



CITY OF TAMA, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2009



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CITY OF TAMA

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Chris Bearden	Mayor	January 2012
Robert Tyynismaa	Council Member	January 2010
Steve Baier	Council Member	January 2012
Dan Zimmerman	Council Member	January 2010
Jeff Brezina	Council Member	January 2012
Joshua Youngbear	Council Member	January 2012
Judy Welch	City Clerk	Indefinite
Dan Rathjen	City Attorney	Indefinite

CITY OF TAMA

Independent Auditor's Report

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

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 Tama, 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 Tama's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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 Tama 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 December 24, 2009, on our consideration of the City of Tama'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 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Tama'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 six 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 8, 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 aforementioned basic financial statements taken as a whole.

Clifton Henderson LLP

Cedar Rapids, Iowa
December 24, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Tama provides this Management's Discussion and Analysis (MD&A) 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 and notes that follow. It should also be noted that the information contained here would provide information on both the governmental operations and the business type activities of the City.

2009 FINANCIAL HIGHLIGHTS

- FY 2009 overall revenues increased by 2.75% or \$69,355 from the previous year which benefitted the General Fund.
- Overall total disbursements increased by 2.5% or \$64,539 from FY 2008. No major construction projects were in progress making it a year with few highlights.
- The City's total cash basis net assets decreased .089% or \$34,055 from June 30, 2008 to June 30, 2009. Of this amount the assets of governmental activities decreased \$48,178 or 1.4% and the assets of business type activities increased \$14,123 or 3.5%.
- By the end of FY 2009 the City was just undertaking a major water plant improvement project and engineering progress was being noted.

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

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

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

Other Supplementary Information provides detailed information about the non-major governmental funds.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

The Statement of Activities and Net Assets informs the reader of how the City is performing financially as a result of the year's activities. 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, State and Federal grants, investment interest and charges for services finance most of these activities.
- Business Type Activities include the Water and Sewer Funds. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 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 which includes Road Use Tax; Urban Renewal Tax Increment and Trust and Agency, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

- Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. For the City of Tama this includes the Water and Sewer Funds, which are considered two major funds. The Sewer Fund includes funding for Sewer Rehabilitation, Sewer Replacement, and the Sewer Revenue Bond Fund. The required financial statements for the proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Receipts:				
Program receipts:				
Charges for services	\$ 275,908	\$ 216,762	\$ 220,532	\$ 205,672
General receipts:				
Property tax	801,098	712,597	702,341	700,983
Tax increment financing	14,346	146,711	45,112	584
Other city tax	27,243	27,215	27,593	25,544
Local option tax	163,526	160,794	160,899	137,896
Use of money and property	115,714	133,115	133,508	101,270
Licenses and permits	23,201	22,074	19,356	18,908
Intergovernmental	365,229	320,417	304,191	328,713
Miscellaneous	<u>138,064</u>	<u>130,476</u>	<u>105,689</u>	<u>111,858</u>
Total receipts	<u>1,924,329</u>	<u>1,870,161</u>	<u>1,719,221</u>	<u>1,631,428</u>
Disbursements:				
Public safety	619,137	652,322	591,352	621,918
Public works	493,610	393,019	380,275	407,345
Health and social services	5,902	5,148	5,308	3,439
Culture and recreation	222,852	212,392	198,534	195,941
Community and economic development	19,618	22,295	26,434	24,990
General government	142,122	137,601	130,406	130,434
Debt service	251,516	256,386	244,857	249,958
Capital projects	<u>219,250</u>	<u>257,080</u>	<u>940,624</u>	<u>469,943</u>
Total disbursements	<u>1,974,007</u>	<u>1,936,243</u>	<u>2,517,790</u>	<u>2,103,968</u>
Excess of disbursements over receipts	<u>(49,678)</u>	<u>(66,082)</u>	<u>(798,569)</u>	<u>(472,540)</u>
Other financing sources:				
Proceeds from debt	-	-	1,480,500	-
Sales of assets	<u>1,500</u>	<u>15,506</u>	<u>23,500</u>	<u>55,726</u>
Total other financing sources	<u>1,500</u>	<u>15,506</u>	<u>1,504,000</u>	<u>55,726</u>
Change in cash basis net assets	(48,178)	(50,576)	705,431	(416,814)
Cash basis net assets, beginning of year	<u>3,432,068</u>	<u>3,482,644</u>	<u>2,777,213</u>	<u>3,194,027</u>
Cash basis net assets, end of year	<u>\$3,383,890</u>	<u>\$3,432,068</u>	<u>\$3,482,644</u>	<u>\$2,777,213</u>

The City's total revenue for governmental activities increased by 2.90% or \$54,168 from FY 2008 to FY 2009. Local Option Sales Tax (LOST) revenue of \$163,526 supported the Aquatic Center operation, bonds and interest. There was an increase of \$2,732 of LOST funds from FY 2008 to FY 2009. Tax Increment Financing (TIF) revenue provided \$14,346 of funds, a decrease from FY 2008, as downtown projects were very limited due to the economy. Revenue from investment interest decreased \$17,401 as bank interest rates dropped. With less TIF fund revenue askings, the taxable valuation available for the general fund increased which helped to keep the total tax levy for FY 2009 at the same rate as FY 2008.

The total disbursements for all programs and services for governmental activities increased by 1.95% or \$37,764 from the FY 2008 disbursements.

Public Safety showed a \$33,185 decrease in disbursements as in FY 2008 defibrillators were purchased.

The largest increase of expenses over FY 2008 was noted in Public Works, where the City purchased an \$80,000 dump/snow truck.

The City still has G.O. bond funds available for water and street projects. The city has begun a project at the water plant to improve the quality of water for our citizens. Engineering fees were expended from the bond revenue to start the process of plant improvements that will be constructed in FY 2010. Street projects using this same bond funds will be disbursed in FY 2010 for curb and gutter projects.

Culture and Recreation increased \$10,460 due to additional funding to the aquatic center and park mowing expenses were greater than before.

General Government increased \$4,521 as salaries, insurance and supplies seemed to be where the increases were noted.

Capital Projects decreased in FY 2009 by \$37,830. In FY 2008 we purchased an ambulance and did a major sidewalk project. FY 2009 seemed to be a year of not starting any major projects.

