees as a taxable fringe benefit.

At times during the year, the depository resolution amount, as explained in Chapter 12 of the Code of Iowa, was exceeded.

Some cancelled checks were not received back from the bank.

Recommendation – The City should ensure that all general obligation bond principal and interest payments are paid from the Debt Service Fund. In addition, personal use of City owned vehicles should be treated as a taxable fringe benefit in accordance with Internal Revenue Service guidelines. Also, the City should comply with the Code of Iowa in relation to the depository resolution amounts, and ensure that all cancelled checks are received back from the bank.

Response – We will implement these recommendations.

Conclusion – Response accepted.

- IV-L-09 Receipts – Our review noted where individuals did not pay the City \$1,000 in rent for airplane hangars. Legal and publication costs incurred due to a grant project were not claimed as a reimbursable expense, even though these were allowable reimbursable costs that can be charged to the grant. The City of Melrose has not paid its Library fee to the City for fiscal year 2007 and 2009.

Recommendation – The City implement procedures to ensure all monies due to them are received and deposited to the bank account, including monies from the rental of airplane hangars, reimbursements from grants, and Library fees from the City of Melrose.

Response – We will review this and take appropriate action.

Conclusion – Response accepted.

- IV-M-09 Sales Tax – It does not appear the City received all the money due to them in relation to the sales tax refund on the completed pool construction project, which could amount to several thousand dollars due to the City. On swimming pool admissions, it does not appear the City paid the correct amount of sales tax to the State of Iowa.

Recommendation – The City should apply for sales tax refunds on completed construction projects. The City should also file amended sales tax returns to ensure the correct amount of sales tax is paid to the State of Iowa.

Response – We will implement these recommendations.

Conclusion – Response accepted.

City of Albia

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

IV-N-09 Construction Projects – Instances were noted where change orders were not issued on projects where the final payment amount differed from the original contract amount.

No liquidated damages were assessed on a contractor as required by the contract. The contractor did not complete the project on time as required by the contract, as a result, the City has the option to assess liquidated damages.

Recommendation – The City issue change orders on construction projects, as appropriate. The City should also review the liquidated damage issue as noted above.

Response – We will review this and follow up on this as appropriate.

Conclusion – Response accepted.

City of Albia

Corrective Action Plan for Federal Audit Findings

Year Ended June 30, 2009

Comment Number	Comment Title	Corrective Action Plan	Title, Phone Number	Contact Person, Anticipated Date of Completion
III-A-09	Segregation of Duties Over Federal Receipts	We will review this and take action as necessary	Linda Heller City Clerk (641) 932-2129	Immediately

City of Albia

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2009

None – There were no audit findings related to federal funds in the prior audit.