CITY OF MALVERN

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

JUNE 30, 2009

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City of Malvern

Officials

Name	Title	Term Expires
Dwain Pelzer	Mayor	January 2010
Gary Perkins	Council Member	January 2010
Doug Shere	Council Member	January 2010
Susan Dunmire	Council Member	January 2010
Shane Sayers	Council Member	January 2010
Toni Michel	Council Member	January 2012
Shari Mueller	City Clerk	Indefinite
T. J. Pattermann	Attorney	Indefinite

City of Malvern

SCHROER
and associates p.c.
certified public accountants

Marilyn Schroer, CPA
Diane McGrain, CPA
Jim Menard, CPA

November 4, 2009

Independent Auditors' 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 and each major fund of the City of Malvern, 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 Malvern'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.

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, and each major fund of the City of Malvern 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.

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In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2009 on our consideration of the City of Malvern'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 the internal control over financial reporting or on 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 11 and 28 through 30 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. However, 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 Malvern'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 four years ended June 30, 2008 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Schnoer & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2009 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 39%, or approximately $288,000, from fiscal 2008 to fiscal 2009. Operating grants increased approximately $138,000 and capital grants increased approximately $95,000.

Disbursements increased 26%, or approximately $196,000, in fiscal 2009 from fiscal 2008. Capital projects increased by approximately $230,000.

The City's total cash basis net assets increased by 45%, or $50,528, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities increased $77,162, and business type activities decreased by $26,634.

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.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keeping 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 activities4" 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, 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 sanitary sewer system. This activity is 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 basis services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt-Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operation and the basic services it provides. Governmental fund information helps determine whether there are more of fewer financial resources that can be spent in the near future to finance the City's programs.

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds considered to be major funds of the City.

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

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from $(51) thousand to $26 thousand. The analysis that follows focuses on the changes in cash balances for governmental activities.

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

	Year Ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service	$ 106	$ 98
Operating grants, contributions and restricted interest	350	212
Capital grants, contributions and restricted interest.	100	5
General receipts:		
Property tax	355	363
Local option sales tax	71	67
Grants and contributions not restricted to specific purpose	1	1
Unrestricted interest on investments	1	-
Bond and note proceeds	50	-
	1,034	746
Disbursements and other financing uses:		
Public safety	63	82
Public works	262	249
Culture and recreation	194	183
Community and economic development	2	1
General Government	90	112
Debt service	116	134
Capital projects	230	-
	957	761
Deficiency of receipts under disbursements	77	(15)
Other financing sources, net	-	150
Net change in cash basis net assets	77	135
Cash basis net assets beginning of year	(51)	(186)
Cash basis net assets end of year	$ 26	$ (51)

The City's total receipts for governmental activities decreased by 39%, or $288,000. The total cost of all programs and services increased by approximately 26%, or $196,000. The increase in receipts was primarily due to increases in operating and capital grants.

The cost of all governmental activities this year was $957 thousand compared to $761 thousand last year. The City spent additional monies on housing projects.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)	Year Ended June 30, 2009	Year Ended June 30, 2008
Operating receipts		
Charges for service:		
Water	$ 121	$ 129
Sewer	100	103
General receipts:		
Unrestricted interest on investments	-	1
Miscellaneous	4	5
Total receipts	225	238
Disbursements:		
Water	109	64
Sewer	142	165
	251	229
Change in cash basis net assets before transfers	(26)	9
Transfers, net	-	(150)
Net change in cash basis net assets	(26)	(141)
Cash basis net assets beginning of year	163	304
Cash basis net assets end of year	$ 137	$ 163

Total business type activities receipts for the fiscal year were $225 thousand compared to $238 thousand last year. The cash balance decreased by $26 thousand.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Malvern completed the year, its governmental funds reported a combined fund balance of $25,697, an increase of $77,162 from last year's total of $(51,465). 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 $61,897 from the prior year of $(175,439) to ($113,542) due to an interfund transfer from Local Option Sales Tax Fund.
- The Road Use Tax Fund decreased $24,463, Employee Benefits Fund increased $499, and Local Option Sales Tax Fund increased $8,426. The Housing Fund decreased $50,627 due to costs not yet reimbursed. The Urban Renewal Tax Increment fund did not change.
- The Debt Service Fund cash balance increased by $3,447 to $(2,270) during the fiscal year.
- The Capital Projects Fund increased $85,983 to $43,032 due to FEMA grant receipts that were disbursed in the next fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Sewer Fund cash balance decreased by $41,460 to $14,860, due to the cost of operations and debt service. The City needs to consider raising sewer rates.

