



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE October 23, 2009

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on the City of Murray, Iowa.

The City's receipts totaled \$543,031 for the year ended June 30, 2009. The receipts included \$127,750 in property tax, \$259,736 from charges for service, \$81,089 from operating grants, contributions and restricted interest, \$28,063 from local option sales tax, \$5,439 from unrestricted interest on investments and \$40,954 from other general receipts.

Disbursements for the year totaled \$517,690, and included \$87,876 for public works, \$72,544 for general government and \$39,216 for culture and recreation. Also, disbursements for business type activities totaled \$244,751.

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

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

JUNE 30, 2009

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City of Murray

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Terry Scroggie	Mayor	Jan 2010
Scott Busick	Mayor Pro-Tem	Jan 2010
Kay Risser	Council Member	Jan 2010
Virgene Creese	Council Member	Jan 2012
Robert Fisher	Council Member	Jan 2012
Dean Robins	Council Member	Jan 2012
Ritha Wolfe	Clerk/Treasurer	Indefinite
Marion James	City Attorney	Indefinite

City of Murray



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Murray, 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 Murray's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

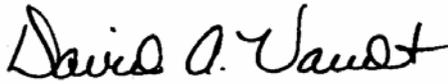
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2008.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2008, as discussed in the preceding paragraph, 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 Murray as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

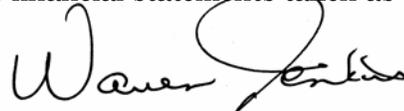
In accordance with Government Auditing Standards, we have also issued our report dated October 7, 2009 on our consideration of the City of Murray's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 26 through 27 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Murray's basic financial statements. Other supplementary information included in Schedule 1 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 7, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Murray 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.

Since the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

2009 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities increased approximately \$26,000, due primarily to a refund of local option sales tax from Clarke County.
- The cash basis net assets of the City's business type activities decreased \$870.

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 City's indebtedness.

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 and garbage collection. 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 3) the Debt Service 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. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and garbage funds, considered to be major funds of the City.

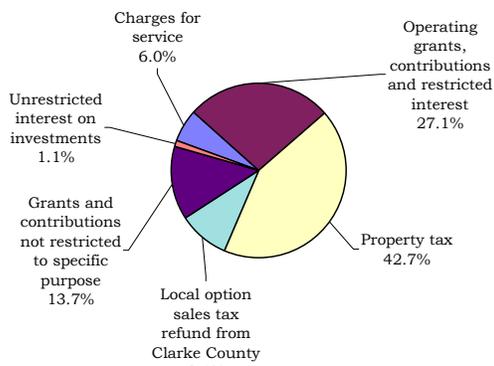
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

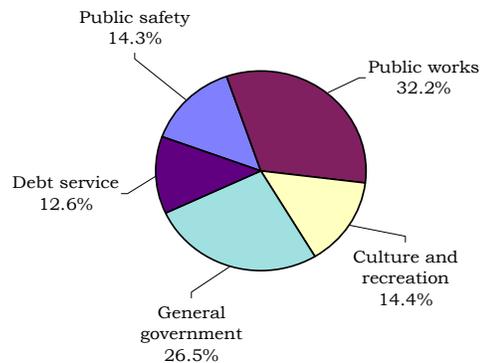
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$429,931 to \$456,142. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2009
Program receipts:	
Charges for service	\$ 18,015
Operating grants, contributions and restricted interest	81,089
General receipts:	
Property tax	127,750
Local option sales tax refund from Clarke County	28,063
Grants and contributions not restricted to specific purpose	40,954
Unrestricted interest on investments	3,279
Total receipts	<u>299,150</u>
Disbursements:	
Public safety	38,973
Public works	87,876
Culture and recreation	39,216
General government	72,544
Debt service	34,330
Total disbursements	<u>272,939</u>
Increase in cash basis net assets	26,211
Cash basis net assets beginning of year	<u>429,931</u>
Cash basis net assets end of year	<u>\$ 456,142</u>

Receipts by Source



Disbursements by Function



The cash basis net assets of the City's governmental activities increased approximately \$26,000, or 6.1%, due primarily to a \$27,000 refund of local option sales tax previously remitted to Clarke County for the construction of a law enforcement center.

