

**City of Roland, Iowa**

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

**June 30, 2009**

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**City of Roland, Iowa  
OFFICIALS**

	<u><b>Term expires</b></u>
<b>MAYOR AND MEMBERS OF CITY COUNCIL</b>	
Sam Juhl, Mayor	January 2010
Jeri Neely, Council Member	January 2010
Erin Varley, Council Member	January 2012
Corey Johnson, Council Member	January 2012
Larry Ford, Council Member	January 2012
Duane Canny, Council Member	January 2010
<b>CITY CLERK</b>	
Deneen Frost	Indefinite
<b>CITY ATTORNEY</b>	
Tom Wynia	Indefinite

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Roland, Iowa as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed on the contents page of this report. These financial statements are the responsibility of the City of Roland's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Roland, Iowa 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 January 20, 2010 on our consideration of the City of Roland, Iowa'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 6 through 10 and 22 through 24 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We 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 Roland'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 years ended June 30, 2007 and 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The supplementary information for the years ended June 30, 2008, 2006, and 2004 has not been audited by us and, accordingly, we express no opinion on it.

*Denman & Company, LLP*  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
January 20, 2010

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### 2009 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 3.4%, or approximately \$28,000, from fiscal 2008 to fiscal 2009. Intergovernmental receipts decreased approximately \$33,000.
- Disbursements increased 20%, or approximately \$134,000, in fiscal 2009 from fiscal 2008. Public safety decreased approximately \$18,000 and public works increased approximately \$116,000. Culture and recreation disbursements increased approximately \$61,000.
- The City's total cash basis net assets decreased 10.4%, or approximately \$91,000, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities increased approximately \$13,000 and the assets of the business type activities decreased by approximately \$104,000.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

### Basis of Accounting

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

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

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

The Statement of Activities and Net Assets--Cash Basis 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--Cash Basis is divided into three kinds of activities:

- Governmental Activities include public safety, public works, community and economic development, culture and recreation, health and social services, 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 and the sewer system. These activities are financed primarily by user charges.
- The Component Unit includes the activities of the Roland Public Library Foundation. The City is financially accountable for the Foundation although it is legally separate from the City.

### *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 Economic Development, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial 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 meter deposits funds. The water and sewer funds are 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 \$568,368 to \$581,410. The analysis that follows focuses on the changes in cash net assets of governmental activities.

**Changes in Cash Basis Net Assets of Governmental Activities**

	<u>Year ended June 30</u>	
	<u>2009</u>	<u>2008</u>
Receipts and transfers:		
Program receipts:		
Charges for services	\$ 147,285	\$ 137,733
Operating grants, contributions and restricted interest	136,879	169,113
General receipts:		
Property tax	322,736	341,605
Local option sales tax	154,661	141,268
Unrestricted investment earnings	1,576	8,403
Other general receipts	45,415	38,958
Transfers, net	<u>11,925</u>	<u>12,370</u>
Total receipts and transfers	820,477	849,450
Disbursements:		
Public safety	93,261	110,941
Public works	363,495	247,247
Community and economic development	23,052	16,118
Culture and recreation	224,625	163,674
Health and social services	6,740	7,313
General government	72,387	82,118
Debt service	<u>23,875</u>	<u>45,732</u>
Total disbursements	<u>807,435</u>	<u>673,143</u>
Increase in cash basis net assets	13,042	176,307
Cash basis net assets beginning of year	<u>568,368</u>	<u>392,061</u>
Cash basis net assets end of year	\$ <u>581,410</u>	\$ <u>568,368</u>

The City's total receipts for governmental activities decreased by 3.4%, or \$28,000. The total cost of all programs and services increased by approximately \$134,000, or 20%, with no new programs added this year.

