

City of Rock Valley, Iowa
Independent Auditor's Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings And Questioned Costs
June 30, 2009

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	16-19
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	20-23
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	C	25
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	26-27
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	E	28
Notes to Financial Statements		29-38
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		40-41
Notes to Required Supplementary Information – Budgetary Reporting		42
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	44-47
Schedule of Indebtedness	2	48-49
Bond and Note Maturities	3	50-55
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	56-58
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 <u>Government Auditing Standards</u>		60-61
Schedule of Findings and Questioned Costs		62-66

**City of Rock Valley, Iowa
Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kent Eknes	Mayor	Jan. 2012
Gerold Burgers	Mayor Pro-Tem	Jan. 2012
Dale Kooima	Council Member	Jan. 2010
Mark McGill	Council Member	Jan. 2012
Kevin Van Otterloo	Council Member	Jan. 2010
Chad Van Zee	Council Member	Jan. 2010
Tom Van Maanen	City Administrator/Treasurer	Indefinite
Judy Van't Hul	City Clerk	Indefinite
Maureen McGill Hoogeveen	City Attorney	Indefinite

City of Rock Valley, Iowa

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 Rock Valley, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Rock Valley's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Rock Valley 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 25, 2009 on our consideration of the City of Rock Valley'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 13 and 40 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 Rock Valley's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Van Bruggen & Vande Vegte, P.C.

November 25, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Rock Valley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 50%, or approximately \$2,492,000, from fiscal 2008 to fiscal 2009. Property tax increased approximately \$18,000, tax incremental financing collections increased by \$168,000 and there were bond, note and loan proceeds issued of \$4,439,194.
- Disbursements of the City's governmental activities increased 17%, or approximately \$1,088,000, in fiscal 2009 from fiscal 2008. Debt service and community and economic development disbursements increased approximately \$220,000 and \$769,000, respectively, while general government and capital projects disbursements decreased approximately \$38,000 and \$62,000, respectively.
- The City's total cash basis net assets increased 60%, or approximately \$158,000, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities decreased approximately \$183,000 and the assets of the business type activities increased by approximately \$341,000.

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.

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 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 statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

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

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

Reconciliations between 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 decreased from a year ago, decreasing from \$(61) thousand deficit to \$(244) thousand deficit. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
(Expressed in Thousands)		
	Year Ended June 30,	
	2009	2008
Receipts:		
Program receipts		
Charges for service	\$ 433	\$ 412
Operating grants, contributions and restricted interest	253	737
Capital grants, contributions and restricted interest	-	194
General receipts:		
Property tax	1,869	1,683
Local option sales tax	292	274
Grants and contributions not restricted to specific purposes	-	-
Unrestricted interest on investments	22	28
Bond and loan proceeds	4,439	1,500
Other general receipts	160	148
Total receipts	<u>\$ 7,468</u>	<u>\$ 4,976</u>
Disbursements:		
Public safety	\$ 493	\$ 399
Public works	350	253
Health and social services	-	-
Culture and recreation	398	390
Community and economic development	1,235	466
General government	310	348
Debt service	964	744
Capital projects	3,693	3,755
Total disbursements	<u>\$ 7,443</u>	<u>\$ 6,355</u>
Change in cash basis net assets before transfers	\$ 25	\$ (1,379)
Transfers, net	<u>(208)</u>	<u>504</u>
Change in cash basis net assets	\$ (183)	\$ (875)
Cash basis net assets beginning of year (Deficit)	<u>(61)</u>	<u>814</u>
Cash basis net assets end of year (Deficit)	<u>\$ (244)</u>	<u>\$ (61)</u>

The City's total receipts for governmental activities increased 50%, or approximately \$2,492,000. The total cost of all programs and services increased by approximately \$1,088,000, or 17%, with no new programs added this year. The significant increase in receipts was primarily the result of proceeds received from the issuance of general obligation bonds and loan notes.

The City did not change property tax rates for 2009. This stabilization and more importantly the increase in housing, commercial and industrial development increased the City's property tax receipts by approximately \$18,000 in 2009 and raised the City's tax increment financing collections by \$168,000. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase next year.

The cost of all governmental activities this year was \$7.443 million compared to \$6.355 million last year. However, as shown in the Statement of Activities and Net Assets on pages 16-19, the amount taxpayers ultimately financed for these activities was only \$6.756 million because some of the cost was paid by those directly benefited from the programs (\$433,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$253,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2009 from approximately \$1,343,000 to approximately \$687,000, principally due to capital project receipts. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$6,756,000 in tax (some of which could only be used for certain programs) and other receipts, such as interest, general entitlements, and bond and loan proceeds.

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

	Year Ended June 30,	
	2009	2008
Receipts:		
Program receipts		
Charge for service		
Water	\$ 568	\$ 484
Sewer	459	373
Garbage	178	174
Campground	137	-
Capital grants, contributions and restricted interest	-	-
General Receipts		
Unrestricted interest on investments	-	-
Bond proceeds	-	459
Other general receipts	9	-
Total receipts	<u>\$ 1,351</u>	<u>\$ 1,490</u>
Disbursements and transfers:		
Water	\$ 436	\$ 377
Sewer	257	271
Garbage	161	158
Campground	364	-
Total disbursements	<u>\$ 1,218</u>	<u>\$ 806</u>
Change in cash basis net assets before transfers	\$ 133	\$ 684
Transfers, net	<u>208</u>	<u>(504)</u>
Change in cash basis net assets	\$ 341	\$ 180
Cash basis net assets beginning of year	<u>324</u>	<u>144</u>
Cash basis net assets end of year	<u>\$ 665</u>	<u>\$ 324</u>

Total business type activities receipts for the fiscal year were \$1.351 thousand compared to \$1.490 thousand last year. This increase was due primarily to the service fee rates, volume of usage, and bond and loan proceeds. The cash balance increased by approximately \$341,000 from the prior year. Total disbursements and transfers for the fiscal year decreased by 23% to a total of \$1,010 thousand.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Rock Valley completed the year, its governmental funds reported a combined fund deficit balance of \$(244,046), a decrease of more than \$182,667 below last year's total of \$(61,379). 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 \$123,648 from the prior year to \$254,318 due to transfers in.
- The Special Revenue Road Use Tax Fund cash balance decreased by \$102,933 to \$76,393 during the fiscal year. This was due to the cost of public works projects completed.
- The Special Revenue, Local Option Sales Tax Fund, was established in a previous fiscal year to account for the one percent local sales and service tax activity. At the end of the fiscal year, the cash balance was \$105,100 a decrease of \$12,995 from the previous year due to transfers out.
- The Special Revenue, TIF Fund was established in a previous fiscal year to account for major urban renewal projects within the City. At the end of the fiscal year, the cash balance was \$20,000, a decrease of \$318,765 from the previous year due to transfers out.
- The Debt Service Fund cash balance increased by \$72,728 to \$31,601 during the fiscal year. This increase was due to an increase in bonding and transfers in. Bond principal and interest payments increased by \$220,242 in fiscal 2009.
- The Capital Projects Fund increased by \$70,871 to \$(512,687) during the fiscal year. The increase was due to transfers in.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$96,960 to \$270,123, due primarily to an increase in the service rate fees and the number of customers serviced.
- The Sewer Fund cash balance increased by \$141,843 to \$457,894, due primarily to the increase of service rate fees and the number of customers serviced.
- The Garbage Fund cash balance decreased by \$7,887 to \$748, due primarily to transfers out.
- The Campground Fund cash balance increased by \$110,377 to \$(63,914), due primarily to transfers in.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. The amendment was approved on June 11, 2009 and resulted in an increase in operating revenues due to bond issuance and transfers. Expenditures increased due to capital projects and repayment of bonds.