- The Water Fund cash balance increased by $14,826 to $122,009 during the fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the debt service budget was exceeded by $6,049 due to the payment on new debt that had not yet been levied. The capital projects budget was exceeded by $25,024 due to completion of housing projects.

DEBT ADMINISTRATION

At June 30, 2009, the City had $1,307,410 in bonds and other long-term debt, compared to approximately $1,370,988 last year as shown below:

Outstanding Debt at Year End
(Expressed in Thousands)

	Year Ended June 30,	
	2009	2008
General obligation notes	$ 684	$ 715
Revenue notes	623	656
	$ 1,307	$ 1,371

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 was $684,000 at fiscal year end, which is significantly below the City's constitutional debt limit of $2 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Malvern's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates and fees that will be charged for various City activities. The City increased the tax rates approximately .050633 from the previous year.

These indicators were taken into account when adopting the budget for fiscal year 2010. The debt service levy was increased from 15.42619 in 2009 to 15.93252 in 2010 for a difference of .050633. This was increased due to the new bonding for the street sweeper/swimming pool project.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Shari Mueller, City Clerk, 107 E. 4th Street, Malvern, Iowa.

City of Malvern

Basic Financial Statements

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

	Disbursements	Program Receipts: Charges for Service	Program Receipts: Operating Grants Contributions and Restricted Interest	Program Receipts: Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	$ 63,070	958	-	-
Public works	262,079	73,281	120,089	-
Culture and recreation	194,152	30,332	44,045	-
Community and economic development	1,696	-	165,153	-
General government	89,982	1,650	11,600	-
Debt service	115,918	-	9,414	-
Capital projects	230,024	-	-	100,227
Total governmental activities	956,921	106,221	350,301	100,227
Business type activities:				
Water	109,478	120,796	-	-
Sewer	141,641	100,023	-	-
Total business type activities	251,119	220,819	-	-
Total	$ 1,208,040	327,040	350,301	100,227
General Receipts:				
Property tax levied for:				
General purposes				
Employee benefits				
Debt service				
Local option sales tax				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investments				
Miscellaneous				
Anticipatory warrants redeemed				
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:				
Streets				
Employee benefits				
Urban renewal purposes				
Property tax relief				
Debt service				
Capital projects				
Unrestricted				
Total cash basis net assets				

See notes to financial statements

Net (Disbursement) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(62,112)	-	(62,112)
(68,709)	-	(68,709)
(119,775)	-	(119,775)
163,457	-	163,457
(76,732)	-	(76,732)
(106,504)	-	(106,504)
(129,797)	-	(129,797)
(400,172)	-	(400,172)
-	11,318	11,318
-	(41,618)	(41,618)
-	(30,300)	(30,300)
(400,172)	(30,300)	(430,472)
$ 237,081	-	237,081
22,882	-	22,882
95,451	-	95,451
70,426	-	70,426
937	-	937
557	316	873
-	3,350	3,350
50,000	-	50,000
477,334	3,666	481,000
77,162	(26,634)	50,528
(51,465)	163,503	112,038
$ 25,697	136,869	162,566
$ 91,223	-	91,223
32,244	-	32,244
16,039	-	16,039
8,741	-	8,741
-	29,558	29,558
43,032	-	43,032
(165,582)	107,311	(58,271)
$ 25,697	136,869	162,566