<u>Changes in Cash Basis Net Assets of Business Type Activities</u>	
	<u>Year ended June 30, 2009</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 129,316
Sewer	53,978
Garbage	58,427
General receipts:	
Unrestricted interest on investments	2,160
Total receipts	<u>243,881</u>
Disbursements:	
Water	159,988
Sewer	44,469
Garbage	40,294
Total disbursements	<u>244,751</u>
Decrease in cash basis net assets	(870)
Cash basis net assets beginning of year	<u>392,780</u>
Cash basis net assets end of year	<u>\$ 391,910</u>

Total business type activities cash basis net assets decreased from a year ago, from \$392,780 to \$391,910.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Murray completed the year, its governmental funds reported a combined fund balance of \$456,142, an increase of \$26,211 above last year's total of \$429,931. 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 \$53,393 from the prior year to \$331,817, due primarily to an approximately \$28,000 refund of local option sales tax previously remitted to Clarke County for the construction of a law enforcement center.
- The Special Revenue, Road Use Tax Fund cash balance increased \$13,541 to (\$29,037) during the fiscal year. This increase was attributable to a decrease in disbursements because the City did not have any significant road projects during the fiscal year.
- The Special Revenue, Employee Benefits Fund decreased \$39,380 to \$105,782. This decrease was attributable to the City not levying a tax for employee benefits because the cash balance was large enough to pay obligations for the fiscal year.
- The Debt Service Fund cash balance decreased \$365 to \$25,032 during the fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$29,756 to \$154,850, due primarily to the City paying the outstanding balance of the water tower loan during the fiscal year.

- The Sewer Fund cash balance increased \$10,212 to \$120,089, primarily due to a decrease in disbursements related to the wastewater lagoon project. Receipts did not change significantly from the prior year.
- The Garbage Fund cash balance increased \$18,674 to \$116,971, due primarily to a decrease in maintenance and repair costs. Receipts did not change significantly from the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 4, 2009 and resulted in an increase in miscellaneous receipts and other financing sources. The increases were for new FEMA grants, the sale of two tractors, an insurance refund and increased Library receipts.

The City’s receipts were \$790 less than budgeted. This was primarily due to the City receiving less in local option sales tax due to the defeat of the most recent LOST ballot and an increase in intergovernmental receipts due to the City receiving an approximately \$28,000 refund of local option sales tax previously remitted to Clarke County for the construction of a law enforcement center.

Total disbursements were \$93,851 less than budgeted. This was primarily due to the city performing less road work in the current fiscal year and a decrease in payments made to Clarke County for the law enforcement center.

The City exceeded the amount budgeted in the culture and recreation and the business type activities functions for the year ended June 30, 2009 due to disbursements for the new horse arena and due to the City paying the remaining portion of its water tower loan, respectively.

DEBT ADMINISTRATION

At June 30, 2009, the City had \$56,903 in notes and other long-term debt outstanding, compared to \$130,788 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2009	2008
General obligation notes	\$ 30,000	60,000
Water tower loan	-	38,103
Tractor loan	26,903	32,685
Total	<u>\$ 56,903</u>	<u>130,788</u>

Debt decreased as a result of paying off the water tower loan and the scheduled note payments.

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 \$56,903 is below its constitutional debt limit of \$760,500.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Murray'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. The City's FY 2010 assessed taxable valuation has decreased \$17,453 from the FY 2009 level.

The FY 2010 budget contains total receipts of \$542,842 and disbursements of \$574,761. The budgeted receipts are somewhat lower than the FY 2009 final budget which contained total receipts of \$549,528. The budgeted disbursements are somewhat lower than the FY 2009 final budget which contained disbursements of \$611,541. The FY 2010 budgeted receipts decreased due to an anticipated decrease in property tax receipts and intergovernmental receipts. The FY 2010 budgeted disbursements decreased because the City decreased the budgeted disbursements in the general government and public works functions as a result of the decrease in disbursements in these functions during FY 2009.

The FY 2010 levy is \$14.82833 per \$1,000 of taxable valuation, a decrease from \$15.80236 per \$1,000 of taxable valuation in FY 2009.