The City’s receipts were \$324,978 more than the amended budget.

The City’s disbursements were \$526,692 more than the amended budget.

DEBT ADMINISTRATION

At June 30, 2009, the City had approximately \$8,774,775 in bonds and other long-term debt outstanding, compared to approximately \$5,098,839 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year Ended June 30,	
	2009	2008
General obligation bonds and notes	\$ 5,911.0	\$ 4,619.6
Special assessment bonds and notes	-	-
Urban renewal tax increment financing revenue bonds	565	20
Revenue notes	2,298.7	459.2
Anticipatory warrants	-	-
Total	\$ 8,774.7	\$ 5,098.8

Debt increased as a result of general obligation bonds and notes being issued in the past year. In addition, the City issued urban renewal tax increment financing revenue bonds for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the city.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation and TIF debt of \$6,476,000 is below its constitutional debt limit of \$7.2 million.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The City of Rock Valley’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates, and fees charged for various City activities. One of those factors is the economy. The City’s employment growth has mirrored its population growth during 2000-2007, which saw the City grow by 8.6 percent from a population of 2,702 to 2,935. Unemployment in the city is unknown, however the State’s unemployment rate is 4.8% and the national rate is 7.6%.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State’s CPI increase was 0.2 percent 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.

These indicators were taken into account when adopting the budget for fiscal year 2010. Amounts available for appropriation in the operating budget are \$5.651 million, a decrease of 43% over the final 2009 budget. Property tax (benefiting from the 2009 rate increases and increases in assessed valuations) and proceeds from the urban renewal tax increment financing revenue bonds are expected to continue to increase. The City will use these increases in receipts to finance programs we currently offer and to defray a portion of the costs of carrying out a major urban renewal project of the City. Budgeted disbursements are expected to decrease by approximately \$4,201,478. Increased wage and cost-of-living adjustments, increases in street construction and maintenance and the urban renewal project represent the largest increases. The City has added a water project and waste water treatment projects.

If these estimates are realized, the City's budgeted cash balance is expected to increase slightly by the close of 2010.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Judy Van't Hul, City Clerk, 1507 Main Street, Rock Valley, Iowa 51247.

City of Rock Valley, Iowa

Basic Financial Statements

City of Rock Valley, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2009

	Disbursements	Charges for Service	Program Receipts	
			Operating Grants and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 493,165	\$ 142,308	\$ -	\$ -
Public works	349,585	-	224,184	-
Health and social services	-	-	-	-
Culture and recreation	398,116	40,271	-	-
Community and economic development	1,234,591	234,637	-	-
General government	310,313	16,074	29,072	-
Debt service	964,386	-	-	-
Capital projects	<u>3,692,617</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$7,442,773</u>	<u>\$ 433,290</u>	<u>\$ 253,256</u>	<u>\$ -</u>
Business type activities:				
Water	\$ 435,658	\$ 567,618	\$ -	\$ -
Sewer	257,346	459,189	-	-
Garbage	160,963	178,076	-	-
Campground	<u>364,177</u>	<u>146,066</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$1,218,144</u>	<u>\$1,350,949</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>=====\$8,660,917</u>	<u>=====\$1,784,239</u>	<u>=====\$ 253,256</u>	<u>=====\$ -</u>
General Receipts:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Grants and contributions not restricted to specific purposes				
Unrestricted interest on investments				
Bond and loan proceeds				

(Continued on page 17)

City of Rock Valley, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2009

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (350,857)	\$ -	\$ (350,857)
(125,401)	-	(125,401)
-	-	-
(357,845)	-	(357,845)
(999,954)	-	(999,954)
(265,167)	-	(265,167)
(964,386)	-	(964,386)
(3,692,617)	-	(3,692,617)
\$ (6,756,227)	\$ -	\$ (6,756,227)
\$ -	\$ 131,960	\$ 131,960
-	201,843	201,843
-	17,113	17,113
-	(218,111)	(218,111)
\$ -	\$ 132,805	\$ 132,805
\$ (6,756,227)	\$ 132,805	\$ (6,623,422)
\$ 593,640	\$ -	\$ 593,640
1,179,064	-	1,179,064
96,366	-	96,366
291,973	-	291,973
-	-	-
22,107	-	22,107
4,439,194	-	4,439,194

(Continued on page 18)

(Continued from page 16)

City of Rock Valley, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2009

	<u>Program Receipts</u>		
	<u>Charges for</u>	<u>Operating Grants, Capital Grants,</u>	<u>Contributions, Contributions</u>
	<u>Service</u>	<u>and Restricted</u>	<u>and Restricted</u>
	<u>Disbursements</u>	<u>Interest</u>	<u>Interest</u>
Miscellaneous			
Sale of assets			
Transfers			
Total general receipts and transfers			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
Cash Basis Net Assets			
Restricted:			
Streets			
Urban renewal purposes			
Debt service			
Other purposes			
Unrestricted			
Total cash basis net assets			

See notes to financial statements.

(Continued from page 17)

Exhibit A

City of Rock Valley, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2009

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
159,704	-	159,704
-	-	-
<u>(208,488)</u>	<u>208,488</u>	<u>-</u>
\$ 6,573,560	\$ 208,488	\$ 6,782,048
\$ (182,667)	\$ 341,293	\$ 158,626
<u>(61,379)</u>	<u>323,558</u>	<u>262,179</u>
\$ (244,046)	\$ 664,851	\$ 420,805
=====	=====	=====
\$ 76,393	\$ -	\$ 76,393
(157,039)	-	(157,039)
31,601	-	31,601
(330,764)	-	(330,764)
<u>135,763</u>	<u>664,851</u>	<u>800,614</u>
\$ (244,046)	\$ 664,851	\$ 420,805
=====	=====	=====

City of Rock Valley, Iowa
Statement of Cash Receipts, Disbursements
And Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2009

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 440,069	\$ -	\$ -
Tax increment financing collections	-	-	-
Other city tax	2,498	-	291,973
Licenses and permits	4,683	-	-
Use of money and property	33,499	-	-
Intergovernmental	29,071	224,184	-
Charges for service	142,308	-	-
Special assessments	-	-	-
Miscellaneous	318,137	-	-
Total receipts	<u>\$ 970,265</u>	<u>\$ 224,184</u>	<u>\$ 291,973</u>
Disbursements:			
Operating:			
Public safety	\$ 410,687	\$ -	\$ -
Public works	-	327,117	22,468
Health and social services	-	-	-
Culture and recreation	366,121	-	-
Community and economic development	137,520	-	-
General government	267,289	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>\$ 1,181,617</u>	<u>\$ 327,117</u>	<u>\$ 22,468</u>
Excess of receipts over (under) disbursements	<u>\$ (211,352)</u>	<u>\$ (102,933)</u>	<u>\$ 269,505</u>
Other financing sources (uses):			
Bond and loan proceeds	\$ -	\$ -	\$ -
Sale of capital assets	-	-	-
Operating transfers in	335,000	-	-
Operating transfers out	-	-	(282,500)
Total other financing sources (uses)	<u>\$ 335,000</u>	<u>\$ -</u>	<u>\$ (282,500)</u>

(Continued on page 21)