City of Malvern
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2009

	General	Road Use Tax	Employee Benefits	Special Local Option Sales Tax
Receipts				
Property tax	$ 226,041	-	21,924	-
Other city tax	11,040	-	958	70,426
Licenses and permits	2,360	-	-	-
Use of money and property	7,442	-	-	-
Intergovernmental	19,704	120,089	-	6,000
Charges for service	98,861	-	-	-
Special assessments	-	-	-	-
Miscellaneous	28,993	-	-	-
Total receipts	394,441	120,089	22,882	76,426
Disbursements				
Operating:				
Public safety	62,714	-	356	-
Public works	106,743	144,552	10,784	-
Culture and recreation	181,067	-	7,085	6,000
Community and economic development	1,696	-	-	-
General government	85,824	-	4,158	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	438,044	144,552	22,383	6,000
Excess (deficiency) of receipts over (under) disbursements	(43,603)	(24,463)	499	70,426
Other financing sources (uses):				
Note proceeds	50,000	-	-	-
Operating transfers in	70,000	-	-	-
Operating transfers out	(14,500)	-	-	(70,000)
Total other financing sources (uses)	105,500	-	-	(70,000)
Net change in cash balances	61,897	(24,463)	499	426
Cash balances beginning of year	(175,439)	115,686	31,745	8,315
Cash balances end of year	$ (113,542)	91,223	32,244	8,741
Cash Basis Fund Balances				
Reserved:				
Debt service	$ -	-	-	-
Unreserved:				
General fund	(113,542)	-	-	-
Special revenue funds	-	91,223	32,244	8,741
Capital projects fund	-	-	-	-
Total cash basis fund balances	$ (113,542)	91,223	32,244	8,741

See notes to financial statements

Revenue				
Housing	Urban Renewal Tax Increment	Debt Service	Capital Projects	Total
-	-	91,430	-	339,395
-	-	4,021	-	86,445
-	-	-	-	2,360
-	-	-	-	7,442
165,153	-	-	100,227	411,173
-	-	-	-	98,861
-	-	9,414	-	9,414
-	-	-	-	28,993
165,153	-	104,865	100,227	984,083
-	-	-	-	63,070
-	-	-	-	262,079
-	-	-	-	194,152
-	-	-	-	1,696
-	-	-	-	89,982
-	-	115,918	-	115,918
215,780	-	-	14,244	230,024
215,780	-	115,918	14,244	956,921
(50,627)	-	(11,053)	85,983	27,162
-	-	-	-	50,000
-	-	14,500	-	84,500
-	-	-	-	(84,500)
-	-	14,500	-	50,000
(50,627)	-	3,447	85,983	77,162
857	16,039	(5,717)	(42,951)	(51,465)
(49,770)	16,039	(2,270)	43,032	25,697
-	-	(2,270)	-	(2,270)
-	-	-	-	(113,542)
(49,770)	16,039	-	-	98,477
-	-	-	43,032	43,032
(49,770)	16,039	(2,270)	43,032	25,697

Exhibit C

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

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for service	$ 120,796	100,023	220,819
Operating disbursements:			
Business type activities	109,478	88,353	197,831
Excess of operating receipts over operating disbursements	11,318	11,670	22,988
Non-operating receipts (disbursements):			
Interest on investments	158	158	316
Miscellaneous	3,350	-	3,350
Debt service	-	(53,288)	(53,288)
Total non-operating receipts (disbursements)	3,508	(53,130)	(49,622)
Net change in cash balances	14,826	(41,460)	(26,634)
Cash balances beginning of year	107,183	56,320	163,503
Cash balances end of year	$ 122,009	14,860	136,869
Cash Basis Fund Balances			
Reserved for debt service	$ -	29,558	29,558
Unreserved	122,009	(14,698)	107,311
	$ 122,009	14,860	136,869

See notes to financial statements

NOTE (1) Summary of Significant Accounting Policies

The City of Malvern is a political subdivision of the State of Iowa located in Mills 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, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Malvern 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 Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Mills County Assessor's Conference Board, Mills County Emergency Management Commission and Mills County E911 Board.

B. Basis of Presentation

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

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

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Employee Benefit Fund is used to account for property taxes levied to pay employee benefits.

The Local Option Sales Tax Fund is used to account for receipts required from the tax authorized by referendum and used for property tax relief.

The Housing Fund is used to account for grants received for housing projects.

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

Special Revenue (continued):

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

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

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

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 sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Malvern 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.

NOTE (1) Summary of Significant Accounting Policies - Continued

D. Budgets and Budgetary Accounting

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

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 Mills County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

NOTE (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's cash, which consists of cash in bank and certificates of deposit, totaled $162,566.