These parameters were taken into account when adopting the budget for FY 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 questions about this report or need additional financial information, contact Ritha Wolfe, City Clerk, 495 Maple St., Murray, Iowa 50174-0186.

Basic Financial Statements

City of Murray

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2009

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 38,973	269	-
Public works	87,876	10,483	71,917
Culture and recreation	39,216	2,514	9,094
General government	72,544	4,749	78
Debt service	34,330	-	-
Total governmental activities	272,939	18,015	81,089
Business type activities:			
Water	159,988	129,316	-
Sewer	44,469	53,978	-
Garbage	40,294	58,427	-
Total business type activities	244,751	241,721	-
Total	\$ 517,690	259,736	81,089

General Receipts:

Property tax levied for:
 General purposes
 Debt service
 Local option sales tax refund from Clarke County
 Grants and contributions not restricted to specific purpose
 Unrestricted interest on investments

Total general receipts

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:

Debt service
 Other purposes

Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(38,704)	-	(38,704)
(5,476)	-	(5,476)
(27,608)	-	(27,608)
(67,717)	-	(67,717)
(34,330)	-	(34,330)
(173,835)	-	(173,835)
-	(30,672)	(30,672)
-	9,509	9,509
-	18,133	18,133
-	(3,030)	(3,030)
(173,835)	(3,030)	(176,865)
93,785	-	93,785
33,965	-	33,965
28,063	-	28,063
40,954	-	40,954
3,279	2,160	5,439
200,046	2,160	202,206
26,211	(870)	25,341
429,931	392,780	822,711
\$ 456,142	391,910	848,052
\$ 25,032	-	25,032
128,330	-	128,330
302,780	391,910	694,690
\$ 456,142	391,910	848,052

City of Murray

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 Benefits	Debt Service
Receipts:				
Property tax	\$ 93,785	-	-	33,965
Local option sales tax refund	28,063	-	-	-
Licenses and permits	988	-	-	-
Use of money and property	3,372	-	991	-
Intergovernmental	47,634	71,917	-	-
Charges for service	6,389	10,483	-	-
Miscellaneous	1,247	-	-	-
Total receipts	181,478	82,400	991	33,965
Disbursements:				
Operating:				
Public safety	38,973	-	-	-
Public works	-	68,859	19,017	-
Culture and recreation	36,648	-	1,274	-
General government	52,464	-	20,080	-
Debt service	-	-	-	34,330
Total disbursements	128,085	68,859	40,371	34,330
Excess (deficiency) of receipts over (under) disbursements	53,393	13,541	(39,380)	(365)
Net change in cash balances	53,393	13,541	(39,380)	(365)
Cash balances beginning of year	278,424	(42,578)	145,162	25,397
Cash balances end of year	\$ 331,817	(29,037)	105,782	25,032
Cash Basis Fund Balances				
Reserved for debt service	\$ -	-	-	25,032
Unreserved:				
General fund	331,817	-	-	-
Special revenue funds	-	(29,037)	105,782	-
Total cash basis fund balances	\$ 331,817	(29,037)	105,782	25,032

See notes to financial statements.

<u>Nonmajor</u>	
<u>Special Revenue</u>	
Library	
Trust	Total
-	127,750
-	28,063
-	988
316	4,679
-	119,551
-	16,872
-	1,247
<u>316</u>	<u>299,150</u>
-	38,973
-	87,876
1,294	39,216
-	72,544
-	34,330
<u>1,294</u>	<u>272,939</u>
(978)	26,211
(978)	26,211
23,526	429,931
<u>22,548</u>	<u>456,142</u>
-	25,032
-	331,817
22,548	99,293
<u>22,548</u>	<u>456,142</u>

City of Murray

City of Murray

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

As of and for the year ended June 30, 2009

	Enterprise			Total
	Water	Sewer	Garbage	
Operating receipts:				
Charges for service	\$ 123,666	53,978	58,427	236,071
Miscellaneous	5,650	-	-	5,650
Total operating receipts	129,316	53,978	58,427	241,721
Operating disbursements:				
Business type activities	120,811	44,469	40,294	205,574
Excess of operating receipts over operating disbursements	8,505	9,509	18,133	36,147
Non-operating receipts (disbursements):				
Interest on investments	916	703	541	2,160
Debt service	(39,177)	-	-	(39,177)
Total non-operating receipts (disbursements)	(38,261)	703	541	(37,017)
Net change in cash balances	(29,756)	10,212	18,674	(870)
Cash balances beginning of year	184,606	109,877	98,297	392,780
Cash balances end of year	\$ 154,850	120,089	116,971	391,910
Cash Basis Fund Balances				
Unreserved	\$ 154,850	120,089	116,971	391,910

See notes to financial statements.