TIF Fund	Debt Service	Capital Projects	Nonmajor	Total
\$ -	\$ 96,366	\$ -	\$ 151,073	\$ 687,508
1,179,064	-	-	-	1,179,064
-	-	-	-	294,471
-	-	-	-	4,683
-	-	-	-	33,499
-	-	-	-	253,255
-	-	-	-	142,308
-	-	8,549	-	8,549
-	-	34,760	73,166	426,063
<u>\$1,179,064</u>	<u>\$ 96,366</u>	<u>\$ 43,309</u>	<u>\$ 224,239</u>	<u>\$ 3,029,400</u>
\$ -	\$ -	\$ -	\$ 82,478	\$ 493,165
-	-	-	-	349,585
-	-	-	-	-
-	-	-	31,995	398,116
1,015,108	-	-	81,963	1,234,591
-	-	-	43,024	310,313
-	964,386	-	-	964,386
-	-	3,692,617	-	3,692,617
<u>\$1,015,108</u>	<u>\$ 964,386</u>	<u>\$ 3,692,617</u>	<u>\$ 239,460</u>	<u>\$ 7,442,773</u>
<u>\$ 163,956</u>	<u>\$ (868,020)</u>	<u>\$ (3,649,308)</u>	<u>\$ (15,221)</u>	<u>\$ (4,413,373)</u>
\$ -	\$ 4,439,194	\$ -	\$ -	\$ 4,439,194
-	-	-	-	-
1,303,993	1,029,986	4,051,451	-	6,720,430
<u>(1,786,714)</u>	<u>(4,528,432)</u>	<u>(331,272)</u>	<u>-</u>	<u>(6,928,918)</u>
<u>\$ (482,721)</u>	<u>\$ 940,748</u>	<u>\$ 3,720,179</u>	<u>\$ -</u>	<u>\$ 4,230,706</u>

(Continued on page 22)

(Continued from page 20)

City of Rock Valley, Iowa
Statement of Cash Receipts, Disbursements
And Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2009

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Net change in cash balances	\$ 123,648	\$ (102,933)	\$ (12,995)
Cash balances beginning of year	<u>130,670</u>	<u>179,326</u>	<u>118,095</u>
Cash balances end of year	\$ 254,318	\$ 76,393	\$ 105,100
	=====	=====	=====
Cash Basis Fund Balances			
Reserved for Debt Service	\$ -	\$ -	\$ -
Unreserved:			
General fund	254,318	-	-
Special revenue funds	-	76,393	105,100
Capital projects fund	-	-	-
Permanent fund	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	\$ 254,318	\$ 76,393	\$ 105,100
	=====	=====	=====

See notes to financial statements.

(Continued from page 21)

Exhibit B

<u>TIF Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ (318,765)	\$ 72,728	\$ 70,871	\$ (15,221)	\$ (182,667)
<u>338,765</u>	<u>(41,127)</u>	<u>(583,558)</u>	<u>(203,550)</u>	<u>(61,379)</u>
<u>\$ 20,000</u>	<u>\$ 31,601</u>	<u>\$ (512,687)</u>	<u>\$ (218,771)</u>	<u>\$ (244,046)</u>
\$ -	\$ 31,601	\$ -	\$ -	\$ 31,601
-	-	-	-	254,318
20,000	-	-	(218,771)	(17,278)
-	-	(512,687)	-	(512,687)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 20,000</u>	<u>\$ 31,601</u>	<u>\$ (512,687)</u>	<u>\$ (218,771)</u>	<u>\$ (244,046)</u>

City of Rock Valley, Iowa

City of Rock Valley, Iowa
Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets –
Governmental Funds
As of and for the year ended June 30, 2009

Total governmental funds cash balances (page 23)	\$ <u>(244,046)</u>
Cash basis net assets of governmental activities (page 19)	\$ (244,046) =====
Net change in cash balances (page 23)	\$ <u>(182,667)</u>
Change in cash balances net assets of governmental activities (page 19)	\$ (182,667) =====

See notes to financial statements.

City of Rock Valley, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2009

Exhibit D

	Enterprise Funds			
	Water	Sewer	Garbage	Campground
Operating Receipts:				
Use of money and property	\$ 1,130	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	8,720
Charges for service	530,664	451,356	178,076	128,361
Miscellaneous	<u>35,824</u>	<u>7,833</u>	<u>-</u>	<u>8,985</u>
Total operating receipts	<u>\$ 567,618</u>	<u>\$ 459,189</u>	<u>\$ 178,076</u>	<u>\$ 146,066</u>
Operating disbursements:				
Governmental activities:				
Public safety	\$ -	\$ -	\$ -	\$ -
Public works	-	-	-	-
Culture and recreation	-	-	-	-
General government	-	-	-	-
Business type activities	<u>435,658</u>	<u>257,346</u>	<u>160,963</u>	<u>364,177</u>
Total operating disbursements	<u>\$ 435,658</u>	<u>\$ 257,346</u>	<u>\$ 160,963</u>	<u>\$ 364,177</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>\$ 131,960</u>	<u>\$ 201,843</u>	<u>\$ 17,113</u>	<u>\$ (218,111)</u>
Non-operating receipts (disbursements):				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	-
General obligation bond proceeds	-	-	-	-
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating receipts (disbursements)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 131,960	\$ 201,843	\$ 17,113	\$ (218,111)
Bond and loan proceeds	\$ -	\$ -	\$ -	\$ -
Operating transfers in	-	-	-	328,488
Operating transfers out	<u>(35,000)</u>	<u>(60,000)</u>	<u>(25,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ (35,000)</u>	<u>\$ (60,000)</u>	<u>\$ (25,000)</u>	<u>\$ 328,488</u>
Net change in cash balances	\$ 96,960	\$ 141,843	\$ (7,887)	\$ 110,377
Cash balances beginning of year	<u>173,163</u>	<u>316,051</u>	<u>8,635</u>	<u>(174,291)</u>
Cash balances end of year	<u>\$ 270,123</u>	<u>\$ 457,894</u>	<u>\$ 748</u>	<u>\$ (63,914)</u>
Cash Basis Fund Balances				
Reserved for debt service	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>270,123</u>	<u>457,894</u>	<u>748</u>	<u>(63,914)</u>
Total cash basis fund balances	<u>\$ 270,123</u>	<u>\$ 457,894</u>	<u>\$ 748</u>	<u>\$ (63,914)</u>

See notes to financial statements.

City of Rock Valley, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

Exhibit D

As of and for the year ended June 30, 2009

	<u>Enterprise Funds</u>
	Total
Operating Receipts:	
Use of money and property	\$ 1,130
Intergovernmental	8,720
Charges for service	1,288,457
Miscellaneous	<u>52,642</u>
Total operating receipts	<u>\$1,350,949</u>
Operating disbursements:	
Governmental activities:	
Public safety	\$ -
Public works	-
Culture and recreation	-
General government	-
Business type activities	<u>1,218,144</u>
Total operating disbursements	<u>\$1,218,144</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>\$ 132,805</u>
Non-operating receipts (disbursements):	
Intergovernmental	\$ -
Interest on investments	-
Miscellaneous	-
General obligation bond proceeds	-
Debt service	<u>-</u>
Total non-operating receipts (disbursements)	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 132,805
Bond and loan proceeds	\$ -
Operating transfers in	328,488
Operating transfers out	<u>(120,000)</u>
Total other financing sources (uses)	<u>\$ 208,488</u>
Net change in cash balances	\$ 341,293
Cash balances beginning of year	<u>323,558</u>
Cash balances end of year	<u>\$ 664,851</u>
	=====
Cash Basis Fund Balances	
Reserved for debt service	\$ -
Unreserved	<u>664,851</u>
Total cash basis fund balances	<u>\$ 664,851</u>
	=====

See notes to financial statements.