The City property tax rate remained the same for FY 2009 at \$15.77. Taxable valuation increased by \$88,502 from the previous year. Previous fiscal years tax rates were as follows:

FY 2008	\$ 15.77
FY 2007	15.54
FY 2006	15.53

Changes in Cash Basis Net Assets of Business Type Activities

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Receipts:				
Program receipts:				
Charges for services:				
Water	\$ 283,639	\$ 266,896	\$ 224,436	\$ 221,259
Sewer	183,917	171,174	221,364	206,677
Sewer revenue bond	136,152	135,480	133,644	147,384
General receipts:				
Unrestricted investment earnings	11,863	12,986	13,097	12,445
Other general receipts	<u>50,016</u>	<u>50,016</u>	<u>55,141</u>	<u>50,930</u>
Total receipts	<u>665,586</u>	<u>636,552</u>	<u>647,682</u>	<u>638,695</u>
Disbursements:				
Water	233,489	233,262	264,150	269,440
Sewer	281,825	255,851	245,346	229,838
Sewer revenue bond	<u>136,150</u>	<u>135,474</u>	<u>133,646</u>	<u>140,039</u>
Total disbursements	<u>651,464</u>	<u>624,587</u>	<u>643,142</u>	<u>639,317</u>
Change in cash basis net assets	14,123	11,965	4,540	(622)
Cash basis net assets, beginning of year	<u>405,827</u>	<u>393,862</u>	<u>389,322</u>	<u>389,944</u>
Cash basis net assets, end of year	<u>\$ 419,950</u>	<u>\$ 405,827</u>	<u>\$ 393,862</u>	<u>\$ 389,322</u>

The business type activities revenue for FY 2009 was \$665,586 compared to \$636,552 in FY 2008. This increase in revenue of \$29,034 is due to an increase of water and sewer rates in March 2009. The sewer revenue over the years was not covering the daily operations of the plant. The City started using their reserve to keep the balances in the black. The council increased the flat rate of the sewer service from \$7.00 to \$10.00 per month. With approximately 1,000 consumers this should generate an additional \$3,000 a month. Every year after, the sewer rates will be increased an automatic 2% in March. The water rates increased 15% which is generating additional revenue to support the upcoming bond issue for the construction of improvements at the water plant in FY 2010. The water rates will increase another 10% in FY 2010 for the same reason. No significant change in the combination of sewer and sewer revenue bond revenues. Disbursements in FY 2009 totaled \$651,464 where disbursements for FY 2008 were \$624,587, an increase of \$26,877. The purchase of aeration discs and the increase of the sewer contract with Veolia Water proved to be the reason for the increased disbursements for FY 2009.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Tama completed the year; its governmental funds reported a combined fund balance of \$3,383,890, a decrease of \$48,178 from FY 2008 balance of \$3,432,068. The following are the main reasons for the changes in fund balances of the major funds.

Ending cash balances for the General Fund increased \$131,762. This is a substantial increase due to additional ambulance revenue; the ambulance trip billing was changed to pay in different quarters creating additional funds that would not be paid to the ambulance members until July 2009. Property tax revenue had increased which also proved to increase the ending cash balance for the General Fund.

Road Use Tax funds decreased by \$77,162, due to the purchase of a new dump truck.

The Capital Project cash funds include cash balances from Capital Projects, Capital Projects – Community Development, Meat Pack Funds, Downtown Revitalization, Street Improvements '06, Water Projects Improvements, and the Aquatic Center Fund (FY 2009 \$2,607,020; FY 2008 \$2,751,947, a decrease of \$144,927). This decrease in cash balances is bond revenue received in FY 2007 being used for the engineering of a major water project for FY 2010 and street improvement projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balances increased in FY 2009 (FY 2009 - \$211,510 and FY 2008 - \$156,688, an increase of \$54,822). The City experienced no major capital projects in the Water Fund for FY 2009 and an increase of \$17,547 of revenue due to the 15% increase in water rates caused the large increase in the Water Fund cash balances. The Water Fund supports the contracting of water services with Veolia Water where the city contract increased less than 1% or \$1,086 for FY 2009.

The Sewer Fund and Sewer Revenue Bond Fund cash balances demonstrated a decrease in cash balances in the amount of \$40,162. This overall decrease is due to the purchase of aerator discs as a sewer replacement project and an increase to the contract with Veolia water. The City contracts the sewer services with Veolia Water and their contract service agreement for the year increased \$15,149 or 7.9%.

BUDGETARY HIGHLIGHTS

On May 4, 2009, the City amended the budget to increase expenditures for Public Safety - police and ambulance equipment, wages and flood sandbags; Public Works - part time salaries; Health and Social Services - mosquito spraying chemicals; Capital Projects - Civic Center a/c and heat, flood debris removal, safe routes to school project, and water and street projects. Business Type Activities - salaries. Total budgeted expenses increased \$80,064. Revenues were increased due to workman's compensation - police, fire contracts, safe routes to school grant funds and FEMA reimbursements. Total budgeted revenue and other financing sources increased \$74,700.

DEBT ADMINISTRATION

As of June 30, 2009, the City of Tama had \$3,161,000 in outstanding debt compared to \$3,409,000 at the end of June of 2008. No new bond issues were established during the fiscal year. Monies generated from local option taxes will pay for the Aquatic Bond issues. The Sewer Revenue Bond issue will continue until June of 2014. Aquatic Bond issues will mature June of 2024. The improvement bond issue will mature in June of 2021. In FY 2010 the City will establish a revenue bond issue for the water improvement project.

	Year Ended June 30,			
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General obligation bonds	\$ 2,515,000	\$ 2,650,000	\$ 2,785,000	\$ 1,415,000
Revenue bonds	<u>646,000</u>	<u>759,000</u>	<u>868,000</u>	<u>972,000</u>
Total outstanding debt	<u>\$ 3,161,000</u>	<u>\$ 3,409,000</u>	<u>\$ 3,653,000</u>	<u>\$ 2,387,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,515,000 is below the constitutional debit limit of \$4,546,285 for FY 2009.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In FY 2009, the Council approved an \$8,375 grant to one business for interior and exterior improvements. This business is in our tax increment financing district to help improve our downtown. We did not see an economic increase in our City's downtown this past fiscal year. We hope to see progress in the future.

The City of Tama offers a three-year tax abatement to property owners that improve their properties. Only one property owner took advantage of this abatement in FY 2009. With several homes being constructed in FY 2010 we look for more property owners to apply for the tax abatement. (These homes receive tax abatement for three years for the first \$75,000 of improved property valuation).

The City has volunteers who have been instrumental in providing a recreation trail 1.9 miles long between the City and our neighboring city - Toledo. The trail volunteers are in the process of developing the lake area the City acquired a couple of years ago. The City of Tama has pledged \$20,000 for trail rock mix to be placed around the lake adding additional walking/biking area. The future goal is to make the lake a family place for outdoor recreation.