The cost of all governmental activities this year was \$807,435 compared to \$673,143 last year. However, as shown in the Statement of Activities and Net Assets-Cash Basis on pages 12 and 13, the amount taxpayers ultimately financed for these activities was only \$523,271 because some of the cost was paid by those directly benefited from the programs \$(147,285) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest \$(136,879). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2009 from approximately \$837,000 to approximately \$809,000, principally due to receiving certain grant proceeds in the prior year. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$477,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

### Changes in Cash Basis Net Assets of Business Type Activities

	<b>Year ended June 30</b>	
	<b>2009</b>	<b>2008</b>
Receipts:		
Program receipts:		
Charges for services:		
Water	\$ 161,045	\$ 162,482
Sewer	96,274	97,607
Other	4,150	3,300
General receipts:		
Unrestricted interest on investments	877	5,386
Other general receipts	<u>4,335</u>	<u>3,105</u>
Total receipts	266,681	271,880
 Disbursements and transfers:		
Water	196,683	142,231
Sewer	159,154	175,250
Other	3,250	3,090
Transfers	<u>11,925</u>	<u>12,370</u>
Total disbursements and transfers	371,012	332,941
 Decrease in cash basis net assets	(104,331)	(61,061)
 Cash basis net assets beginning of year	<u>293,719</u>	<u>354,780</u>
 Cash basis net assets end of year	<u>\$ 189,388</u>	<u>\$ 293,719</u>

Total business type activities receipts for the fiscal year were \$266,681 compared to \$271,880 last year. The cash balance decreased by \$104,331 from the prior year. Total disbursements and transfers for the fiscal year increased by 11.4% to a total of \$371,012 due to increases in water fund expenses associated with well rehabilitation and water main repairs.

### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

#### Governmental Fund Highlights

As the City completed the year, its governmental funds reported a combined fund balance of \$581,410, an increase of \$13,042 from last year's total of \$568,368. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The Road Use Tax cash balance decreased \$17,520 from the prior year to \$5,660. The majority of the decrease was because of increased street repair costs.
- The Economic Development Fund cash balance increased \$14,448 from the prior year to \$139,335. The majority of the increase was because of EDSA loan repayments from Innovative Lighting and JA Max Machine Co.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Sewer Fund cash balance decreased by \$61,904 to \$80,602, due to replacing the fence at the wastewater plant, purchasing a backup generator for the wastewater plant and resurfacing the swimming pool parking lot due to the relocation of the sewer main.
- The Water Fund cash balance decreased by \$43,327 to \$101,776, due primarily to the cost of rehabilitating both wells in February 2009. The City also incurred extra costs in 2009 for water main replacement and repairs.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment resulted in an increase in operating disbursements by approximately \$225,000. The City exceeded the amounts budgeted in the community and economic development and debt service functions for the year ended June 30, 2009.

**DEBT ADMINISTRATION**

At June 30, 2009, the City had \$60,000 in bonds and other long-term debt, compared to \$80,000 last year, as shown below.

**Outstanding Debt at Year End**

	<b>June 30,</b>	
	<b><u>2009</u></b>	<b><u>2008</u></b>
General obligation notes	\$ <u>60,000</u>	\$ <u>80,000</u>

Debt decreased as a result of scheduled payments made during fiscal year 2009.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy.

**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 Deneen Frost, City Clerk, 202 East Ash Street, Roland, Iowa.

## **BASIC FINANCIAL STATEMENTS**

**City of Roland, Iowa**  
**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS**  
**As of and for the year ended June 30, 2009**

		<b>Program receipts</b>	
	<b>Disbursements</b>	<b>Charges for services</b>	<b>Operating grants, contributions, and restricted interest</b>
<b>FUNCTIONS/PROGRAMS</b>			
Primary Government			
Governmental activities			
Public safety	\$ 93,261	\$ 11,157	\$ -
Public works	363,495	106,367	111,750
Community and economic development	23,052	-	4,500
Culture and recreation	224,625	28,632	20,629
Health and social services	6,740	-	-
General government	72,387	1,129	-
Debt service	<u>23,875</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>807,435</u>	<u>147,285</u>	<u>136,879</u>
Business type activities			
Water	196,683	161,045	-
Sewer	159,154	96,274	-
Other	<u>3,250</u>	<u>4,150</u>	<u>-</u>
Total business type activities	<u>359,087</u>	<u>261,469</u>	<u>-</u>
Total Primary Government	<u>\$1,166,522</u>	<u>\$ 408,754</u>	<u>\$ 136,879</u>
Component Unit			
Roland Public Library Foundation			
Culture and recreation	<u>\$ 1,563</u>	<u>\$ -</u>	<u>\$ 2,198</u>
<b>GENERAL RECEIPTS</b>			
Property and other city tax levied for			
General purposes			
Tax increment financing			
Debt service			
Special assessments			
Local option sale tax			
Interest on investments			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net assets			
<b>NET ASSETS, beginning of year</b>			
<b>NET ASSETS, end of year</b>			
<b>CASH BASIS NET ASSETS</b>			
Restricted			
Debt service			
Streets			
Economic development			
Capital Projects			
Unrestricted			
Total cash basis net assets			

See Notes to Financial Statements.