**City of Rock Valley, Iowa
 Reconciliation of the Statement of Cash
 Receipts, Disbursements and Changes in Cash Balances
 to the Statement of Activities and Net Assets –
 Proprietary Funds
 As of and for the year ended June 30, 2009**

Total enterprise funds cash balances (page 27)	\$ <u>664,851</u>
Cash basis net assets of business type activities (page 19)	\$ <u>664,851</u> =====
Net change in cash balances (page 27)	\$ <u>341,293</u>
Change in cash balances net assets of business type activities (page 19)	\$ <u>341,293</u> =====

See notes to financial statements.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2009

(1) Summary of Significant Accounting Policies

The City of Rock Valley is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1879 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer utilities and garbage collection for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Rock Valley has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has included the Rock Valley Ambulance and Fire Department units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Rock Valley Economic Development Corporation, Rock Valley Economic Development Corporation Loan Fund, Northwest Iowa Landfill, Sioux County Revolving Loan Fund and Rock Valley Summer Recreation.

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.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2009

B. Basis of Presentation (continued)

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

Local Option Sales Tax Fund is used to account for the one percent local sales and service tax activity.

The Special Revenue, TIF Fund was established in a previous fiscal year to account for major urban renewal projects within the City.

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

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2009

B. Basis of Presentation (continued)

The City reports the following major proprietary funds:

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

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

The Garbage Fund accounts for the operation and maintenance of the City's garbage collection system.

The Campground Fund accounts for the operation and maintenance of the City's campground system.

C. Measurement Focus and Basis of Accounting

The City of Rock Valley maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the public safety, community and economic development, debt service and capital projects.

(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.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2009

(2) Cash and Pooled Investments (continued)

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

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Notes		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Revenue Notes/Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 738,528	\$ 229,987	\$ 30,000	\$ 28,432	\$ 105,000	\$ 115,755
2011	755,000	201,948	40,000	22,800	525,480	114,270
2012	780,000	174,340	40,000	21,640	118,000	112,730
2013	820,000	145,382	50,000	20,360	119,000	109,800
2014	705,000	113,986	50,000	18,610	126,000	107,710
2015 – 2019	2,112,500	195,318	355,000	55,180	650,000	494,015
2020 – 2024	0	0	0	0	363,000	460,410
2025 – 2029	0	0	0	0	292,267	466,240
Total	\$ 5,911,028	\$1,060,961	\$ 565,000	\$ 167,022	\$ 2,298,747	\$1,980,930

Year Ending June 30,	Total	
	Principal	Interest
2010	\$ 873,528	\$ 374,174
2011	1,320,480	339,018
2012	938,000	308,710
2013	989,000	275,542
2014	881,000	240,306
2015 – 2019	3,117,500	744,513
2020 – 2024	363,000	460,410
2025 – 2029	292,267	466,240
Total	\$ 8,774,775	\$3,208,913

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2009

3) Bonds and Notes Payable (continued)

Urban Renewal Tax Increment Financing Revenue Bonds

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Special Revenue, Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$732,022 payable through June 2019. For the current year, interest paid and total TIF receipts were \$1,104 and \$13,736, respectively.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$415,000 in water revenue notes issued in June 2008. Proceeds from the notes provided financing for the construction of pump stations and a water main. The notes are payable solely from water customer net receipts and are payable through 2018. The total principal and interest remaining to be paid on the notes is \$508,100. For the current year, principal and interest paid and total customer net receipts were \$50,697 and \$131,960, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$260,000 in sewer revenue notes issued in June 2008. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment system. The notes are payable solely from sewer customer net receipts and are payable through 2018. The total principal and interest remaining to be paid on the notes is \$291,580. For the current year, principal and interest paid and total customer net receipts were \$29,013 and \$201,843, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) The city does not expect to create or establish any sinking fund or similar fund in respect to the notes. No amounts in any other account or funds of the city are reserved or pledged for debt service on the notes.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2009

3) Bonds and Notes Payable (continued)

Revenue Loans

The Water and Sewer Interim Loans were issued for the purpose of financing construction of a water system project and a wastewater system project. The loans shall be payable solely and only from the future proceeds of authorized Loan and Disbursement Agreements and the corresponding issuance of Water System Revenue Notes which are payable from the net revenues of the City's Proprietary Funds – water system fund and sewer system fund. The proceeds of the loans shall be expended only for the purposes described under the terms of the Loan Agreements. Total principal and interest remaining on the bonds is \$3,479,997 payable through June 2029. There were no payments of principal or interest paid during the current year.

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.10% of their annual salary and the City is required to contribute 6.35% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$47,485, \$42,278, and \$39,642, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick 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 earned vacation and sick leave termination payments payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 48,255
Sick Leave	<u>111,882</u>
Total	<u>\$ 160,137</u>
	=====

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

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2009

(6) Landfill Contract

The City of Rock Valley has contracted for solid waste disposal for all households or residences within the City. For the year ended June 30, 2009, \$156,922 was paid pursuant to the agreement.

The contract began January 1, 2006, and will terminate December 31, 2010. The agreement calls for the city to remit to the solid waste removal contractor the fees collected less eighty-five cents (.85) per monthly charge, which the City retains as a collection and handling fee. The contract allows for the solid waste removal contractor the opportunity to request an increase in rates semi-annually during the months of June and December. The City has the sole power to amend the monthly rates.

(7) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Special Revenue:	
	TIF Fund	\$ 90,000
	Local Option Sales Tax	125,000
	Enterprise Fund:	
	Water	35,000
	Sewer	60,000
	Garbage	25,000
Special Revenue:		
TIF Fund	Debt Service	983,993
TIF Fund	Capital Projects	
	E. 14 th Street	320,000
Debt Service Fund	Special Revenue:	
	TIF Fund	1,018,714
	Enterprise Fund:	
	Water	7,161
	Sewer	4,111
Capital Projects:		
Southern Hills III	Debt Service	45,001
Eagle Avenue		170,000
Westview Drive		25,577
East 14 th Street		1,058,617
Eastside Development		35,934
Water System Improvements	Debt Service	1,493,442
Sewer System Improvements		387,380

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2009

(7) Interfund Transfers (continued)

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

Transfer to	Transfer from	Amount
Capital Projects:	Special Revenue:	
Frontage Road	TIF Fund	48,000
East 14 th Street		630,000
Safety Complex	Local Option Sales Tax	150,000
Wisse Development		7,500
Enterprise:		
Campground	Debt Service	<u>328,488</u>
Total		\$ 7,048,918 =====

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 \$167,974 during the year ended June 30, 2009.

(9) Lease Agreements

The City of Rock Valley (lessee) on November 12, 1999 entered into a nonmaintenance lease agreement with Peoples Bank, Rock Valley, Iowa (lessor) for the use of a 2000 Sterling Truck with Amtech Rescue Body. The lessor grants to the City of Rock Valley the option to renew the lease agreement on an annual basis for a period of ten (10) years at an annual amount of \$11,113. The renewal option places no obligation or duty upon the City to renew the lease agreement.

The City of Rock Valley (lessee) on June 29, 2005 entered into a nonmaintenance lease agreement with Peoples Bank, Rock Valley, Iowa (lessor) for the use of a 2005 Lifeline Ford Ambulance. The lessor grants to the City of Rock Valley the option to renew the lease agreement on an annual basis for a period of ten (10) years at an annual amount of \$7,824. The renewal option places no obligation or duty upon the City to renew the lease agreement.