In FY 2010 the property tax levy will be at \$15.84. This is a \$.07 increase from FY 2009. The tax increase indicates increases in employee benefit and debt service askings. Taxable valuation increased \$1,817,867. The City did not ask for tax increment financing for the FY 2010 budget which helped the increased taxable valuation for the general fund.

CONTACTING THE CITY'S FINANCIAL DEPARTMENT

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 question about this report or need additional financial information contact the Tama City Clerk Judy Welch, 305 Siegel Street, Tama, Iowa 52339.

BASIC FINANCIAL STATEMENTS

CITY OF TAMA

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2009

	<u>Disbursements</u>	<u>Program Receipts</u>	
		<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Public safety	\$ 619,137	\$ 250,801	\$ 129,406
Public works	493,610	25,466	241,101
Health and social services	5,902	-	-
Culture and recreation	222,852	5,989	23,018
Community and economic development	19,618	-	-
General government	142,122	26,645	-
Debt service	251,516	-	-
Capital projects	219,250	-	-
Total governmental activities	<u>1,974,007</u>	<u>308,901</u>	<u>393,525</u>
Business type activities:			
Water	233,489	283,639	4,672
Sewer	417,975	370,085	7,191
Total business type activities	<u>651,464</u>	<u>653,724</u>	<u>11,863</u>
Total	<u>2,625,471</u>	<u>962,625</u>	<u>405,388</u>
GENERAL RECEIPTS:			
Property taxes levied for:			
General purposes			
Employee benefits			
Tax increment financing			
Debt service			
Other city tax			
Local option sales tax			
Grants and contributions not restricted to specific purposes			
Unrestricted interest on investments			
Miscellaneous			
Sale of assets			
Total general receipts			

Exhibit A

<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Assets</u>			
<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ -	\$ (238,930)	\$ -	\$ (238,930)
-	(227,043)	-	(227,043)
-	(5,902)	-	(5,902)
-	(193,845)	-	(193,845)
-	(19,618)	-	(19,618)
-	(115,477)	-	(115,477)
-	(251,516)	-	(251,516)
<u>89,472</u>	<u>(129,778)</u>	<u>-</u>	<u>(129,778)</u>
<u>89,472</u>	<u>(1,182,109)</u>	<u>-</u>	<u>(1,182,109)</u>
-	-	54,822	54,822
<u>-</u>	<u>-</u>	<u>(40,699)</u>	<u>(40,699)</u>
-	-	14,123	14,123
<u>89,472</u>	<u>(1,182,109)</u>	<u>14,123</u>	<u>(1,167,986)</u>
	464,596	-	464,596
	208,163	-	208,163
	14,346	-	14,346
	128,339	-	128,339
	27,243	-	27,243
	163,526	-	163,526
	28,057	-	28,057
	97,405	-	97,405
	756	-	756
	<u>1,500</u>	<u>-</u>	<u>1,500</u>
	<u>1,133,931</u>	<u>-</u>	<u>1,133,931</u>

(continued)

CITY OF TAMA

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,</u>
	<u>Services</u>	<u>Contributions,</u>
		<u>and Restricted</u>
	<u>Disbursements</u>	<u>Interest</u>
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		
Debt service		
Unrestricted		
TOTAL CASH BASIS NET ASSETS		

<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Assets</u>		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
	(48,178)	14,123	(34,055)
	<u>3,432,068</u>	<u>405,827</u>	<u>3,837,895</u>
	<u>\$ 3,383,890</u>	<u>\$ 419,950</u>	<u>\$ 3,803,840</u>
	\$ 155,320	\$ -	\$ 155,320
	32,193	207,163	239,356
	<u>3,196,377</u>	<u>212,787</u>	<u>3,409,164</u>
	<u>\$ 3,383,890</u>	<u>\$ 419,950</u>	<u>\$ 3,803,840</u>

The accompanying notes are an integral part of the financial statements.

CITY OF TAMA

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	Employee Benefit	Debt Service
RECEIPTS:				
Property tax	\$ 464,596	\$ -	\$ 208,163	\$ 128,339
Tax increment financing collections	-	-	-	-
Other city tax	15,773	-	7,102	4,368
Local option sales tax	-	-	-	-
Licenses and permits	23,201	-	-	-
Use of money and property	76,615	-	2,212	10,979
Intergovernmental	119,604	226,591	-	-
Charges for services	275,188	-	-	-
Miscellaneous	41,072	-	-	-
Total receipts	<u>1,016,049</u>	<u>226,591</u>	<u>217,477</u>	<u>143,686</u>
DISBURSEMENTS:				
Operating:				
Public safety	610,196	-	-	-
Public works	189,857	303,753	-	-
Health and social services	5,902	-	-	-
Culture and recreation	210,163	-	-	-
Community and economic development	19,618	-	-	-
General government	140,942	-	-	-
Debt service	-	-	-	251,516
Capital projects	-	-	-	-
Total disbursements	<u>1,176,678</u>	<u>303,753</u>	<u>-</u>	<u>251,516</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(160,629)</u>	<u>(77,162)</u>	<u>217,477</u>	<u>(107,830)</u>
OTHER FINANCING SOURCES (USES):				
Sale of assets	-	-	-	-
Transfers in	293,791	-	-	112,253
Transfers out	(1,400)	-	(210,838)	-
Net other financing sources (uses)	<u>292,391</u>	<u>-</u>	<u>(210,838)</u>	<u>112,253</u>

Exhibit B

Capital Projects	Other Nonmajor Governmental	Totals
Meat Pack	Funds	
\$ -	\$ -	\$ 801,098
-	14,346	14,346
-	-	27,243
-	163,526	163,526
-	-	23,201
-	25,908	115,714
-	19,034	365,229
-	720	275,908
-	96,992	138,064
-	320,526	1,924,329
-	8,941	619,137
-	-	493,610
-	-	5,902
-	12,689	222,852
-	-	19,618
-	1,180	142,122
-	-	251,516
-	219,250	219,250
-	242,060	1,974,007
-	78,466	(49,678)
-	1,500	1,500
-	81,080	487,124
-	(274,886)	(487,124)
-	(192,306)	1,500

(continued)