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

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

NOTE (3) Notes Payable

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

Year Ended June 30,	General Obligation Notes		Revenue Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ 81,730	32,620	34,000	18,690	115,730	51,310
2011	90,995	28,631	35,000	17,670	125,995	46,301
2012	96,374	24,209	37,000	16,620	133,374	40,829
2013	100,874	19,527	38,000	15,510	138,874	35,037
2014	105,500	14,626	39,000	14,370	144,500	28,996
2015-2019	208,937	16,265	212,000	53,670	420,937	69,935
2020-2024	-	-	228,000	19,890	228,000	19,890
Total	$ 684,410	135,878	623,000	156,420	1,307,410	292,298

Interest costs paid during the year ended June 30, 2009 totaled $54,992.

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately $2,225,000 which was not exceeded during the year ended June 30, 2009.

Revenue Notes – The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay $799,000 in sewer revenue notes issued in June 2004. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2024. The annual principal and interest payments on the notes were more than four times net receipts. The total principal and interest remaining to be paid is $779,420. For the current year, principal and interest paid and total customer net receipts were $53,288 and $11,670, respectively.

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

a) The notes will only be redeemed from the future earnings of the sewer enterprise activity, and the note holders hold a lien on the future earnings of the fund.

b) Sufficient monthly transfers shall be made to the sewer revenue note sinking account for the purpose of making the note principal and interest payments when due.

The City has complied with the provisions of the resolution. However, net receipts were insufficient to cover debt service payments.

NOTE (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 salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007, were $7,785, $9,261, and $8,384, respectively, equal to the required contributions for each year.

NOTE (5) Compensated Absences

City employees accumulate vacation days for subsequent use or for payment at the end of the calendar year during which it was required to be taken. These accumulations are not recognized as disbursements by the City until used or paid. Employees are entitled to payment of accrued vacation upon termination, retirement, death, or disability. The City's approximate liability for earned vacation benefits payable to employees at June 30, 2009, primarily relating to the General Fund is $3,538. This liability is computed on rates of pay effective as of June 30, 2009.

NOTE (6) Other Postemployment Benefits (OPEB)

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions* during the year ended June 30, 2009.

The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 3 active and 0 retired members in the plan. Participants must be age 55 or older at retirement.

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

NOTE (6) Other Postemployment Benefits (OPEB) – Continued

The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premium for the City and plan members is $579 for single coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2009, there were no plan members eligible for benefits.

NOTE (7) Interfund Transfers

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

Transfer to	Transfer from		Amount
General	Special Revenue: Local Option Sales Tax	$	70,000
Debt Service	General		14,500
		$	84,500

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

NOTE (8) Commitments

Law Enforcement Contract

The City has contracted with Mills County, Iowa whereby the County provides law enforcement services within the City of Malvern through the office of the Sheriff of Mills County, Iowa through June 30, 2010 for an annual amount of $17,178.

Administrative Services Contract

The City renewed its agreement with PeopleService, whereby the City engages PeopleService to manage, operate, and maintain the City's water and wastewater utility system. The Company in turn refunds to the City all cost savings on non-payroll operating expenses. The monthly contracted fee is $7,676, plus $1.96 per account bill, effective through June 30, 2011.

As required in this agreement, PeopleService computes, bills, collects and transmits to the City the revenues from water, sewer and landfill usage.

NOTE (8) Commitments - Continued

Rescue Services Contract

Malvern Volunteer Rescue, Inc. is a separate entity established to provide rescue services. In July 1989, the City signed an ambulance service contract with the Organization, which has been extended for successive one year terms. The Organization is required to provide 24 hour phone service, all insurance, maintenance, repairs and supplies for City owned rescue unit vehicles and trained personnel to respond to rescue calls. The City is required to pay the Organization $1,000 a month for these services.

Community Services

The City has a 28E agreement with Mills County for the purpose of providing emergency communication services. The City's share of the support is $10,048 for the year ending June 30, 2010.

NOTE (9) Lease Agreement

The City leases a copier under an operating lease agreement. Rental expense paid during the fiscal year ended June 30, 2009 totaled $1,200.

Future minimum required lease payments on the copier are as follows:

Year Ending June 30,		
2010	$	1,440
2011		1,440
	$	2,880

NOTE (10) Risk Management

The City of Malvern 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.