The City of Rock Valley (lessee) on December 8, 2008, entered into a nonmaintenance lease agreement with Peoples Bank, Rock Valley, Iowa (lessor) for the use of a 2008 Bobcat Toolcat. The lessor grants to the City of Rock Valley the option to renew the lease agreement on an annual basis for a period of up to ten (10) years at an annual amount of \$11,882. The renewal option places no obligation or duty upon the City to renew the lease agreement.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2009

(9) Lease Agreements (continued)

The City of Rock Valley (lessee) on August 15, 2007, entered into a nonmaintenance lease agreement with Peoples Bank, Rock Valley, Iowa (lessor) for the use of a 2007 International Truck. The lessor grants to the City of Rock Valley the option to renew the lease agreement on an annual basis for a period of up to ten (10) years at an annual amount of \$13,376. The renewal option places no obligation or duty upon the City to renew the lease agreement.

The aggregate rental expense for the year ended June 30, 2009, is \$18,937.

(10) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The City is exposed to an employee group medical insurance risk of the difference between a deductible of \$1,000 per insured and the fringe benefit of \$100 per employee with an estimated total risk of \$25,110.

(11) Deficit Fund Balance

The Special Revenue Fund - Urban Renewal Tax Increment, Fire Fighting Equipment, Capital Project Fund – Eagle Avenue, Wastewater System Improvements, Eastside Development, E. 14th Street, Sewer System Improvements, Starkweather, Enterprise Fund - Campground and 13th Avenue had deficit balances of \$157,039, \$113,605, \$4,200, \$93,785, \$5,127, \$303,872, \$134,867, \$36,766, \$4,948 and \$63,914 respectively, at June 30, 2009. The deficit balance was a result of transfers and project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of transfers and state grants.

(12) Other Postemployment Benefits (OPEB)

The City did not implement GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the year ended June 30, 2009.

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 31 active members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees which results in an implicit subsidy and an OPEB liability.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2009

(12) Other Postemployment Benefits (OPEB) (continued)

Funding Policy – The contribution requirement of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$407 for single coverage and \$1,012 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2009 the City contributed \$167,704 and plan members eligible for benefits contributed \$0 to the plan.

(13) Community Economic Betterment Loans (CEBA)

The City of Rock Valley (loan recipient) on September 21, 2006, entered into a Community Development Block Forgivable Loan for \$40,000. The City of Rock Valley (Lender) then entered into a forgivable loan agreement with Quality Machine Products, Inc. (Borrower) with the loan amount of \$40,000, maturing 2011.

(14) Construction Contracts

On June 29, 2009, the City signed a construction contract for Wastewater Treatment Plant Improvements in the amount of \$4,240,000. On August 21, 2009, the City was notified that this construction contract amount would be eligible for CW State Revolving Fund Loan participation. Construction is continuing and payments had not been disbursed during the fiscal year.

(15) Subsequent Events

On November 24, 2009, the City awarded construction contracts totaling \$4,958,527 for the Sewer and Lift Station Improvements Project. The City has received notification that it will qualify for State Revolving Fund Loans totaling \$6,156,000 of which \$1,846,800 will qualify for loan forgiveness.

Subsequent events have been evaluated through November 25, 2009, which is the date the financial statements were issued

Required Supplementary Information

City of Rock Valley, Iowa
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2009

	Governmental Funds		Proprietary Funds	Total
	Actual	Actual		
Receipts:				
Property tax	\$ 687,508	\$ -	\$ 687,508	
Tax increment financing collections	1,179,064	-	1,179,064	
Other city tax	294,471	-	294,471	
Licenses and permits	4,683	-	4,683	
Use of money and property	33,499	1,130	34,629	
Intergovernmental	253,255	8,720	261,975	
Charges for service	142,308	1,288,457	1,430,765	
Special assessments	8,549	-	8,549	
Miscellaneous	426,063	52,642	478,705	
Total receipts	<u>\$3,029,400</u>	<u>\$ 1,350,949</u>	<u>\$4,380,349</u>	
Disbursements:				
Public safety	\$ 493,165	\$ -	\$ 493,165	
Public works	349,585	-	349,585	
Health and social services	-	-	-	
Culture and recreation	398,116	-	398,116	
Community and economic development	1,234,591	-	1,234,591	
General government	310,313	-	310,313	
Debt service	964,386	-	964,386	
Capital projects	3,692,617	-	3,692,617	
Business type activities	-	1,218,144	1,218,144	
Total disbursements	<u>\$7,442,773</u>	<u>\$ 1,218,144</u>	<u>\$8,660,917</u>	
Excess of receipts over disbursements	\$(4,413,373)	\$ 132,805	\$(4,280,568)	
Transfers	(208,488)	208,488	-	
Other financing sources, net	<u>4,439,194</u>	<u>-</u>	<u>4,439,194</u>	
Excess of receipts and other financing sources over disbursements and other financing uses	\$ (182,667)	\$ 341,293	\$ 158,626	
Balance - beginning of year	<u>(61,379)</u>	<u>323,558</u>	<u>262,179</u>	
Balance - end of year	<u>\$ (244,046)</u>	<u>\$ 664,851</u>	<u>\$ 420,805</u>	

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to Total Variance
<u>Original</u>	<u>Final</u>	
\$ 612,903	\$ 612,903	\$ 74,605
1,150,000	1,150,000	29,064
300,981	340,981	(46,510)
3,810	3,810	873
55,600	44,750	(10,121)
4,792,680	1,246,092	(984,117)
1,151,130	1,550,730	(119,965)
30,000	43,299	(34,750)
<u>433,067</u>	<u>292,000</u>	<u>186,705</u>
<u>\$ 8,530,171</u>	<u>\$ 5,284,565</u>	<u>\$ (904,216)</u>
\$ 403,674	\$ 464,294	\$ (28,871)
308,532	364,067	14,482
-	-	-
437,116	452,211	54,095
487,360	654,657	(579,934)
259,752	333,894	23,581
683,830	905,714	(58,672)
750,000	1,452,578	(2,240,039)
<u>5,275,575</u>	<u>3,506,810</u>	<u>2,288,666</u>
<u>\$ 8,605,839</u>	<u>\$ 8,134,225</u>	<u>\$ (526,692)</u>
\$ (75,668)	\$(2,849,660)	\$ (1,430,908)
(886,530)	(3,852,831)	3,852,831
<u>1,386,530</u>	<u>7,062,831</u>	<u>(2,623,637)</u>
\$ 424,332	\$ 360,340	\$ (201,714)
<u>262,179</u>	<u>262,179</u>	<u>-</u>
<u>\$ 686,511</u>	<u>\$ 622,519</u>	<u>\$ (201,714)</u>

City of Rock Valley, Iowa
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. 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 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, budget amendments decreased budgeted disbursements by \$526,692. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, general government and capital projects functions.