CITY OF TAMA

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

As of and for the year ended June 30, 2009

	<u>Special Revenue</u>			
	<u>General</u>	<u>Road Use Tax</u>	<u>Employee Benefit</u>	<u>Debt Service</u>
NET CHANGE IN CASH BALANCES	131,762	(77,162)	6,639	4,423
CASH BALANCES, BEGINNING OF YEAR	<u>284,730</u>	<u>232,482</u>	<u>-</u>	<u>27,770</u>
CASH BALANCES, END OF YEAR	<u>\$ 416,492</u>	<u>\$ 155,320</u>	<u>\$ 6,639</u>	<u>\$ 32,193</u>
CASH BASIS FUND BALANCES:				
Reserved:				
Debt service	\$ -	\$ -	\$ -	\$ 32,193
Streets	-	155,320	-	-
Unreserved:				
General	416,492	-	-	-
Special revenue funds	-	-	6,639	-
Capital project funds	-	-	-	-
Permanent fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 416,492</u>	<u>\$ 155,320</u>	<u>\$ 6,639</u>	<u>\$ 32,193</u>

Exhibit B

Capital Projects <u>Meat Pack</u>	Other Nonmajor Governmental Funds	<u>Totals</u>
-	(113,840)	(48,178)
<u>1,773,308</u>	<u>1,113,778</u>	<u>3,432,068</u>
<u>\$ 1,773,308</u>	<u>\$ 999,938</u>	<u>\$ 3,383,890</u>
-	-	32,193
-	-	155,320
-	-	416,492
-	111,259	117,898
1,773,308	833,712	2,607,020
-	54,967	54,967
<u>\$ 1,773,308</u>	<u>\$ 999,938</u>	<u>\$ 3,383,890</u>

The accompanying notes are an integral part of the financial statements.

CITY OF TAMA

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

As of and for the year ended June 30, 2009

	Enterprise Funds				Totals
	Water	Sewer	Sewer Revenue Bond	Nonmajor Enterprise Funds	
OPERATING RECEIPTS:					
Charges for services	\$ 250,817	\$ 183,917	\$ 136,152	\$ 50,016	\$ 620,902
Miscellaneous	<u>32,822</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,822</u>
Total operating receipts	<u>283,639</u>	<u>183,917</u>	<u>136,152</u>	<u>50,016</u>	<u>653,724</u>
OPERATING DISBURSEMENTS:					
Business type activities:					
Water	233,489	-	-	-	233,489
Sewer	<u>-</u>	<u>231,272</u>	<u>-</u>	<u>50,553</u>	<u>281,825</u>
Total operating disbursements	<u>233,489</u>	<u>231,272</u>	<u>-</u>	<u>50,553</u>	<u>515,314</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>50,150</u>	<u>(47,355)</u>	<u>136,152</u>	<u>(537)</u>	<u>138,410</u>
OTHER FINANCING SOURCES (USES):					
Transfers in (out)	<u>-</u>	<u>36,000</u>	<u>(36,000)</u>	<u>-</u>	<u>-</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):					
Interest on investments	4,672	7,191	-	-	11,863
Debt service	<u>-</u>	<u>-</u>	<u>(136,150)</u>	<u>-</u>	<u>(136,150)</u>
Net nonoperating receipts (disbursements)	<u>4,672</u>	<u>7,191</u>	<u>(136,150)</u>	<u>-</u>	<u>(124,287)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>54,822</u>	<u>(4,164)</u>	<u>(35,998)</u>	<u>(537)</u>	<u>14,123</u>

	Enterprise Funds				Totals
	Water	Sewer	Sewer Revenue Bond	Nonmajor Enterprise Funds	
NET CHANGE IN CASH BALANCES	54,822	(4,164)	(35,998)	(537)	14,123
CASH BALANCES, BEGINNING OF YEAR	156,688	5,441	85,574	158,124	405,827
CASH BALANCES, END OF YEAR	\$ 211,510	\$ 1,277	\$ 49,576	\$ 157,587	\$ 419,950
CASH BASIS FUND BALANCES:					
Reserved for debt service	\$ -	\$ -	\$ 49,576	\$ 157,587	\$ 207,163
Unreserved	211,510	1,277	-	-	212,787
Total cash basis fund balances	\$ 211,510	\$ 1,277	\$ 49,576	\$ 157,587	\$ 419,950

The accompanying notes are an integral part of the financial statements.

CITY OF TAMA

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

These financial statements present the City of Tama (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The following component unit is an entity which is legally separate from the City, but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the appropriate funds.

The Oak Hill Cemetery Association is a nonprofit corporation established under Title 3, Chapter 5 of the City of Tama Code to beautify, adorn, and keep in good order the Oak Hill Cemetery. Although the association is legally separate from the City, it is controlled, managed, and supervised by the City of Tama, City Council. The Oak Hill Cemetery Association is reported as a fiduciary fund type.

CITY OF TAMA

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

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 by the participating governments. City officials are members of the following Boards and Commissions: Tama County Assessor's Conference Board, Tama County Emergency Management Commission, Tama County E911 Service Board, Tama County Solid Waste Disposal Commission, Tama County Economic Development Commission, and Tama-Toledo Swimming Pool Board.

B. Basis of Presentation

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

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

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

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

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

CITY OF TAMA

Notes to Financial Statements

June 30, 2009

(1) **Summary of Significant Accounting Policies** (continued)

B. Basis of Presentation (continued)

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 and enterprise funds are aggregated and reported as nonmajor governmental and enterprise 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.

The Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

Special Revenue:

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

The Employee Benefit Fund is used to account for employee benefits.

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

The 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 Sewer Revenue Bond Fund is utilized to account for the payment of interest and principal on the City's sewer bond.

CITY OF TAMA

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The City of Tama 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 amount budgeted in the public works function.

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2007, to compute the amounts which became liens on property on July 1, 2008. These taxes were due and payable in two installments on September 30, 2008 and March 31, 2009, at the Tama County Treasurer's Office. These taxes are recognized as income to the City when they are received from the County.