NOTE (11) Deficit Fund Balances

The General Fund had a deficit balance of $113,542 at June 30, 2009. The deficit will be eliminated with property tax collections, local option sales tax receipts and reduction in spending.

The Housing Fund had a deficit balance of $49,770 at June 30, 2009. The deficit will be eliminated with grant reimbursements.

The Debt Service Fund had a deficit balance of $2,270 at June 30, 2009. The deficit will be eliminated with property tax collections and transfer of funds.

NOTE (12) Construction Commitments

In June 2009, the City approved an asphalt bid of up to $60,000 for street improvements.

NOTE (13) Subsequent Events

In September 2009, the City approved a bid of $34,373 for a street improvement project.

Required Supplementary Information

City of Malvern
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	Net
Receipts			
Property tax	$ 339,395	-	339,395
Tax increment financing	-	-	-
Other city tax	86,445	-	86,445
Licenses and permits	2,360	-	2,360
Use of money and property	7,442	316	7,758
Intergovernmental	411,173	-	411,173
Charges for service	98,861	220,819	319,680
Special assessments	9,414	-	9,414
Miscellaneous	28,993	3,350	32,343
Total receipts	984,083	224,485	1,208,568
Disbursements			
Public safety	63,070	-	63,070
Public works	262,079	-	262,079
Culture and recreation	194,152	-	194,152
Community and economic development	1,696	-	1,696
General government	89,982	-	89,982
Debt service	115,918	-	115,918
Capital projects	230,024	-	230,024
Business type activities	-	251,119	251,119
Total disbursements	956,921	251,119	1,208,040
Excess (deficiency) of receipts over (under) disbursements	27,162	(26,634)	50,528
Other financing sources, net	50,000	-	50,000
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	77,162	(26,634)	50,528
Balances beginning of year	(51,465)	163,503	112,038
Balances end of year	$ 25,697	136,869	162,566

See accompanying independent auditors' report

Budgeted Amounts		Budget to Net
Original	Final	Variance
338,384	338,384	1,011
8,000	8,000	(8,000)
85,108	85,108	1,337
3,175	3,175	(815)
2,560	2,560	5,198
390,167	390,167	21,006
346,420	346,420	(26,740)
15,000	15,000	(5,586)
-	-	32,343
1,188,814	1,188,814	19,754
82,165	82,165	19,095
238,851	263,851	1,772
179,421	204,421	10,269
3,650	3,650	1,954
87,960	90,000	18
109,869	109,869	(6,049)
205,000	205,000	(25,024)
224,008	254,008	2,889
1,130,924	1,212,964	4,924
57,890	(24,150)	24,678
-	50,000	-
57,890	25,850	24,678
186,943	112,038	-
244,833	137,888	24,678

City of Malvern
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 (GASB) Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and 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, one budget amendment increased budgeted disbursements by $82,040. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the debt service and capital projects functions.

Other Supplementary Information

City of Malvern
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Combining General Fund
As of and for the year ended June 30, 2009

	General	Liberty Memorial Sinking	Park Sinking
Receipts:			
Property tax	$ 226,041	-	-
Other city tax	11,040	-	-
Licenses and fees	2,360	-	-
Use of money and property	7,260	182	-
Intergovernmental	8,704	-	-
Charges for services	98,861	-	-
Miscellaneous	23,845	-	-
Total receipts	378,111	182	-
Disbursements:			
Operating:			
Public safety	62,714	-	-
Public works	106,743	-	-
Culture and recreation	179,233	-	-
Community and economic development	1,696	-	-
General government	85,824	-	-
Total disbursements	436,210	-	-
Excess (deficiency) of receipts over (under) disbursements	(58,099)	182	-
Other financing sources (uses):			
General obligation note proceeds	50,000		
Operating transfers in	70,000	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	120,000	-	-
Net change in cash balances	61,901		
Cash balances beginning of year	(211,509)	6,561	7,101
Cash balances end of year	$ (149,608)	6,743	7,101