City of Murray

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

The City of Murray is a political subdivision of the State of Iowa located in Clarke County. It was first incorporated in 1880 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Murray 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 no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization

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: Clarke County Assessor's Conference Board, Clarke County Emergency Management, Clarke County Sanitary Landfill Commission and the South Central Regional E911 Service Board.

Joint Venture

The City also participates in the Murray Community Fire District (District), an Iowa 504A non-profit corporation pursuant to a verbal agreement whereby the City of Murray pays the annual cost of the District's insurance. In addition to the City of Murray, the District includes Doyle, Madison, Troy, Ward, Jones and Pleasant townships.

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 service.

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

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

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are 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 not paid from other funds.

Special Revenue:

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

The Employee Benefits Fund is used to account for special tax levy collections to be used 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 wastewater treatment and sanitary sewer system.

The Garbage Fund accounts for the collection and disbursement of garbage collection and landfill fees.

C. Measurement Focus and Basis of Accounting

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

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

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with 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 culture and recreation and business type activities functions.

(2) Cash and Pooled Investments

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

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

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Long Term Debt

Notes Payable

Annual debt service requirements to maturity for general obligation notes are as follows:

Year Ending June 30,	Interest Rates	Street Improvement		
		Principal	Interest	Total
2010	6.60%	\$ 30,000	1,980	31,980

Loan Agreement

On June 5, 2008, the City entered into a loan agreement to purchase a tractor. The loan is for six years, has an effective interest rate of 6.00% and provides for five annual payments of \$6,000 and one final payment for \$8,267.

Annual payments under the loan agreement are as follows:

Year Ending June 30,	Interest Rates	Tractor Loan		
		Principal	Interest	Total
2010	6.00%	\$ 4,363	1,637	6,000
2011	6.00	4,629	1,371	6,000
2012	6.00	4,911	1,089	6,000
2013	6.00	5,207	793	6,000
2014	6.00	7,793	474	8,267
Total		\$ 26,903	5,364	32,267

Payments under the loan agreement for the year ended June 30, 2009 totaled \$6,000, including principal of \$5,782 and interest of \$218.

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2009 was \$5,473, equal to the required contribution for the year.

(5) 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.

(6) Deficit Balance

The Special Revenue, Road Use Tax Fund had a deficit balance of \$29,037 at June 30, 2009. The City is reviewing alternatives to eliminate the deficit balance in this fund.

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 127,750	-	127,750	124,728	124,728	3,022
Other city tax	28,063	-	28,063	64,801	64,801	(36,738)
Licenses and permits	988	-	988	1,000	1,000	(12)
Use of money and property	4,679	2,160	6,839	-	-	6,839
Intergovernmental	119,551	-	119,551	108,300	108,300	11,251
Charges for service	16,872	236,071	252,943	234,608	234,608	18,335
Miscellaneous	1,247	5,650	6,897	-	10,384	(3,487)
Total receipts	299,150	243,881	543,031	533,437	543,821	(790)
Disbursements:						
Public safety	38,973	-	38,973	39,300	39,300	327
Public works	87,876	-	87,876	132,262	132,262	44,386
Culture and recreation	39,216	-	39,216	33,933	33,933	(5,283)
General government	72,544	-	72,544	139,223	139,223	66,679
Debt service	34,330	-	34,330	34,330	34,330	-
Business type activities	-	244,751	244,751	232,493	232,493	(12,258)
Total disbursements	272,939	244,751	517,690	611,541	611,541	93,851
Excess (deficiency) of receipts over/(under) disbursements	26,211	(870)	25,341	(78,104)	(67,720)	93,061
Other financing sources	-	-	-	5,707	5,707	(5,707)
Balances beginning of year	429,931	392,780	822,711	659,513	659,513	163,198
Balances end of year	\$ 456,142	391,910	848,052	587,116	597,500	250,552

See accompanying independent auditor's report.