EXHIBIT A

<u>Net (disbursements) receipts and changes in cash basis net assets</u>			<u>Component Unit Roland Public Library Foundation</u>
<u>Primary Government</u>			
<u>Governmental activities</u>	<u>Business type activities</u>	<u>Total</u>	
\$ (82,104)	\$ —	\$ (82,104)	\$ —
(145,378)	—	(145,378)	—
(18,552)	—	(18,552)	—
(175,364)	—	(175,364)	—
(6,740)	—	(6,740)	—
(71,258)	—	(71,258)	—
<u>(23,875)</u>	<u>—</u>	<u>(23,875)</u>	<u>—</u>
<u>(523,271)</u>	<u>—</u>	<u>(523,271)</u>	<u>—</u>
—	(35,638)	(35,638)	—
—	(62,880)	(62,880)	—
<u>—</u>	<u>900</u>	<u>900</u>	<u>—</u>
<u>—</u>	<u>(97,618)</u>	<u>(97,618)</u>	<u>—</u>
\$ <u>(523,271)</u>	\$ <u>(97,618)</u>	\$ <u>620,889</u>	\$ <u>—</u>
\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>635</u>
\$ 262,511	\$ —	\$ 262,511	\$ —
47,726	—	47,726	—
12,325	—	12,325	—
174	400	574	—
154,661	—	154,661	—
1,576	877	2,453	779
45,415	3,935	49,350	—
11,925	(11,925)	—	—
<u>536,313</u>	<u>(6,713)</u>	<u>529,600</u>	<u>1,414</u>
13,042	(104,331)	(91,289)	1,414
<u>568,368</u>	<u>293,719</u>	<u>862,087</u>	<u>66,772</u>
\$ <u>581,410</u>	\$ <u>189,388</u>	\$ <u>770,798</u>	\$ <u>68,186</u>
\$ 272	\$ —	\$ 272	\$ —
5,660	—	5,660	—
145,231	—	145,231	—
9,222	—	9,222	68,186
<u>421,025</u>	<u>189,388</u>	<u>610,413</u>	<u>—</u>
\$ <u>581,410</u>	\$ <u>189,388</u>	\$ <u>770,798</u>	\$ <u>68,186</u>

City of Roland, Iowa  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
 CHANGES IN CASH BALANCES  
 GOVERNMENTAL FUNDS**  
 As of and for the year ended June 30, 2009