See accompanying independent auditors' report

Library Memorial Trust	Library Building	Total
-	-	226,041
-	-	11,040
-	-	2,360
-	-	7,442
-	11,000	19,704
-	-	98,861
1,276	3,872	28,993
1,276	14,872	394,441
-	-	62,714
-	-	106,743
1,791	43	181,067
-	-	1,696
-	-	85,824
1,791	43	438,044
(515)	14,829	(43,603)
-	-	50,000
-	-	70,000
-	(14,500)	(14,500)
-	(14,500)	105,500
(515)	329	61,897
2,747	19,661	(175,439)
2,232	19,990	(113,542)

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

Obligation	Date of Issue	Interest Rates		Amount Originally Issued
General obligation notes:				
Downtown sidewalk improvement	Feb 1, 2001	5.00 %	$	640,000
Liberty memorial improvement	Jul 1, 2004	4.50 %		100,000
Building	Jan 18, 2007	4.75 %		275,000
Library	Dec 19, 2008	4.50 %		50,000
Revenue note:				
Sewer	Jun 14, 2004	3.00 %	$	799,000

See accompanying independent auditors' report

Schedule 2

	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
$	401,988	-	42,576	359,410	19,574	-
	60,000	-	10,000	50,000	2,700	-
	253,000	-	23,000	230,000	12,018	-
	-	50,000	5,000	45,000	1,050	-
$	714,988	50,000	80,576	684,410	35,342	-
$	655,000	-	32,000	623,000	19,650	-

Schedule 3

City of Malvern
Note Maturities
June 30, 2009

	General Obligation Notes											
	Downtown Sidewalk Improvement Issued Feb 1, 2001		Liberty Memorial Building Issued Jul 1, 2004		Library Issued Jan 18, 2007		Essential Corporate Purpose Issued Dec 19, 2008					
Ending June 30,	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount		Total		
2010	5.00 %	$ 44,730	4.50 %	$ 10,000	4.75%	$ 24,000	4.50 %	$ 3,000	$	81,730		
2011	5.00 %	46,995	4.50 %	10,000	4.75%	25,000	4.50 %	9,000		90,995		
2012	5.00 %	49,374	4.50 %	10,000	4.75%	27,000	4.50 %	10,000		96,374		
2013	5.00 %	51,874	4.50 %	10,000	4.75%	28,000	4.50 %	11,000		100,874		
2014	5.00 %	54,500	4.50 %	10,000	4.75%	29,000	4.50 %	12,000		105,500		
2015	5.00 %	57,259		-	4.75%	31,000		-		88,259		
2016	5.00 %	54,678		-	4.75%	32,000		-		86,678		
2017	-	-		-	4.75%	34,000		-		34,000		
Total		$ 359,410		$ 50,000		$ 230,000		$ 45,000	$	684,410		

	Revenue Note		
	Sewer Issued Jun 14, 2004		
Year Ending June 30,	Interest Rate		Amount
2010	3.00 %	$	34,000
2011	3.00 %		35,000
2012	3.00 %		37,000
2013	3.00 %		38,000
2014	3.00 %		39,000
2015	3.00 %		40,000
2016	3.00 %		41,000
2017	3.00 %		42,000
2018	3.00 %		44,000
2019	3.00 %		45,000
2020	3.00 %		46,000
2021	3.00 %		48,000
2022	3.00 %		49,000
2023	3.00 %		51,000
2024	3.00 %		34,000
Total		$	623,000

See accompanying independent auditors' report

Schedule 4

City of Malvern
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds
For the Last Five Years

	2009	2008	2007	2006	2005
Receipts					
Property tax	$ 339,395	346,343	312,598	291,091	296,538
Other city tax	86,445	82,873	83,127	73,964	71,480
Licenses and permits	2,360	1,335	1,067	472	1,300
Use of money and property	7,442	6,816	11,983	27,374	21,749
Intergovernmental	411,173	170,953	396,241	205,055	368,599
Charges for service	98,861	97,093	95,960	99,198	83,860
Special assessments	9,414	14,708	10,284	12,731	10,666
Miscellaneous	28,993	26,191	215,279	29,583	99,245
Total	$ 984,083	746,312	1,126,539	739,468	953,437
Disbursements					
Operating:					
Public safety	$ 63,070	81,892	70,934	72,107	70,772
Public works	262,079	248,611	250,608	292,794	270,334
Culture and recreation	194,152	183,026	194,648	679,211	157,495
Community and economic development	1,696	1,382	7,159	53,382	2,646
General government	89,982	112,106	141,743	120,676	130,528
Debt service	115,918	134,601	75,750	90,268	62,150
Capital projects	230,024	-	630,666	95,475	982,106
Total	$ 956,921	761,618	1,371,508	1,403,913	1,676,031