City of Murray

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. 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 and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$16,091. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the culture and recreation and business type activities functions.

City of Murray

Other Supplementary Information

City of Murray
Schedule of Indebtedness
Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes: Street improvement	Mar 1, 1995	5.40-6.60%	\$ 330,000
Joint financing agreement: Southern Iowa Rural Water Association (SIRWA): Water tower loan	Jul 5, 1994	5.00%	\$ 51,000
Bank loan: Tractor	Jun 5, 2008	6.00%	\$ 32,685

See accompanying independent auditor's report.

Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid
60,000	30,000	30,000	3,930
38,103	38,103	-	1,074
32,685	5,782	26,903	218

City of Murray



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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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 Murray, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 7, 2009. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2008. Except as noted in the Independent Auditor's Report, 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 Murray's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Murray's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Murray's internal control over financial reporting.

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Murray'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 Murray's financial statements that is more than inconsequential will not be prevented or detected by the City of Murray's internal control. We consider the deficiencies in internal control described in 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, which results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Murray'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 (A), (D), (E) and (F) are material weaknesses.

Compliance and Other Matters

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

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

The City of Murray'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 Murray'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 Murray and other parties to whom the City of Murray 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 Murray 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 7, 2009

City of Murray
Schedule of Findings
Year ended June 30, 2009

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- (A) 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. When duties are properly segregated, the activities of one employee act as a check on those of another. One person had control over each of the following areas for the City:
- (1) Cash – initiating cash receipt and disbursement transactions, handling and recording cash and reconciling bank accounts.
 - (2) Investments – detailed recording keeping, custody of investments and reconciling earnings.
 - (3) Receipts – collecting, depositing, journalizing and recording.
 - (4) Utility receipts – billing, collecting, depositing, recording and reconciling.
 - (5) Disbursements – preparation, recording and reconciling.
 - (6) Payroll – preparing and distributing.
 - (7) Information system (computer usage) – performing all general accounting functions and controlling all data input and output.

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

Response – The City Council will review and make the necessary changes that will help segregate the duties as much as possible, given the limited number of office employees.

Conclusion – Response accepted.

- (B) Policies and Procedures – The City does not have written policies and procedures for the following:
- Personnel policies, including written job descriptions, requirements to maintain confidentiality of sensitive information and procedures to check credentials or references of new employees.
 - Credit card policy.

Recommendation – Policies and procedures should be developed and approved by the City Council.

Response – I will bring each of these points to the attention of the City Council for discussion. The City Council will set the policies and job requirements with a resolution.

Conclusion – Response accepted.

City of Murray

Schedule of Findings

Year ended June 30, 2009

- (C) Information System/Computer Controls – During our review of internal control, the existing control activities in the City’s computer-based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City’s computer-based systems were noted:

The City does not have written policies for:

- Requiring password changes every 60 to 90 days or to maintain password privacy and confidentiality.
- Restricting access to computer systems through the use of unique user IDs.
- Requiring computers to have a log off function when not in use.
- Ensuring only software licensed to the City is installed on computers.
- Internet usage.
- Requiring back-up tapes be stored at a secure off-site location.
- Developing a disaster recovery plan.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over computer-based systems.

Response – I will advise the Council that they need to develop written policies to address each of these items.

Conclusion – Response accepted.

- (D) Bank Reconciliations – Bank accounts were not reconciled to cash balances recorded in the City’s accounting system so reconciliations could not be subsequently reviewed by an independent person.

Recommendation – To improve financial accountability and control, a reconciliation of the book balances to bank and cash balances should be prepared and retained and should be subsequently reviewed by an independent person. Any variances should be investigated and resolved in a timely manner.

Response – The bank reconciliation will be balanced to the cash balance report each month. We will have a Council person sign off on each bank statement and any variances will be investigated and resolved in a timely manner.

Conclusion – Response accepted.

- (E) Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled on a monthly basis.

Recommendation – Monthly utility reconciliations should be prepared and the reconciliations should be approved by the Council.