Other Supplementary Information

City of Rock Valley, Iowa
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of the year ended June 30, 2009

	Employee Benefits	Urban Renewal Tax Increment	Local Housing Assistance Program	Special Utility Deposit Account
Receipts:				
Property tax	\$ 137,337	\$ 13,736	\$ -	\$ -
Other city tax	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	-	-	64,891	8,275
Total receipts	\$ 137,337	\$ 13,736	\$ 64,891	\$ 8,275
Disbursements:				
Operating:				
Public safety	\$ 67,478	\$ -	\$ -	\$ -
Public works	-	-	-	-
Health and social services	-	-	-	-
Culture and recreation	31,995	-	-	-
Community and economic development	19,576	21,104	39,507	1,776
General government	43,024	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	\$ 162,073	\$ 21,104	\$ 39,507	\$ 1,776
Excess (deficiency) of receipts over (under) disbursements	\$ (24,736)	\$ (7,368)	\$ 25,384	\$ 6,499
Other financing uses:				
Operating transfers in (out)	-	-	-	-
Net change in cash balances	\$ (24,736)	\$ (7,368)	\$ 25,384	\$ 6,499
Cash balances beginning of year	31,389	(149,671)	8,037	5,300
Cash balances end of year	\$ 6,653	\$ (157,039)	\$ 33,421	\$ 11,799

(Continued on page 45)

City of Rock Valley, Iowa
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2009

Revenue

RLF		
Firefighting		
Equipment	<u>Total</u>	
\$ -	\$ 151,073	
-	-	
-	-	
-	-	
-	-	
-	<u>73,166</u>	
<u>\$ -</u>	<u>\$ 224,239</u>	

\$ 15,000	\$ 82,478
-	-
-	-
-	31,995
-	81,963
-	43,024
-	-
-	-
<u>\$ 15,000</u>	<u>\$ 239,460</u>

\$ (15,000) \$ (15,221)

_____ - _____ -

\$ (15,000) \$ (15,221)

(98,605) (203,550)

\$(113,605) \$(218,771)

===== =====

(Continued on page 46)

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**City of Rock Valley, Iowa
 Schedule of Cash Receipts, Disbursements
 and Changes in Cash Balances
 Nonmajor Governmental Funds
 As of and for the year ended June 30, 2009**

	Special			
	Employee Benefits	Urban Renewal Tax Increment	Local Housing Assistance Program	Utility Deposit Account
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ 6,653	\$ 157,039	\$ 33,421	\$ 11,799
Capital project fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	<u>\$ 6,653</u>	<u>\$ 157,039</u>	<u>\$ 33,421</u>	<u>\$ 11,799</u>

See accompanying independent auditor's report.

(Continued from page 45)

Schedule 1

**City of Rock Valley, Iowa
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2009**

Revenue

RLF
Firefighting
Equipment Total

\$(113,605) \$(218,771)

- -
- -

\$(113,605) \$(218,771)
===== =====

**City of Rock Valley, Iowa
Schedule of Indebtedness
Year Ended June 30, 2009**

Obligation	Date of Issue	Interest Rates
General Obligation Notes:		
G.O. Capital Loan Notes – Series 2007	Sept. 25, 2007	3.85-4.25%
G.O. Capital Loan Note – Series 2006	Sept. 25, 2006	3.75-4.30%
G.O. Capital Loan Note – IA DOT RISE	Mar. 15, 2006	0.00%
G.O. Capital Loan Notes – 300 th Street	Sept. 1, 2005	3.85%
G.O. Fire Fighting Equipment Notes	Oct. 11, 2004	0.00%
G.O. Capital Loan Notes – Series 2005	Oct. 1, 2004	2.00-3.90%
G.O. Capital Loan Notes – Series 2002	July 1, 2002	2.00-4.25%
G.O. Capital Loan Notes – E. 16 th /W. 17 th Street Project	April 1, 2001	4.70%
G.O. Capital Loan Notes – Series 2008	June 30, 2008	2.45-4.20%
G.O. Capital Loan Notes – Series 2009	February 19, 2009	2.50-4.90%
Total		
Tax Increment Financing Revenue Bonds		
Tax Increment (TIF)	July 30, 1999	5.55%
Tax Increment (TIF)	February 19, 2009	2.70-5.20%
Revenue Notes & Loans		
Water Revenue Notes – 2008	June 30, 2008	2.60-4.33%
Sewer Revenue Notes – 2008	June 30, 2008	2.60-4.35%
Clean Water Planning & Design Loan	February 4, 2009	0.00%
Drinking Water Planning & Design Loan	February 4, 2009	3.00%
Total		

See accompanying independent auditor's report.

Schedule 2

Amount Originally Issued	Balance Beginning Of Year	Issued During Year	Redeemed During Year	Balance End Of Year	Interest Paid	Interest Due and Unpaid
\$1,500,000	\$ 1,420,000	\$ 0	\$ 115,000	\$ 1,305,000	\$ 58,022	\$ 0
850,000	720,000	0	75,000	645,000	29,302	0
142,632	57,054	0	28,526	28,528	0	0
800,000	680,000	0	70,000	610,000	13,676	0
150,000	97,500	0	15,000	82,500	0	0
1,155,000	870,000	0	110,000	760,000	29,408	0
1,415,000	715,000	0	130,000	585,000	29,108	0
175,000	60,000	0	20,000	40,000	2,820	0
1,500,000		1,500,000	80,000	1,420,000	50,592	0
435,000		435,000	0	435,000	0	0
	<u>\$ 4,619,554</u>	<u>\$1,935,000</u>	<u>\$ 643,526</u>	<u>\$ 5,911,028</u>	<u>\$ 212,928</u>	<u>\$ 0</u>
	=====	=====	=====	=====	=====	=====
\$ 200,000	\$ 20,000	\$ 0	\$ 20,000	\$ 0	\$ 1,104	\$ 0
565,000	0	565,000	0	565,000	0	0
	<u>\$ 20,000</u>	<u>\$ 565,000</u>	<u>\$ 20,000</u>	<u>\$ 565,000</u>	<u>\$ 1,104</u>	<u>\$ 0</u>
	=====	=====	=====	=====	=====	=====
\$ 450,000	\$ 0	\$ 450,000	\$ 35,000	\$ 415,000	\$ 15,697	\$ 0
260,000	0	260,000	20,000	240,000	9,013	0
287,100	287,100	127,380	0	414,480	0	0
<u>172,185</u>	<u>172,185</u>	<u>1,057,082</u>	<u>0</u>	<u>1,229,267</u>	<u>0</u>	<u>0</u>
	<u>\$ 459,285</u>	<u>\$1,894,462</u>	<u>\$ 55,000</u>	<u>\$ 2,298,747</u>	<u>\$ 24,710</u>	<u>\$ 0</u>
	=====	=====	=====	=====	=====	=====

**City of Rock Valley, Iowa
Bond and Note Maturities
June 30, 2009**

General Obligation Notes

Year Ending June 30	<u>Series 2007</u> <u>Issued Sept. 25, 2007</u>		<u>Series 2005</u> <u>Issued Oct. 1, 2005</u>		<u>Series 2002</u> <u>Issued July 1, 2002</u>	
	Interest <u>Rates</u>	<u>Amount</u>	Interest <u>Rates</u>	<u>Amount</u>	Interest <u>Rates</u>	<u>Amount</u>
2010	3.95%	\$ 125,000	3.00%	\$ 115,000	4.00%	\$ 135,000
2011	4.00	135,000	3.25	120,000	4.10	145,000
2012	4.00	145,000	3.40	125,000	4.20	150,000
2013	4.05	160,000	3.55	125,000	4.25	155,000
2014	4.10	170,000	3.70	135,000		0
2015	4.15	180,000	3.90	140,000		0
2016	4.20	190,000		0		0
2017	4.25	200,000		0		0
2018		0		0		0
2019		0		0		0
Total		<u>\$1,305,000</u>		<u>\$ 760,000</u>		<u>\$ 585,000</u>

Revenue Bonds (TIF)

Year Ending June 30	<u>Tax Increment Financing Revenue Bonds</u> <u>Issued February 19, 2009</u>		
	Interest <u>Rate</u>	<u>Amount</u>	<u>Total</u>
2010	2.70%	\$ 30,000	
2011	2.90	40,000	
2012	3.20	40,000	
2013	3.50	50,000	
2014	3.90	50,000	
2015	4.10	60,000	
2016	4.40	60,000	
2017	4.60	70,000	
2018	4.90	80,000	
2019	5.20	85,000	
		<u>\$ 565,000</u>	

See accompanying independent auditor's report.