	<u>General</u>	<u>Special revenue</u>		<u>Other nonmajor governmental funds</u>	<u>Total</u>
		<u>Road use tax</u>	<u>Economic development</u>		
<b>RECEIPTS</b>					
Property tax	\$ 246,300	\$ -	\$ -	\$ 11,717	\$ 258,017
Tax increment financing taxes	-	-	-	47,726	47,726
Other city taxes	170,872	-	-	608	171,480
Licenses and permits	1,377	-	-	-	1,377
Use of money and property	7,703	-	319	227	8,249
Intergovernmental	31,538	111,750	-	4,500	147,788
Charges for services	128,326	-	-	-	128,326
Special assessments	174	-	-	-	174
Miscellaneous	30,032	-	15,383	-	45,415
Total receipts	<u>616,322</u>	<u>111,750</u>	<u>15,702</u>	<u>64,778</u>	<u>808,552</u>
<b>DISBURSEMENTS</b>					
Operating					
Public safety	93,261	-	-	-	93,261
Public works	234,225	129,270	-	-	363,495
Community and economic development	-	-	10,758	12,294	23,052
Culture and recreation	224,625	-	-	-	224,625
Health and social services	6,740	-	-	-	6,740
General government	72,387	-	-	-	72,387
Debt service	-	-	-	23,875	23,875
Total disbursements	<u>631,238</u>	<u>129,270</u>	<u>10,758</u>	<u>36,169</u>	<u>807,435</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(14,916)</u>	<u>(17,520)</u>	<u>4,944</u>	<u>28,609</u>	<u>1,117</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	24,532	-	19,799	28,947	73,278
Operating transfers (out)	<u>(6,727)</u>	<u>-</u>	<u>(10,295)</u>	<u>(44,331)</u>	<u>(61,353)</u>
Total other financing sources (uses)	<u>17,805</u>	<u>-</u>	<u>9,504</u>	<u>(15,384)</u>	<u>11,925</u>
Net change in cash balances	2,889	(17,520)	14,448	13,225	13,042
<b>CASH BALANCES, beginning of year</b>	<u>362,153</u>	<u>23,180</u>	<u>124,887</u>	<u>58,148</u>	<u>568,368</u>
<b>CASH BALANCES, end of year</b>	<u>\$ 365,042</u>	<u>\$ 5,660</u>	<u>\$ 139,335</u>	<u>\$ 71,373</u>	<u>\$ 581,410</u>
<b>CASH BASIS FUND BALANCES</b>					
Reserved					
Debt service	\$ -	\$ -	\$ -	\$ 272	\$ 272
Unreserved					
General fund	365,042	-	-	55,983	421,025
Special revenue funds	-	5,660	139,335	5,896	150,891
Capital project funds	-	-	-	9,222	9,222
Total cash basis fund balances	<u>\$ 365,042</u>	<u>\$ 5,660</u>	<u>\$ 139,335</u>	<u>\$ 71,373</u>	<u>\$ 581,410</u>

See Notes to Financial Statements.

**City of Roland, Iowa**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND**  
**CHANGES IN CASH BALANCES**  
**PROPRIETARY FUNDS**  
**As of and for the year ended June 30, 2009**

	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor enterprise fund meter deposits</u>	<u>Total</u>
<b>RECEIPTS</b>				
Use of money and property	\$ 301	\$ 576	\$ -	\$ 877
Charges for services	161,045	96,274	4,150	261,469
Special assessments	-	400	-	400
Miscellaneous	3,935	-	-	3,935
Total receipts	<u>165,281</u>	<u>97,250</u>	<u>4,150</u>	<u>266,681</u>
<b>DISBURSEMENTS</b>				
Water	196,683	-	-	196,683
Sewer	-	159,154	-	159,154
Meter deposit	-	-	3,250	3,250
Total disbursements	<u>196,683</u>	<u>159,154</u>	<u>3,250</u>	<u>359,087</u>
Excess (deficiency) of receipts over (under) disbursements	(31,402)	(61,904)	900	(92,406)
<b>OTHER FINANCING (USES)</b>				
Operating transfers (out)	<u>(11,925)</u>	<u>-</u>	<u>-</u>	<u>(11,925)</u>
Net change in cash balances	(43,327)	(61,904)	900	(104,331)
Cash balances beginning of year	<u>145,103</u>	<u>142,506</u>	<u>6,110</u>	<u>293,719</u>
Cash balances end of year	<u>\$ 101,776</u>	<u>\$ 80,602</u>	<u>\$ 7,010</u>	<u>\$ 189,388</u>

See Notes to Financial Statements.

**City of Roland, Iowa**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Roland (the City) is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1870 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, public improvements and general administrative services. The City also provides water and sewer utilities for its citizens.

**Reporting Entity**

For financial reporting purposes, the City 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 following component units are entities which are legally separate from the City, but meet the definition of a component unit. However, the financial transactions of these component units have not been displayed because they are not material.

The Friends of the Roland Library Corporation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Roland Public Library. These would be used to purchase items which are not included in the City's budget.

The Roland Volunteer Fire Department collects donations and has fundraisers, the proceeds of which are used to purchase items that are not included in the City's budget.

The Roland Response Team collects donations and has fundraisers, the proceeds of which are used to purchase items that are not included in the City's budget.

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

**Discretely Presented Component Unit**

The Roland Public Library Foundation was established pursuant to chapter 504A of the Code of Iowa to maintain, develop, increase and extend the facilities and services of the Roland Public Library and to support the mission of the library. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented.