City of Murray

Schedule of Findings

Year ended June 30, 2009

Response – The City is in the process of purchasing new software for the billing system. With this software we will be able to reconcile the utility billing, collections, and delinquent accounts monthly.

Conclusion – Response accepted.

- (F) Financial Reporting – During the audit, we identified a material amount of receipts not recorded correctly in the City's accounting system. Adjustments were subsequently made by the City to properly record these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receipts are properly classified and recorded in the City's financial statements.

Response – We will check all account numbers closely before entering them into the financial system.

Conclusion – Response accepted.

- (G) Records of Accounts - The Library Board maintained accounting records separate from the City Clerk's records. The transactions and the resulting balances were not recorded in the City Clerk's records. In March 2009, all accounts, with the exception of the Library's CD's, which are restricted by a grant, were turned over to the City and the financial activity is recorded in the June 30, 2009 balances.

Recommendation - Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." The Library's CD's should be in the City's custody and recorded in the City Clerk's records as a Special Revenue Fund.

Response – I will, again, recommend to the City Council and the Library Board that the Library CD's should be in the custody of the City and should be recorded in the Clerk's record as a Special Revenue Fund.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Murray
 Schedule of Findings
 Year ended June 30, 2009

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been approved by the City. However, the maximum deposit amount was not stated in the resolution for one depository.

Recommendation – The City should adopt a depository resolution naming all depository banks in amounts sufficient to cover all deposits.

Response – I will prepare a resolution for the City Council naming official depositories and the amount sufficient to cover all deposits.

Conclusion – Response accepted.

- (2) Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the culture and recreation and business-type activities functions.

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

Response – I will attempt to get accurate information from all departments and amend the budget before disbursements exceed budget amounts.

Conclusion – Response accepted.

- (3) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

- (4) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- (5) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Jenny Schaff, Librarian’s granddaughter, owner of JJS Connections	Computer Hardware/Software	\$ 1,024

In accordance with Chapter 362.5(11) of the Code of Iowa, these transactions do not appear to represent a conflict of interest since the total transactions were less than \$2,500 per individual during the fiscal year.

- (6) 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 the coverage is adequate for current operations.

City of Murray

Schedule of Findings

Year ended June 30, 2009

(7) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

(8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted. However, the City's investment policy refers to Chapter 452 of the Code of Iowa.

Recommendation – The City should adopt a new investment policy which refers to the investment provisions of Chapters 12B and 12C of the Code of Iowa.

Response – The City Council will adopt a new investment policy, referring to Chapters 12B and 12C of the Code of Iowa.

Conclusion – Response accepted.

(9) Financial Condition – The Special Revenue, Road Use Tax Fund had a deficit balance of \$29,037 at June 30, 2009.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial position.

Response – The City Council will work on alternatives to eliminate the deficit in the Special Revenue, Road Use Tax Fund and keep the fund in a sound financial position.

Conclusion – Response accepted.

(10) Insurance and Emergency Tax Levies – The City levies tax for insurance purposes. The insurance levy produced tax collections of \$24,890 recorded in the General Fund. Insurance premiums paid from the General Fund totaled \$16,982, indicating excess tax is being levied for this purpose.

The City also levies tax for emergency purposes. The tax collections were recorded in the General Fund.

Recommendation – The insurance tax levy should be reduced to the estimated disbursements for insurance premiums. Amounts collected in excess of insurance premiums in the General Fund should be used only for insurance purposes.

An Emergency Fund should be established as a Special Revenue Fund to properly account for the emergency levy to comply with the City Finance Committee Rules and to be consistent with the Uniform Chart of Accounts for City Governments in Iowa.

Response – The insurance tax levy will be reduced to reflect the City's insurance needs more accurately. The City will establish a Special Revenue Fund to account for the emergency levy to comply with the City Finance Committee Rules and to be consistent with the Uniform Chart of Accounts.

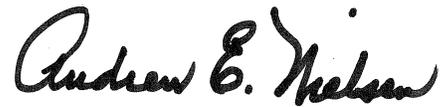
Conclusion – Response accepted.

City of Murray

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
Michael P. Piehl, Senior Auditor
Dorothy O, Stover, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive, flowing style.

Andrew E. Nielsen, CPA
Deputy Auditor of State