(2) Cash and Investments

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

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

CITY OF TAMA

Notes to Financial Statements

June 30, 2009

(2) Cash and Investments (continued)

At June 30, 2009, the City had the following investments:

	<u>Carrying Amount</u>	<u>Market Value</u>
United States Savings Bonds Series HH	\$ <u>37,000</u>	\$ <u>37,000</u>

Interest Rate Risk

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 12 months of receipt) in instruments that mature within 365 days. Funds not identified as operating funds may be invested in investments with maturities longer than 365 days but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and state revolving fund loan notes are as follows:

<u>Year Ending June 30</u>	<u>General Obligation Bonds</u>		<u>State Revolving Fund Loan Notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 145,000	\$ 110,297	\$ 118,000	\$ 19,380	\$ 263,000	\$ 129,677
2011	150,000	104,751	124,000	15,840	274,000	120,591
2012	155,000	99,214	129,000	12,120	284,000	111,334
2013	165,000	92,599	135,000	8,250	300,000	100,849
2014	170,000	85,801	140,000	4,200	310,000	90,001
2015	175,000	78,671	-	-	175,000	78,671
2016	180,000	71,216	-	-	180,000	71,216
2017	190,000	63,416	-	-	190,000	63,416
2018	200,000	55,051	-	-	200,000	55,051
2019	210,000	46,096	-	-	210,000	46,096
2020	220,000	36,546	-	-	220,000	36,546
2021	235,000	26,386	-	-	235,000	26,386
2022	100,000	15,363	-	-	100,000	15,363
2023	105,000	10,563	-	-	105,000	10,563
2024	115,000	5,525	-	-	115,000	5,525
Total	<u>\$ 2,515,000</u>	<u>\$ 901,495</u>	<u>\$ 646,000</u>	<u>\$ 59,790</u>	<u>\$ 3,161,000</u>	<u>\$ 961,285</u>

CITY OF TAMA

Notes to Financial Statements

June 30, 2009

(4) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$39,811, \$36,804, and \$33,769, respectively, equal to the required contributions for each year.

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

(5) Compensated Absences

City employees accumulate vacation and sick leave hours based on the length of their employment. Sick leave is not a vested benefit. It is payable when used and may be accumulated to a maximum of 90 days. Vacation is payable when used and is cumulative only in isolated cases specifically approved by the City Council. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2009, primarily relating to the General Fund, totaled \$16,483. This liability has been computed based on rates of pay in effect at June 30, 2009.

CITY OF TAMA

Notes to Financial Statements

June 30, 2009

(6) Commitments

The City has entered into an agreement for engineering services for the water treatment rehabilitation at an estimated cost of \$156,900, of which \$48,900 has not been paid at June 30, 2009.

The City has entered into a management service contract with Veolia Water for management of the water and sewer plants at a cost of \$372,271 per year, subject to review annually. The City or Veolia Water may terminate the agreement with thirty days written notice.

The City has entered into an agreement for water control panel improvements with an estimated cost of \$82,255, of which \$2,255 has not been paid at June 30, 2009.

(7) Landfill Commitment

The City of Tama participates in a 28E organization with Tama County and other cities in Tama County. This organization is the Tama County Solid Waste Disposal Commission. The estimated cost of closure and postclosure care as of March 31, 2009, the most recent date for which such information is available, is approximately \$778,000. The Commission has accumulated resources to fund these costs and, at June 30, 2009, assets of \$1,000,000 are restricted for these purposes.

(8) 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:	
	Employee benefit	\$ 210,838
	Capital projects:	
	Capital projects	29,578
	Capital projects - new pool	<u>53,375</u>
		<u>293,791</u>
Capital projects:	Capital projects:	
Capital projects	Capital projects - downtown	20,000
	Capital projects - community development	<u>50,000</u>
		<u>70,000</u>
Debt service	Capital projects:	
	Capital projects - new pool	<u>112,253</u>

CITY OF TAMA

Notes to Financial Statements

June 30, 2009

(8) Interfund Transfers (continued)

Transfer to	Transfer from	Amount
Capital projects: Capital projects - downtown	Special revenue: T.I.F.	<u>9,680</u>
Enterprise: Sewer	Enterprise: Sewer revenue bond	<u>36,000</u>
Special revenue: Trust and agency	General	<u>1,400</u>
Total		<u>\$ 523,124</u>

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

(9) Risk Management

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

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

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

CITY OF TAMA

Notes to Financial Statements

June 30, 2009

(9) Risk Management (continued)

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2009 were \$17,282.

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

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

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

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation, property coverage, automobile liability and employee blanket bond. The City assumes liability for any deductible and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF TAMA

Notes to Financial Statements

June 30, 2009

(10) New Accounting Pronouncement

The City of Tama will be implementing GASB Statement No. 45, *Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, during the year ending June 30, 2010. This statement establishes uniform accounting and financial reporting standards for state and local governmental entities related to postemployment benefits other than pension plans ("OPEB"). It is not anticipated that the implementation of the new standard will have a significant effect on the City's financial statements.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TAMA

**Budgetary Comparison Schedule of Receipts, Disbursements, and
Changes in Balances - Budget and Actual (Cash Basis) -
All Governmental Funds and Proprietary Funds
Required Supplementary Information**

Year Ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
RECEIPTS:			
Property tax	\$ 801,098	\$ -	\$ -
Tax increment financing collections	14,346	-	-
Other city tax	190,769	-	-
Licenses and permits	23,201	-	-
Use of money and property	115,714	11,863	2
Intergovernmental	365,229	-	-
Charges for services	275,908	620,902	-
Miscellaneous	138,064	32,822	-
	<u>1,924,329</u>	<u>665,587</u>	<u>2</u>
Total receipts			
DISBURSEMENTS:			
Public safety	619,137	-	-
Public works	493,610	-	-
Health and social services	5,902	-	-
Culture and recreation	222,852	-	-
Community and economic development	19,618	-	-
General government	142,122	-	-
Debt service	251,516	-	-
Capital projects	219,250	-	103
Business type activities	-	651,464	-
	<u>-</u>	<u>651,464</u>	<u>-</u>
Total disbursements	<u>1,974,007</u>	<u>651,464</u>	<u>103</u>
Excess (deficiency) of receipts over (under) disbursements	(49,678)	14,123	(101)
OTHER FINANCING SOURCES, NET			
	<u>1,500</u>	<u>-</u>	<u>-</u>
Excess of receipts and other financing sources over (under) disbursements and other financing uses	(48,178)	14,123	(101)
BALANCES, BEGINNING OF YEAR	<u>3,432,068</u>	<u>405,827</u>	<u>55,068</u>
BALANCES, END OF YEAR	<u>\$ 3,383,890</u>	<u>\$ 419,950</u>	<u>\$ 54,967</u>

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
\$ 801,098	\$ 776,150	\$ 776,150	\$ 24,948
14,346	9,675	9,675	4,671
190,769	187,629	187,629	3,140
23,201	14,500	14,500	8,701
127,575	111,085	111,085	16,490
365,229	337,341	406,341	(41,112)
896,810	905,630	905,630	(8,820)
170,886	14,756	20,456	150,430
<u>2,589,914</u>	<u>2,356,766</u>	<u>2,431,466</u>	<u>158,448</u>
619,137	665,550	684,567	65,430
493,610	487,654	490,854	(2,756)
5,902	5,500	6,500	598
222,852	230,845	230,845	7,993
19,618	27,000	27,000	7,382
142,122	147,273	147,273	5,151
251,516	251,517	251,517	1
219,147	395,253	444,000	224,853
651,464	750,515	758,615	107,151
<u>2,625,368</u>	<u>2,961,107</u>	<u>3,041,171</u>	<u>415,803</u>
(35,454)	(604,341)	(609,705)	574,251
<u>1,500</u>	<u>10,000</u>	<u>10,000</u>	<u>(8,500)</u>
(33,954)	(594,341)	(599,705)	565,751
<u>3,782,827</u>	<u>3,337,039</u>	<u>3,837,895</u>	<u>(55,068)</u>
<u>\$ 3,748,873</u>	<u>\$ 2,742,698</u>	<u>\$ 3,238,190</u>	<u>\$ 510,683</u>

See accompanying independent auditor's report.