**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: Story County Assessor's Conference Board, Story County E911 Service Board, and Story County Emergency Management Commission.

The City also participates in the Central Iowa Area Safety and Support Organization, Law Enforcement Services, and Animal Rescue Services, jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa.

**City of Roland, Iowa**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Presentation**

**Government-wide Financial Statements**

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

The statement of activities and net assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

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

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

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

**Fund Financial Statements**

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds 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 that are 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 through other funds.

Special Revenue:

The road use tax fund is used to account for road construction and maintenance.

The economic development fund is used to account for economic development activities of the City.

The City reports the following major proprietary funds:

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

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

**City of Roland, Iowa**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Accounting**

The City of Roland 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 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 nonoperating 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 nonoperating receipts and disbursements.

**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 community and economic development and debt service functions.

**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 discretely presented component unit holds certificate of deposits in a depository within the State of Iowa.

Credit risk - The City's discretely presented component unit's investment in certificates of deposit held at First American Bank are unrated.

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.

**City of Roland, Iowa**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 GENERAL OBLIGATION NOTES**

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

<u>Year ending</u> <u>June 30</u>	<u>General Obligation Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 20,000	\$ 2,930
2011	20,000	1,980
2012	<u>20,000</u>	<u>1,000</u>
Totals	<u>\$ 60,000</u>	<u>\$ 5,910</u>

**NOTE 4 PENSION AND RETIREMENT BENEFITS**

**IPERS**

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 salary and the City is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$7,971, \$7,287 and \$6,477, respectively, equal to the required contributions for each year.

**NOTE 5 COMPENSATED ABSENCES**

City employees may accumulate vacation and compensatory hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payments payable to employees at June 30, 2009, primarily relating to the general fund, is as follows:

<u>Type of benefit</u>	<u>Amount</u>
Vacation	\$ 3,000
Compensatory time	<u>6,900</u>
Total	<u>\$ 9,900</u>

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

**City of Roland, Iowa**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 INTERFUND TRANSFERS**

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

<b>Transfer to</b>	<b>Transfer from</b>	<b>Amount</b>
Special Revenue Economic Development General	Nonmajor Governmental Funds	\$ 19,799 <u>24,532</u> <u>44,331</u>
Nonmajor Governmental Funds	Enterprise Water General General Special Revenue Economic Development	 11,925  6,727  <u>10,295</u> <u>28,947</u>
Total		\$ <u><u>73,278</u></u>

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

**NOTE 7 ECONOMIC DEVELOPMENT**

Economic development is a public purpose for which the City may provide grants, loans, guarantees and other financial assistance to or for the benefit of private persons as provided by Section 15A.1 of the Code of Iowa.

The City entered into the following loan agreement in which the borrower has applied to the City for financial assistance under this section of the Code in connection with the borrower's plan to locate and enlarge its business enterprise within the City's corporate limits. The proceeds of the loan were considered disbursements in the special revenue fund.

During 2005 the City granted an economic development loan of \$49,000 to JA Max Machine Company, Inc. to assist with the construction of a new facility. The loan is payable in installments at 2.0% interest beginning June 7, 2005 and ending May 7, 2010.

**NOTE 8 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 from independent third parties. 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Roland, Iowa**  
**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS**  
**AND PROPRIETARY FUNDS**  
**Year ended June 30, 2009**

	<b>Governmental funds actual</b>	<b>Proprietary funds actual</b>	<b>Total</b>
<b>RECEIPTS</b>			
Property tax	\$ 258,017	\$ -	\$ 258,017
Tax increment financing taxes	47,726	-	47,726
Other city taxes	171,480	-	171,480
Licenses and permits	1,377	-	1,377
Use of money and property	8,249	877	9,126
Intergovernmental	147,788	-	147,788
Charges for services	128,326	261,469	389,795
Special assessments	174	400	574
Miscellaneous	45,415	3,935	49,350
Total receipts	808,552	266,681	1,075,233
<b>DISBURSEMENTS</b>			
Public safety	93,261	-	93,261
Public works	363,495	-	363,495
Community and economic development	23,052	-	23,052
Culture and recreation	224,625	-	224,625
Health and social services	6,740	-	6,740
General government	72,387	-	72,387
Debt service	23,875	-	23,875
Capital projects	-	-	-
Business type activities	-	359,087	359,087
Total disbursements	807,435	359,087	1,166,522
Excess (deficiency) of receipts over (under) disbursements	1,117	(92,406)	(91,289)
<b>OTHER FINANCING SOURCES (USES), net</b>	11,925	(11,925)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing sources (uses)	13,042	(104,331)	(91,289)
<b>BALANCES, beginning of year</b>	568,368	293,719	862,087
<b>BALANCES, end of year</b>	\$ 581,410	\$ 189,388	\$ 770,798