**City of Rock Valley, Iowa
Bond and Note Maturities
June 30, 2009**

General Obligation Notes

Year Ending June 30	<u>Fire Fighting Equipment</u> <u>Issued Oct. 11, 2004</u>		<u>Capital Loan Notes</u> <u>Series 2006</u> <u>Issued Sept. 25, 2006</u>		<u>Capital Loan Notes</u> <u>Series 2009</u> <u>Issued February 19, 2009</u>	
	<u>Interest</u> <u>Rate</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>
2010	0.00%	\$ 15,000	3.90%	\$ 80,000	2.50%	\$ 30,000
2011	0.00	15,000	3.95	85,000	2.80	30,000
2012	0.00	15,000	4.00	90,000	3.00	35,000
2013	0.00	15,000	4.10	95,000	3.25	35,000
2014	0.00	15,000	4.15	95,000	3.55	40,000
2015	0.00	7,500	4.20	100,000	3.85	40,000
2016		0	4.30	100,000	4.10	50,000
2017		0		0	4.30	50,000
2018		0		0	4.50	60,000
2019		0		0	4.90	65,000
Total		\$ 82,500		\$ 645,000		\$ 435,000
		=====		=====		=====

See accompanying independent auditor's report.

**City of Rock Valley, Iowa
Bonds and Note Maturities
June 30, 2009**

General Obligation Notes

Year Ending June 30	<u>Capital Loan Notes</u> <u>E. 16th Street</u> <u>Issued April 1, 2001</u>		<u>Capital Loan Notes</u> <u>300th Street</u> <u>Issued September 1, 2005</u>		<u>Capital Loan Notes</u> <u>IA DOT - RISE</u> <u>Issued March 15, 2006</u>	
	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>
2010	4.70%	\$ 20,000	3.85%	\$ 75,000	0.00%	\$ 28,528
2011	4.70	20,000	3.85	80,000	0.00	0
2012		0	3.85	85,000		0
2013		0	3.85	90,000		0
2014		0	3.85	90,000		0
2015		0	3.85	95,000		0
2016		0	3.85	95,000		0
2017		0		0		0
2018		0		0		0
2019		<u>0</u>		<u>0</u>		<u>0</u>
Total		<u>\$ 40,000</u>		<u>\$ 610,000</u>		<u>\$ 28,528</u>

See accompanying independent auditor's report.

**City of Rock Valley, Iowa
Bonds and Note Maturities
June 30, 2009**

General Obligation Notes

Year Ending June 30	<u>Capital Loan Notes</u>		
	<u>Series 2008</u>		
	<u>Issued July 1, 2008</u>		
	<u>Interest</u>		
	<u>Rates</u>	<u>Amount</u>	<u>Total</u>
2010	2.75%	\$ 115,000	\$ 738,528
2011	3.20	125,000	755,000
2012	3.40	135,000	780,000
2013	3.65	145,000	820,000
2014	3.75	160,000	705,000
2015	3.90	170,000	732,500
2016	4.00	180,000	615,000
2017	4.00	190,000	440,000
2018	4.10	200,000	260,000
2019		<u>0</u>	<u>65,000</u>
Total		<u>\$1,420,000</u>	<u>\$ 5,911,028</u>

See accompanying independent auditor's report.

City of Rock Valley, Iowa
Bonds and Note Maturities
June 30, 2009

Revenue Loans

Year Ending June 30	<u>Water Revenue Notes - Series 2008</u>		<u>Sewer Revenue Notes - Series 2008</u>		<u>Clean Water Planning & Design Loan Dated May 7, 2008</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2010	2.90%	\$ 35,000	2.90%	\$ 20,000	0.00%	\$ 0
2011	3.35	35,000	3.35	25,000	0.00	414,480
2012	3.60	40,000	3.60	25,000		0
2013	3.80	40,000	3.80	25,000		0
2014	3.90	45,000	3.90	25,000		0
2015	4.05	50,000	4.05	30,000		0
2016	4.15	50,000	4.15	30,000		0
2017	4.25	60,000	4.25	30,000		0
2018	4.33	60,000	4.35	30,000		0
2019		0		0		0
2020		0		0		0
2021		0		0		0
2022		0		0		0
2023		0		0		0
2024		0		0		0
2025		0		0		0
2026		0		0		0
2027		0		0		0
2028		0		0		0
Total		<u>\$ 415,000</u>		<u>\$ 240,000</u>		<u>\$ 414,480</u>

See accompanying independent auditor's report.

**City of Rock Valley, Iowa
Bonds and Note Maturities
June 30, 2009**

Revenue Loans

Year Ending June 30	<u>Drinking Water Planning & Design Loan</u> <u>Dated February 4, 2009</u>		
	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
2010	3.00%	\$ 50,000	\$ 105,000
2011	3.00	51,000	525,480
2012	3.00	53,000	118,000
2013	3.00	54,000	119,000
2014	3.00	56,000	126,000
2015	3.00	58,000	138,000
2016	3.00	60,000	140,000
2017	3.00	62,000	152,000
2018	3.00	64,000	154,000
2019	3.00	66,000	66,000
2020	3.00	68,000	68,000
2021	3.00	70,000	70,000
2022	3.00	73,000	73,000
2023	3.00	75,000	75,000
2024	3.00	77,000	77,000
2025	3.00	80,000	80,000
2026	3.00	83,000	83,000
2027	3.00	85,000	85,000
2028	3.00	<u>44,267</u>	<u>44,267</u>
Total		<u>\$1,229,267</u>	<u>\$ 2,298,747</u>

See accompanying independent auditor's report.

City of Rock Valley, Iowa
Schedule of Receipts By Source and Disbursements By Function
All Government Funds
For The Last Ten Years

	2009	2008	2007	2006
Receipts:				
Property tax	\$ 687,508	\$ 682,135	\$ 625,775	\$ 634,496
Tax increment financing collections	1,179,064	1,010,235	927,644	738,871
Other city tax	294,471	277,616	250,622	235,723
Licenses and permits	4,683	5,550	3,720	4,231
Use of money and property	33,499	42,345	62,445	43,234
Intergovernmental	253,255	931,197	253,368	258,274
Charges for service	142,308	88,893	94,323	96,027
Special assessments	8,549	-	33,803	36,273
Miscellaneous	<u>426,063</u>	<u>437,382</u>	<u>670,368</u>	<u>812,667</u>
Total	\$ 3,029,400	\$ 3,475,353	\$ 2,922,068	\$ 2,859,796
Disbursements:				
Operating:				
Public safety	\$ 493,165	\$ 399,134	\$ 490,967	\$ 421,157
Public works	349,585	253,151	178,929	247,090
Health and social services	-	-	-	-
Culture and recreation	398,116	389,558	425,848	473,401
Community and economic development	1,234,591	466,188	746,409	510,884
General government	310,313	347,828	341,847	296,338
Debt service	964,386	744,144	695,899	418,412
Capital projects	<u>3,692,617</u>	<u>3,754,667</u>	<u>625,366</u>	<u>1,383,236</u>
Total	\$ 7,442,773	\$ 6,354,670	\$ 3,505,265	\$ 3,750,518

See accompanying independent auditor's report.