CITY OF TAMA

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 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 Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted receipts by \$74,200 and disbursements by \$80,064. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the health and social services and public works functions prior to an amendment being made.

OTHER SUPPLEMENTARY INFORMATION

CITY OF TAMA

Schedule of Cash Receipts, Disbursements,
and Changes in Cash Balances

Nonmajor Governmental Funds

As of and for the year ended June 30, 2009

	<u>Special Revenue</u>			
	<u>Civic Center</u>	<u>T.I.F.</u>	<u>Trust & Agency</u>	<u>Capital Projects</u>
RECEIPTS:				
Tax increment financing collections	\$ -	\$ 14,346	\$ -	\$ -
Local option sales tax	-	-	-	-
Use of money and property	70	-	2,279	16,369
Intergovernmental	-	-	2,255	13,804
Charges for service	720	-	-	-
Miscellaneous	-	-	42,608	32,519
	<u>790</u>	<u>14,346</u>	<u>47,142</u>	<u>62,692</u>
Total receipts				
DISBURSEMENTS:				
Operating:				
Public safety	-	-	8,941	-
Culture and recreation	-	-	12,689	-
General government	1,180	-	-	-
Capital projects	-	-	-	62,659
	<u>1,180</u>	<u>-</u>	<u>21,630</u>	<u>62,659</u>
Total disbursements				
Excess (deficiency) of receipts over (under) disbursements	<u>(390)</u>	<u>14,346</u>	<u>25,512</u>	<u>33</u>
OTHER FINANCING SOURCES (USES):				
Sale of assets	-	-	-	-
Transfers in	-	-	1,400	70,000
Transfers out	-	(9,680)	-	(29,578)
	<u>-</u>	<u>(9,680)</u>	<u>1,400</u>	<u>40,422</u>
Net other financing sources (uses)				

Capital Projects					Permanent	
Community Development	2006 Street Improvement	Water	Downtown	New Pool	Cemetery Perpetual Care	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,346
-	-	-	-	163,526	-	163,526
-	-	-	1,939	5,249	2	25,908
-	-	2,975	-	-	-	19,034
-	-	-	-	-	-	720
11,910	-	-	9,955	-	-	96,992
11,910	-	2,975	11,894	168,775	2	320,526
-	-	-	-	-	-	8,941
-	-	-	-	-	-	12,689
-	-	-	-	-	-	1,180
-	7,010	138,176	9,680	1,622	103	219,250
-	7,010	138,176	9,680	1,622	103	242,060
11,910	(7,010)	(135,201)	2,214	167,153	(101)	78,466
1,500	-	-	-	-	-	1,500
-	-	-	9,680	-	-	81,080
(50,000)	-	-	(20,000)	(165,628)	-	(274,886)
(48,500)	-	-	(10,320)	(165,628)	-	(192,306)

(continued)

CITY OF TAMA

Schedule of Cash Receipts, Disbursements,
and Changes in Cash Balances

Nonmajor Governmental Funds

As of and for the year ended June 30, 2009

	<u>Special Revenue</u>			
	<u>Civic Center</u>	<u>T.I.F.</u>	<u>Trust & Agency</u>	<u>Capital Projects</u>
NET CHANGE IN CASH BALANCE	(390)	4,666	26,912	40,455
CASH BALANCES, BEGINNING OF YEAR	<u>3,085</u>	<u>-</u>	<u>76,986</u>	<u>45,081</u>
CASH BALANCES, END OF YEAR	<u>\$ 2,695</u>	<u>\$ 4,666</u>	<u>\$ 103,898</u>	<u>\$ 85,536</u>
CASH BASIS FUND BALANCES:				
Unreserved:				
Special revenue funds	\$ 2,695	\$ 4,666	\$ 103,898	\$ -
Capital project funds	-	-	-	85,536
Permanent fund	-	-	-	-
Total cash basis fund balances	<u>\$ 2,695</u>	<u>\$ 4,666</u>	<u>\$ 103,898</u>	<u>\$ 85,536</u>

<u>Capital Projects</u>					<u>Permanent</u>	
<u>Community Development</u>	<u>2006 Street Improvement</u>	<u>Water</u>	<u>Downtown</u>	<u>New Pool</u>	<u>Cemetery Perpetual Care</u>	<u>Totals</u>
(36,590)	(7,010)	(135,201)	(8,106)	1,525	(101)	(113,840)
<u>99,460</u>	<u>210,065</u>	<u>262,844</u>	<u>226,163</u>	<u>135,026</u>	<u>55,068</u>	<u>1,113,778</u>
<u>\$ 62,870</u>	<u>\$ 203,055</u>	<u>\$ 127,643</u>	<u>\$ 218,057</u>	<u>\$ 136,551</u>	<u>\$ 54,967</u>	<u>\$ 999,938</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,259
62,870	203,055	127,643	218,057	136,551	-	833,712
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,967</u>	<u>54,967</u>
<u>\$ 62,870</u>	<u>\$ 203,055</u>	<u>\$ 127,643</u>	<u>\$ 218,057</u>	<u>\$ 136,551</u>	<u>\$ 54,967</u>	<u>\$ 999,938</u>