See accompanying independent auditor's report.

<u>Budgeted amounts</u>		<u>Final to total</u>
<u>Original</u>	<u>Final</u>	<u>variance</u>
\$ 267,523	\$ 267,523	\$ (9,506)
49,045	49,045	(1,319)
151,847	171,847	(367)
1,290	1,290	87
27,900	12,750	(3,624)
140,181	146,810	978
378,681	381,561	8,234
661	661	(87)
<u>20,633</u>	<u>37,648</u>	<u>11,702</u>
<u>1,037,761</u>	<u>1,069,135</u>	<u>6,098</u>
109,682	116,123	22,862
313,338	368,031	4,536
9,046	13,790	(9,262)
180,496	231,753	7,128
7,650	6,785	45
73,673	78,033	5,646
23,872	23,872	(3)
3,000	3,000	3,000
<u>261,036</u>	<u>365,106</u>	<u>6,019</u>
<u>981,793</u>	<u>1,206,493</u>	<u>39,971</u>
55,968	(137,358)	46,069
<u>—</u>	<u>—</u>	<u>—</u>
55,968	(137,358)	46,069
<u>862,087</u>	<u>862,087</u>	<u>—</u>
<u>\$ 918,055</u>	<u>\$ 724,729</u>	<u>\$ 46,069</u>

**City of Roland, Iowa**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**  
**June 30, 2009**

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

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and nonprogram. 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 \$224,700. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the community and economic development and debt service functions.

**OTHER SUPPLEMENTARY INFORMATION**

**City of Roland, Iowa**  
**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES**  
**Nonmajor Governmental Funds**  
**As of and for the year ended June 30, 2009**

	<u>Special Revenue</u>			<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
	<u>Library fund</u>	<u>Tax increment financing</u>	<u>Housing Grant</u>	<u>Debt service</u>	<u>Library project</u>	
<b>RECEIPTS</b>						
Property tax	\$ -	\$ -	\$ -	\$ 11,717	\$ -	\$ 11,717
Tax increment financing taxes	-	47,726	-	-	-	47,726
Other city taxes	-	-	-	608	-	608
Use of money and property	227	-	-	-	-	227
Intergovernmental	-	-	4,500	-	-	4,500
Total receipts	<u>227</u>	<u>47,726</u>	<u>4,500</u>	<u>12,325</u>	<u>-</u>	<u>64,778</u>
<b>DISBURSEMENTS</b>						
Operating						
Community and Economic Development	-	6,790	5,504	-	-	12,294
Debt service	-	-	-	23,875	-	23,875
Total disbursements	<u>-</u>	<u>6,790</u>	<u>5,504</u>	<u>23,875</u>	<u>-</u>	<u>36,169</u>
Excess (deficiency) of receipts over (under) disbursements	<u>227</u>	<u>40,936</u>	<u>(1,004)</u>	<u>(11,550)</u>	<u>-</u>	<u>28,609</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	6,727	3,395	6,900	11,925	-	28,947
Operating transfers out	<u>-</u>	<u>(44,331)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(44,331)</u>
Total other financing sources (uses)	<u>6,727</u>	<u>(40,936)</u>	<u>6,900</u>	<u>11,925</u>	<u>-</u>	<u>(15,384)</u>
Net change in cash balances	6,954	-	5,896	375	-	13,225
<b>CASH BALANCES (DEFICIT), beginning of year</b>	<u>49,029</u>	<u>-</u>	<u>-</u>	<u>(103)</u>	<u>9,222</u>	<u>58,148</u>
<b>CASH BALANCES, end of year</b>	<u>\$ 55,983</u>	<u>\$ -</u>	<u>\$ 5,896</u>	<u>\$ 272</u>	<u>\$ 9,222</u>	<u>\$ 71,373</u>
<b>CASH BASIS FUND BALANCES</b>						
Reserved						
Debt service	\$ -	\$ -	\$ -	\$ 272	\$ -	\$ 272
Unreserved						
General	55,983	-	-	-	-	55,983
Special revenue	-	-	5,896	-	-	5,896
Capital project fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,222</u>	<u>9,222</u>
Total cash basis fund balances	<u>\$ 55,983</u>	<u>\$ -</u>	<u>\$ 5,896</u>	<u>\$ 272</u>	<u>\$ 9,222</u>	<u>\$ 71,373</u>