City of Rock Valley, Iowa
Schedule of Receipts By Source and Disbursements By Function
All Government Funds
For The Last Ten Years

	2005	2004	2003	2002
Receipts:				
Property tax	\$ 646,557	\$ 593,935	\$ 581,900	\$ 560,188
Tax increment financing collections	687,448	617,364	555,881	464,390
Other city tax	204,949	252,438	232,056	236,247
Licenses and permits	2,905	3,445	3,570	3,265
Use of money and property	36,155	29,892	42,752	61,467
Intergovernmental	376,796	273,351	810,008	415,996
Charges for service	31,924	24,625	26,546	24,632
Special assessments	59,908	9,040	18,565	96,401
Miscellaneous	<u>464,924</u>	<u>244,153</u>	<u>206,883</u>	<u>141,810</u>
Total	\$ 2,511,566	\$ 2,048,243	\$ 2,478,161	\$ 2,004,396
Disbursements:				
Operating:				
Public safety	\$ 570,793	\$ 330,525	\$ 293,409	\$ 358,976
Public works	211,566	356,669	342,886	370,220
Health and social services	-	-	-	-
Culture and recreation	392,464	345,024	304,200	318,530
Community and economic development	609,298	245,415	606,555	75,986
General government	160,388	339,724	224,525	181,081
Debt service	320,293	331,179	408,670	347,027
Capital projects	<u>1,041,728</u>	<u>476,117</u>	<u>1,468,405</u>	<u>916,409</u>
Total	\$ 3,306,530	\$ 2,424,653	\$ 3,648,650	\$ 2,568,229

See accompanying independent auditor's report.

City of Rock Valley, Iowa
Schedule of Receipts By Source and Disbursements By Function
All Government Funds
For The Last Ten Years

	2001	2000
Receipts:		
Property tax	\$ 609,323	\$ 973,502
Tax increment financing collections	381,998	-
Other city tax	226,546	177,330
Licenses and permits	3,190	3,439
Use of money and property	98,495	91,060
Intergovernmental	410,340	359,399
Charges for service	15,399	678,181
Special assessments	73,835	65,213
Miscellaneous	<u>132,491</u>	<u>161,190</u>
 Total	 <u>\$ 1,951,617</u>	 <u>\$ 2,509,314</u>
Disbursements:		
Operating:		
Public safety	\$ 280,309	\$ 350,974
Public works	345,005	460,332
Health and social services	-	-
Culture and recreation	250,820	345,213
Community and economic development	191,956	75,417
General government	250,579	280,208
Debt service	306,690	380,205
Capital projects	<u>812,535</u>	<u>474,428</u>
 Total	 <u>\$ 2,437,894</u>	 <u>\$ 2,366,777</u>

See accompanying independent auditor's report.

City of Rock Valley, Iowa

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

To the Honorable Mayor and Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Rock Valley, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 25, 2009. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Rock Valley'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 City of Rock Valley's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Rock Valley's internal control over financial reporting.

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of Rock Valley'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 Rock Valley's financial statements that is more than inconsequential will not be prevented or detected by City of Rock Valley'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 Rock Valley'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, II-E-09 and II-F-09 are material weaknesses.

Compliance and Other Matters

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

City of Rock Valley, Iowa
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) The City of Rock Valley did qualify as a low-risk auditee.

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. We noted that the handling of cash and numerous recordkeeping functions are not entirely separated among employees.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. An independent person could be used to regularly approve time sheets, check paychecks for accuracy, verify vacation and sick leave, examine employee expense reimbursements, and periodically examine investments.

Response – We will investigate this within economic constraints.

Conclusion – Response acknowledged. The City could segregate duties to the extent possible with existing personnel and also through utilizing administrative personnel to provide additional control through review of financial transactions and reports.

City of Rock Valley, Iowa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

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

II-B-09 Capital Assets Record – A complete record of capital assets is not maintained.

Recommendation – To facilitate the proper insurance, maintenance and safeguarding of these assets, such records should be established. An inventory of all property and equipment should be taken by an independent person at least once a year and compared against capital assets records.

Response – We will work on implementing this recommendation.

Conclusion – Response accepted.

II-C-09 Countersignature of Checks

Recommendation – In order to provide an additional control, checks should be prepared and signed by one individual and then the supporting vouchers and invoices should be made available along with the checks to the second individual for review and countersignature.

Response – We will consider this recommendation.

Conclusion – Response accepted. As having dual check signers adds an important additional control, we strongly recommend that the City does consider this. Procedures could be established to account for the situation when it is not feasible to have two check signers.

II-D-09 Financial Statement Preparation – Management has chosen to utilize the auditors in drafting the annual financial statements and footnotes.

Recommendation – Management should prepare the financial statements but has not obtained the sufficient expertise necessary to prepare the financial statement and the footnotes on the basis of cash receipts and disbursements.

Response – Management agrees and understands.

Conclusion – Response accepted.

City of Rock Valley, Iowa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

II-E-09 Separately Maintained Records –

Volunteer Fire and Ambulance Departments – The volunteer fire and ambulance departments maintain separate accounting records and the individual transaction activity is not included in the City’s accounting records. Additionally, certain disbursements were either not adequately supported (scratch paper used as an invoice with no identification of payee) or were not supported at all.

Recommendation – Chapter 384.20 of the Code of Iowa states in part that a City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose. For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records and reported to the Council on a monthly basis. Also, the volunteer fire and ambulance departments should ensure all disbursements are properly supported.

II-F-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.

For the City of Rock Valley Volunteer Fire and Ambulance Department accounts, one individual has control over each of the following areas:

- (1) Receipts – opening mail, collecting and depositing.
- (2) Disbursements – check writing, signing and approval.
- (3) Cash – handling and recording cash.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review the control procedures to obtain the maximum internal control possible under the circumstances. The City should utilize current personnel and officials to provide additional control through review financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and should be evidenced by initials or signature of the reviewer and the date of the review.

Instances of Non-Compliance:

No matters were noted.

**City of Rock Valley, Iowa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

Part III: Other Findings Related to Statutory Reporting:

III-A-09 Certified Budget – Disbursements during the year ended June 30, 2009, exceeded the amounts budgeted in the public safety, community and economic development, debt service, and capital projects functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

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

Conclusion – Response accepted.

III-B-09 Questionable Disbursements - We noted no expenditures for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General’s opinion dated April 25, 1979.

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

III-D-09 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows.

Name, Title and Business Connection	Transaction Description	Amount
Kevin Van Otterloo, council member shareholder, Van’s Food Pride	materials	\$ 3,641
Chad Van Zee, council member shareholder, Valley Sand & Gravel, Inc.	materials	164,333

In accordance with Chapter 362.5 (10) of the Code of Iowa, the transactions with the council members do not appear to represent a conflict of interest since total transactions with each individual were less than \$1,500 during the fiscal year or the transactions with council members does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa.

City of Rock Valley, Iowa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Part III: Other Findings Related to Statutory Reporting: (continued)

III-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.

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

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

III-H-09 Revenue Bonds - The Special Revenue Fund, TIF Fund, had a positive balance as of June 30, 2009. The Special Revenue Fund, Urban Renewal Tax Increment had a deficit balance as of June 30, 2009.

Recommendation - There should be more funds transferred to service the outstanding Urban Renewal Tax Increment debt.

Response - We will transfer more funds to service the Urban Renewal Tax Increment debt.

Conclusion - Response accepted.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Rock Valley, Iowa 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.

Van Bruggen & Vande Vegte, P.C.

November 25, 2009