See accompanying independent auditors' report

City of Malvern

SCHROER
and associates p.c.
certified public accountants

Marilyn Schroer, CPA
Diane McGrain, CPA
Jim Menard, CPA

November 4, 2009

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

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the governmental activities, the business type activities, each major fund of the City of Malvern, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 4, 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 Malvern's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Malvern's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Malvern'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.

Continued...

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

Our consideration of 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 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 all of the above items are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Malvern'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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

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

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

Continued...

City of Malvern
Independent Auditor's Report on
Internal Control and Compliance

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 Malvern and other parties to whom the City of Malvern may report including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Malvern 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.

Schroer & Associates, P.C.

City of Malvern
Schedule of Findings
Year Ended June 30, 2009

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, posting of the cash receipts to the cash receipts journal, and reconciling are all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. In addition, the Council should review monthly the Clerk's Report and actual to budget comparisons.

Response – We will implement additional controls.

Conclusion – Response accepted.

I-B-09 Information System

Comment – During the audit, we noted the City was not able to reconcile cash with the balance sheet due to software glitches.

Recommendation – The City should report errors to data software support so problems can be resolved to provide accurate financial reconciliations and reporting.

Response – We will do this.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Malvern
Schedule of Findings
Year Ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

II-A-09 Certified Budget

Comment - Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the debt service and capital projects functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

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

Conclusion – Response accepted.

II-B-09 Entertainment Expense

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-09 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-09 Business Transactions

No business transactions were noted between the City and City officials or employees.

II-E-09 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

Part II: Other Findings Related to Statutory Reporting Continued:

II-F-09 Council Minutes

Comment – We noted 11 out of 69 transactions tested were not included in the listing for approval of claims in Council minutes, and invoices for housing projects were not always attached to the claim. Although minutes for council proceedings were published, they were not always published within 15 days of the meeting, as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should monitor procedures to insure all claims are properly approved and supported. All minutes should be published timely.

Response – We will review our procedures. Claims added late for approval at the Council meeting were not always included on the listing of claims in the minutes.

Conclusion – Response accepted

II-G-09 Enterprise Debt

Comment – Although the City has made the necessary transfers per the sewer bond resolution and has serviced the debt, net receipts were insufficient to service operations and debt service requirements, resulting in a negative unreserved fund balance.

Recommendation – The City should consider raising sewer rates in order to maintain the fund in sound financial condition.

Response – We will review this further.

Conclusion – Response accepted.

II-H-09 Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

City of Malvern
Schedule of Findings
Year Ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting Continued:

II-I-09 Excess Balances

Comment – The balance in the Special Revenue Fund-Employee Benefit Account at June 30, 2009, was in excess of the fund's disbursements during the year.

Recommendation – The City should consider the necessity of maintaining these substantial balances, and where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response – We will review this further.

Conclusion – Response accepted.

II-J-09 Financial Condition

Comment –The General Fund had a deficit balance of $113,542, the Debt Service Fund had a deficit balance of $2,270, and the Housing Fund had a deficit balance of $49,770 at June 30, 2009.

Recommendation – The City should monitor the activity in these funds in order to eliminate the deficits. The City should control spending within budget limits and corresponding revenue sources.

Response – We will review this further and return these funds to a sound financial condition. The Housing Fund deficit will be eliminated with grant reimbursements. The Debt Service Fund deficit will be eliminated with a fund transfer. We have made the following plans for the General Fund:

a.) Purchase capital assets needed with the levy of debt.

b.) Require each department to be responsible for cutting budget expenditures where possible.

Conclusion – Response accepted.

II-K-09 Inactive Capital Project

Comment – The Capital Projects Fund, Liberty Memorial Fund is inactive.

Recommendation – The City should make the appropriate transfer to close.

Response – We will do this when funds are available from the General Fund.

Conclusion – Response accepted.