**City of Roland, Iowa**  
**SCHEDULE OF INDEBTEDNESS**  
Year ended June 30, 2009

<u>Obligation</u>	<u>Date of issue</u>	<u>Interest rates</u>	<u>Amount originally issued</u>
General Obligation Notes Corporate Purposes Water Improvement Refunding	November 1, 2001	4.75% - 5.00%	\$ 180,000

See accompanying independent auditor's report.

Schedule 2

<u>Balance beginning of year</u>	<u>Issued during year</u>	<u>Redeemed during year</u>	<u>Balance end of year</u>	<u>Interest paid</u>	<u>Interest due and unpaid</u>
\$ <u>80,000</u>	\$ <u>—</u>	\$ <u>20,000</u>	\$ <u>60,000</u>	\$ <u>3,850</u>	\$ <u>—</u>

**City of Roland, Iowa  
BOND AND NOTE MATURITIES  
June 30, 2009**

**GENERAL OBLIGATION NOTES**

<b>Year ending June 30</b>	<b>Water Improvement Refunding Issued November 1, 2001</b>		<b>Total</b>
	<b>Interest Rates</b>	<b>Amount</b>	
2010	4.75%	\$ 20,000	\$ 20,000
2011	4.90%	20,000	20,000
2012	5.00%	<u>20,000</u>	<u>20,000</u>
Totals		<u>\$ 60,000</u>	<u>\$ 60,000</u>

**City of Roland, Iowa**  
**SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION**  
**All Governmental Funds**  
**For the last six years**

	Year ended			
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>RECEIPTS</b>				
Property tax	\$ 258,017	\$ 275,576	\$ 278,203	\$ 272,461
Tax increment financing taxes	47,726	47,584	39,761	35,641
Other city taxes	171,480	159,184	164,674	145,721
Licenses and permits	1,377	1,852	1,675	1,767
Use of money and property	8,249	14,370	17,200	14,961
Intergovernmental	147,788	181,040	140,787	228,604
Charges for services	128,326	117,987	116,104	115,130
Special assessments	174	529	724	933
Miscellaneous	<u>45,415</u>	<u>38,563</u>	<u>38,487</u>	<u>126,628</u>
Total receipts	<u>\$ 808,552</u>	<u>\$ 836,685</u>	<u>\$ 797,615</u>	<u>\$ 941,846</u>
<b>DISBURSEMENTS</b>				
Operating				
Public safety	\$ 93,261	\$ 110,941	\$ 132,902	\$ 91,927
Public works	363,495	247,247	336,971	270,948
Community and economic development	23,052	16,118	15,000	245,723
Culture and recreation	224,625	163,674	162,648	141,038
Health and social services	6,740	7,313	2,238	3,707
General government	72,387	82,118	63,101	68,310
Debt service	23,875	45,732	47,530	70,635
Capital projects	<u>—</u>	<u>—</u>	<u>15,473</u>	<u>86,537</u>
Total disbursements	<u>\$ 807,435</u>	<u>\$ 673,143</u>	<u>\$ 775,863</u>	<u>\$ 978,825</u>

See accompanying independent auditor's report.