CITY OF TAMA

Schedule of Cash Receipts, Disbursements,
and Changes in Cash Balances

Nonmajor Enterprise Funds

As of and for the year ended June 30, 2009

	<u>Sewer Rehabilitation</u>	<u>Sewer Replacement</u>	<u>Totals</u>
OPERATING RECEIPTS:			
Charges for services	\$ 25,008	\$ 25,008	\$ 50,016
OPERATING DISBURSEMENTS:			
Business type activities:			
Sewer	<u>13,289</u>	<u>37,264</u>	<u>50,553</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>11,719</u>	<u>(12,256)</u>	<u>(537)</u>
NET CHANGE IN CASH BALANCES	11,719	(12,256)	(537)
CASH BALANCES, BEGINNING	<u>54,854</u>	<u>103,270</u>	<u>158,124</u>
CASH BALANCES, ENDING	<u>\$ 66,573</u>	<u>\$ 91,014</u>	<u>\$ 157,587</u>
Cash Basis Fund Balances:			
Unreserved	<u>\$ 66,573</u>	<u>\$ 91,014</u>	<u>\$ 157,587</u>

CITY OF TAMA

Schedule of Indebtedness

Year ended June 30, 2009

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Corporate purpose bond Series 2006	August 1, 2006	4.10 - 4.63%	\$ 1,500,000
Aquatic Center Series 2004 A	August 1, 2004	3.40 - 4.75%	1,165,000
Aquatic Center Series 2004 B	August 1, 2004	3.60 - 5.00%	300,000
Total			
State Revolving Fund Notes:			
Loan notes	October 1, 1993	3.00%	\$ 1,828,000

Schedule 3

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$1,345,000	\$ -	\$ 80,000	\$1,265,000	\$ 58,864	\$ -
1,035,000	-	45,000	990,000	44,307	-
<u>270,000</u>	<u>-</u>	<u>10,000</u>	<u>260,000</u>	<u>12,145</u>	<u>-</u>
<u>\$2,650,000</u>	<u>\$ -</u>	<u>\$ 135,000</u>	<u>\$2,515,000</u>	<u>\$ 115,316</u>	<u>\$ -</u>
<u>\$ 759,000</u>	<u>\$ -</u>	<u>\$ 113,000</u>	<u>\$ 646,000</u>	<u>\$ 22,770</u>	<u>\$ -</u>

CITY OF TAMA

Bond and Note Maturities

June 30, 2009

Year Ending June 30,	General Obligation Bonds						
	Aquatic Center Series 2004A Issued Aug. 1, 2004		Aquatic Center Series 2004B Issued Aug. 1, 2004		Corporate Purpose Bond Series 2006 Issued Aug. 1, 2006		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2010	3.40 %	\$ 50,000	3.60 %	\$ 10,000	4.10 %	\$ 85,000	\$ 145,000
2011	3.60	50,000	3.80	15,000	4.15	85,000	150,000
2012	3.75	50,000	4.00	15,000	4.20	90,000	155,000
2013	3.90	55,000	4.10	15,000	4.25	95,000	165,000
2014	4.00	55,000	4.20	15,000	4.30	100,000	170,000
2015	4.10	60,000	4.30	15,000	4.35	100,000	175,000
2016	4.20	60,000	4.40	15,000	4.40	105,000	180,000
2017	4.30	65,000	4.50	15,000	4.45	110,000	190,000
2018	4.40	65,000	4.60	20,000	4.50	115,000	200,000
2019	4.50	70,000	4.70	20,000	4.55	120,000	210,000
2020	4.60	75,000	4.80	20,000	4.60	125,000	220,000
2021	4.75	80,000	4.90	20,000	4.63	135,000	235,000
2022	4.75	80,000	5.00	20,000	-	-	100,000
2023	4.75	85,000	5.00	20,000	-	-	105,000
2024	4.75	90,000	5.00	25,000	-	-	115,000
Total		<u>\$ 990,000</u>		<u>\$ 260,000</u>		<u>\$1,265,000</u>	<u>\$2,515,000</u>

Year Ending June 30,	State Revolving Fund Notes Issued Oct. 1, 1993	
	Interest Rates	Amount
2010	3.00 %	\$ 118,000
2011	3.00	124,000
2012	3.00	129,000
2013	3.00	135,000
2014	3.00	140,000
Total		<u>\$ 646,000</u>

CITY OF TAMA

**Schedule of Receipts by Source and Disbursements By Function -
All Governmental Funds**

For the Last Seven Years

	<u>2009</u>	<u>2008</u>	<u>2007</u>
RECEIPTS:			
Property tax	\$ 801,098	\$ 712,597	\$ 702,341
Tax increment financing collections	14,346	146,711	45,112
Other city tax	27,243	188,009	188,492
Licenses and permits	23,201	22,074	19,356
Use of money and property	115,714	133,115	133,508
Intergovernmental	365,229	320,417	304,191
Charges for service	275,908	216,762	220,532
Miscellaneous	<u>138,064</u>	<u>130,476</u>	<u>105,671</u>
Total	<u>\$ 1,760,803</u>	<u>\$ 1,870,161</u>	<u>\$ 1,719,203</u>
 DISBURSEMENTS:			
Operating:			
Public safety	\$ 619,137	\$ 652,322	\$ 591,352
Public works	493,610	393,019	380,275
Health and social services	5,902	5,148	5,308
Culture and recreation	222,852	212,392	198,534
Community and economic development	19,618	22,295	26,434
General government	142,122	137,601	130,406
Debt service	251,516	256,386	244,857
Capital projects	<u>219,250</u>	<u>257,080</u>	<u>940,624</u>
Total	<u>\$ 1,974,007</u>	<u>\$ 1,936,243</u>	<u>\$ 2,517,790</u>

Schedule 5

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 700,983	\$ 641,617	\$ 669,969	\$ 705,032
584	30,210	14,471	5,809
163,440	157,064	133,376	33,298
18,908	19,794	19,788	22,477
101,270	118,227	106,243	72,016
328,713	364,766	271,417	804,352
205,672	223,582	184,486	183,942
111,858	246,191	229,661	74,559
<u>\$ 1,631,428</u>	<u>\$ 1,801,451</u>	<u>\$ 1,629,411</u>	<u>\$ 1,901,485</u>
\$ 621,918	\$ 593,193	\$ 501,974	\$ 449,528
407,346	386,834	530,715	386,698
3,439	4,089	4,814	3,011
195,941	169,609	176,179	140,647
24,990	22,277	22,028	-
130,434	127,852	124,930	118,362
249,958	186,362	178,885	176,842
469,942	1,460,820	798,672	563,366
<u>\$ 2,103,968</u>	<u>\$ 2,951,036</u>	<u>\$ 2,338,197</u>	<u>\$ 1,838,454</u>

See accompanying independent auditor's report.