**June 30**

<u>2005</u>	<u>2004</u>
\$ 271,950	\$ 252,634
30,717	25,642
144,351	147,886
1,526	1,759
16,643	12,711
173,720	318,129
111,471	114,497
648	685
<u>44,742</u>	<u>35,803</u>
<u>\$ 795,768</u>	<u>\$ 909,746</u>

\$ 144,110	\$ 204,572
225,106	256,255
91,118	179,080
147,949	133,699
3,157	2,418
54,627	58,357
73,665	76,620
<u>1,000</u>	<u>-</u>
<u>\$ 740,732</u>	<u>\$ 911,001</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Roland, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed on the contents page of this report and have issued our report thereon dated January 20, 2010. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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 control deficiencies, that adversely affects the City'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's financial statements that is more than inconsequential will not be prevented or detected by the City'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 a material misstatement of the financial statements will not be prevented or detected by the City'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, we do not believe the significant deficiencies described above are material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Roland's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters 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.

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

  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
January 20, 2010

**City of Roland  
SCHEDULE OF FINDINGS  
Year ended June 30, 2009**

**Part I—Findings Related to the Financial Statements**

**INSTANCES OF NONCOMPLIANCE**

No instances of noncompliance were noted.

**SIGNIFICANT DEFICIENCIES**

**I-A-09    SEGREGATION OF DUTIES**

One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that generally one person has control over:

The cash receipts listing, bank deposits, check writing, payroll preparation and distribution, and posting of these items to the general ledger.

**Recommendation**

We realize that with two office employees, segregation of duties is difficult. The City should continue to review its operating procedures to obtain the maximum internal control possible under the circumstances.

**Response**

We will review our procedures and segregate duties to the extent possible with existing personnel.

**Conclusion**

Response accepted.

**I-B-09    UNTIMELY DEPOSITS**

The City received state disaster grant funds in May 2009 to be used for a stream bank stabilization capital project in fiscal year 2010. These funds were held and deposited in July 2009.

**Recommendation**

The City should deposit funds on a timely basis.

**Response**

We will make future deposits in a timely basis.

**Conclusion**

Response accepted.

**City of Roland**  
**SCHEDULE OF FINDINGS (continued)**  
**Year ended June 30, 2009**

**Part I—Findings Related to the Financial Statements (continued)**

**SIGNIFICANT DEFICIENCIES (continued)**

**I-C-09 FINANCIAL STATEMENTS AND DISCLOSURES**

The City is responsible for the preparation of its financial statements and its disclosures. The City engages Denman & Company, LLP to assist in assembling and drafting the financial statements as management and employees have not received recent training with regards to preparing financial statements and related disclosures, in accordance with the cash basis of accounting.

**Recommendation**

The City should consider the cost versus benefit of correcting this control deficiency. The City may determine the cost of hiring or training an individual to perform this function far exceeds the benefit.

**Response**

We believe the cost of eliminating this deficiency far exceeds the benefit.

**Conclusion**

Response accepted.

**I-D-09 FINANCIAL REPORTING**

During the audit, we identified immaterial amounts of cash, receipts and disbursements that were not recorded in the City's financial statements.

**Recommendation**

The City should include all cash belonging to the City and all corresponding receipt and disbursement activity in the City's financial statements.

**Response**

We will include all amounts belonging to the City in the City's financial statements.

**Conclusion**

Response accepted.

**City of Roland, Iowa**  
**SCHEDULE OF FINDINGS (continued)**  
**Year ended June 30, 2009**

**Part II—Other Findings Related to Statutory Reporting**

**II-A-09 CERTIFIED BUDGET**

Disbursements made during the year ended June 30, 2009 exceeded the amounts budgeted in the community and economic development and debt service functional areas. Disbursements made in the public works function area exceeded budgeted amount before the budget was amended. Chapter 384.20 of the Code of Iowa States, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

**Recommendation**

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

**Response**

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

**Conclusion**

Response accepted.

**II-B-09 QUESTIONABLE DISBURSEMENTS**

We noted no disbursements for parties, banquets or other entertainment expenses that do not meet the requirements of public purpose 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 between the City and City officials or employees were noted.

**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.

**II-F-09 COUNCIL MINUTES**

No transactions were found that we believe should have been approved in the Council minutes but were not.

**II-G-09 DEPOSITS AND INVESTMENTS**

No instances of noncompliance with the deposits and investment provisions of Chapter 12B and 12C of the Code of Iowa were noted.