CITY OF TAMA

Schedule of Sewer Service Charges

Year ended June 30, 2009

	<u>Category A</u>	<u>Category B</u>
Criteria:	Users who discharge normal domestic strength wastewater	Users who discharge concentration levels greater than Category A users
Allowable concentration levels:	BOD* no greater than 300 mg/l Suspended solids no greater than 350 mg/l Ammonia nitrogen no greater than 40 mg/l	
Fixed monthly charge:	\$10.00	\$10.00
Volume charge:	\$4.27/1,000 gallons	\$4.27/1,000 gallons
Surcharge for concentration levels exceeding Category A:		BOD* \$0.32/lb suspended solids \$0.17/lb ammonia nitrogen \$1.16/lb

*Biochemical oxygen demand

CITY OF TAMA
 Schedule of Insurance in Force
 Year ended June 30, 2009

<u>Insurer</u>	<u>Policy Number</u>	<u>Type of Coverage</u>
Nationwide Mutual Insurance Company	ACP WC 7130261971	Workers' Compensation Employer's Liability
Nationwide Mutual Insurance Company	ACP 7130261971	Commercial property Auto Commercial Inland Marine and scheduled property
Iowa Communities Assurance Pool	0019	General Liability/ Officials Liability Law Enforcement Liability Fidelity bond

Schedule 7

<u>Policy period</u>	<u>Exposure Coverage</u>	<u>Amount of Coverage</u>
4/1/09 to 4/1/10	Workers' Compensation All Employees	Statutory \$500,000/Accident \$500,000/Employee \$500,000/Policy Limit
4/1/09 to 4/1/10 4/1/09 to 4/1/10	Property Damage Auto Liability	90% of value \$1,000,000 Liability
4/1/09 to 4/1/10	Non Real Estate Property	Replacement Value
4/1/09 to 4/1/10	General Liability Officials Liability Law Enforcement Liability	\$2,000,000 \$2,000,000 \$2,000,000
1/1/09 to 1/1/10	Employee Performance	\$50,000

CITY OF TAMA

Schedule of Legal Debt Margin

June 30, 2009

Valuation of City as of January 1, 2008	\$ 90,925,691
Legal debt limitation percentage	<u>5%</u>
Legal debt limitation	4,546,285
General obligation indebtedness outstanding as of June 30, 2009	<u>2,515,000</u>
Legal Debt Margin	<u>\$ 2,031,285</u>

**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
Tama, Iowa

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 Tama, 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 December 24, 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 Tama's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Tama's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Tama'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 a deficiency we consider to be a material weakness.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Tama'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 item II-B-09 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tama'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 III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Tama's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Tama'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 Tama and other parties to whom the City of Tama may report. 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 Tama 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.

Clifton Gundersen LLP

Cedar Rapids, Iowa
December 24, 2009

CITY OF TAMA

Schedule of Findings

Year ended June 30, 2009

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was 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 accounting principles generally accepted in the United States of America.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-09: Segregation of Duties

Criteria:

The City should have adequate segregation of duties to provide for the accuracy and reliability of the financial statements.

Condition:

The City does not have adequate segregation of duties over all accounting transactions.

Context:

Internal controls that are in place could be averted, overridden, or not consistently implemented.

Effect:

As result of this condition, there is a higher risk that errors or irregularities could occur and not be detected within a timely period.

Cause:

The City has a limited number of personnel performing accounting functions.

CITY OF TAMA

Schedule of Findings

Year ended June 30, 2009

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

II-A-09: Segregation of Duties (continued)

Recommendation:

When this condition exists, management's close supervision and review of accounting information is the best means of preventing or detecting errors and irregularities. We recommend the City review its operating procedures to obtain the maximum internal control possible under the circumstances.

Management Response:

With a limited number of office employees, segregation of duties is sometimes difficult. Management is aware of the lack of segregation of duties and has considered alternatives to improve the situation. Management is monitoring the situation and is segregating accounting duties where practical.

Conclusion:

Response accepted.

II-B-09: Preparation of Financial Statements

Criteria:

The City Council and management share the ultimate responsibility for the City's financial statements, including disclosures.

Condition:

The City has not implemented procedures, to the degree necessary, to perform a review and assume responsibility of the City's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected.

Context:

While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The independent auditor cannot be considered part of the City's internal control system. The City has implemented procedures to review the financial statements and disclosures but has not utilized review aids, such as a disclosure checklist, and may not have monitored recent accounting developments to the extent necessary to provide a high level of assurance that financial statement omissions or other errors would be identified and corrected.

Effect:

As a result of this condition, there is a higher risk that financial statement omissions or other errors could occur and not be detected.

CITY OF TAMA

Schedule of Findings

Year ended June 30, 2009

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

II-B-09: Financial Statement Preparation (continued)

Cause:

The City has relied on the independent auditor to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated.

Recommendation:

We recommend that sufficient financial statement and disclosure review procedures be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the City's activities and operations.

Management Response:

The City does not have the resources to employ staff possessing the detailed understanding of applicable generally accepted accounting principles to the extent required to utilize such a disclosure checklist. We understand the list of reporting and disclosure requirements in these disclosure checklists exceeds 50 pages in length. As a result, the City of Tama has relied on the independent auditor to identify disclosures required in the financial statements.

Conclusion:

Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

PART III: FINDINGS RELATED TO STATUTORY REPORTING

III-A-09 Certified Budget - Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the health and social services and the public works functions prior to amending the budget. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation".

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

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

Conclusion - Response accepted.

CITY OF TAMA

Schedule of Findings

Year ended June 30, 2009

PART III: FINDINGS RELATED TO STATUTORY REPORTING (CONTINUED)

- III-B-09 Questionable Disbursements - We noted no disbursements that failed to meet the requirements of public purpose 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 or employees were noted.
- III-D-09 Business Transactions - No business transactions between the City and City officials were noted.
- 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 - 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 were noted.
- III-H-09 Compliance with Loan and Grant Agreements - During the year ended June 30, 2009, the City had a loan balance through the state revolving fund. The loan agreement contained certain provisions with which the City must comply. It appears the City has complied with all provisions, except the following:

Comment - The City has not provided a balance sheet in its financial statements and has not prepared the financial statements using the accrual method of accounting as of June 30, 2009.

Recommendation - The City should either comply with the provisions to provide a balance sheet in its financial statements and also prepare its financial statements on the accrual basis of accounting or obtain a waiver from complying with these provisions.

Response - The City will try to obtain a waiver from these provisions.

Conclusion - Response accepted.

CITY OF TAMA

Staff

This audit was performed by:

William Vincent, CPA, Partner

Bradley Hauge, CPA, Partner

James Fitzpatrick, CPA, Manager

Victor Neff, Associate

Lindsey Kotowske, Associate