

CITY OF SLATER

Independent Auditors' Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings

June 30, 2009

CITY OF SLATER

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CITY OF SLATER

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gary Halverson	Mayor	Jan 2010
Gene Staples	Mayor Pro Tem	Jan 2010
Ken May	Council Member	Jan 2010
Tim Locker	Council Member	Jan 2010
Mike Higgs	Council Member	Jan 2012
Steve Ransom	Council Member	Jan 2012
Mary E. Chinery	City Administrator/Clerk	Indefinite
Janice Halverson	City Treasurer	Jan 2010
Frank Feilmeyer	City Attorney	Jan 2012



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com

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, each major fund and the aggregate remaining fund information of the City of Slater, 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 Slater'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, each major fund and the aggregate remaining fund information of the City of Slater, as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 11, 2009 on our consideration of the City of Slater'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 4 through 8 and 19 through 21 are not required parts of the basic financial statements, but are supplementary

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Slater's basic financial statements. The financial statements for the two years ended June 30, 2008 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements which were prepared on an other comprehensive basis of accounting. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2006 (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 3 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.

Bowman and Miller, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Slater 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 41.2%, or approximately \$460,100, from fiscal 2008 to fiscal 2009. Bond proceeds increased approximately \$245,800, capital grants, contributions and restricted interest increased approximately \$141,000 and operating grants, contributions and restricted interest increased approximately \$62,500.
- Disbursements of the City's governmental activities increased 41.8%, or approximately \$459,800, in fiscal 2009 from fiscal 2008. Capital projects and public works increased approximately \$410,000, and \$73,000, respectively.
- The City's total cash basis net assets increased approximately 8.6% or \$125,000 from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities increased approximately \$15,000 and the assets of the business type activities increased approximately \$110,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about bond and note maturities.

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$1,254,054 to \$1,268,725. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

	Changes in Cash Basis Net Assets of Governmental Activities	
	Year Ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service	\$ 70,006	\$ 50,711
Operating grants, contributions and restricted interest	200,070	137,552
Capital grants, contributions and restricted interest	151,000	10,000
General receipts:		
Property tax	690,926	726,421
Local option sales tax	166,271	151,868
Other city tax	7,020	1,617
Unrestricted interest on investments	7,299	9,101
Note proceeds	245,823	-
Other general receipts	37,354	28,416
Total receipts	<u>1,575,769</u>	<u>1,115,686</u>
Disbursements:		
Public safety	92,814	107,186
Public works	208,753	135,687
Health and social services	1,777	460
Culture and recreation	223,164	243,194
Community and economic development	9,453	7,376
General government	81,978	105,134
Debt service	467,647	436,544
Capital projects	475,512	65,700
Total disbursements	<u>1,561,098</u>	<u>1,101,281</u>
Change in cash basis net assets	14,671	14,405
Cash basis net assets beginning of year	<u>1,254,054</u>	<u>1,239,649</u>
Cash basis net assets end of year	\$ <u>1,268,725</u>	\$ <u>1,254,054</u>

The City's total receipts for governmental activities increased 41.2%, or approximately \$460,100. The total cost of all programs and services increased approximately \$459,800, or 41.8% with no new programs added this year. The significant increase in receipts was primarily the result of proceeds received in fiscal year 2009 from the issuance of a long-term note for capital projects and a REAP grant received for capital projects.

The cost of all governmental activities this year was \$1,561,098 compared to \$1,101,281 last year. However, as shown in the Statement of Activities and Net Assets on pages 9-10, the amount taxpayers ultimately financed for these activities was only \$1,140,000 because some of the cost was paid by those directly benefited from the programs (\$70,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$351,000). The City paid the remaining "public benefit" portion of governmental activities with approximately \$1,155,000 in tax (some of which could only be used for certain programs) and other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 232,657	\$ 237,365
Sewer	282,192	444,282
Resource recovery	35,503	18,766
Note proceeds	<u>9,547</u>	<u>-</u>
Total receipts	<u>559,899</u>	<u>700,413</u>
Disbursements:		
Water	236,838	290,753
Sewer	198,856	223,803
Resource recovery - landfill	<u>13,817</u>	<u>15,017</u>
Total disbursements	<u>449,511</u>	<u>529,573</u>
Change in cash basis net assets	110,388	170,840
Cash basis net assets beginning of year	<u>193,971</u>	<u>23,131</u>
Cash basis net assets end of year	<u>\$ 304,359</u>	<u>\$ 193,971</u>

The total business type activities cash basis net assets increased from a year ago, increasing from \$193,971 to \$304,359. The cash basis net assets of the City's business activities increased primarily due to a decrease in water and sewer disbursements.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Slater completed the year, the governmental funds reported a combined fund balance of \$1,268,725, an increase of approximately \$15,000 above last year's total of \$1,254,054. 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 \$125,918 from the prior year primarily due to an increase in the amount of intergovernmental receipts.
- The Road Use Tax Fund cash balance decreased \$36,838 to \$22,448 during the year. The decrease is due to increased spending for street maintenance in fiscal year 2009.
- The Tax Increment Financing Fund cash balance decreased by \$11,809 due to an increase in the amount of dollars transferred out.
- The Local Option Sales Tax Fund ending fund balance increased by \$5,659 due to collecting more dollars in fiscal year 2009.
- The Economic Development Fund remained virtually unchanged from the prior year.
- The Capital Projects Fund cash decreased by \$84,621 primarily due to an increase in capital projects disbursements.
- The Debt Service Fund cash balance increased by \$15,906 from the prior year due to an increase in dollars transferred in.

- The Permanent Fund cash balance remained virtually unchanged from the prior year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$5,366 to negative \$19,243.
- The Sewer Fund cash balance increased by \$83,336 to \$298,167.
- The Resource Recovery – Landfill Fund cash balance increased by \$21,686 to \$25,435.

BUDGETARY HIGHLIGHTS

The City amended its budget once during the year and did not exceed the amounts budgeted.

DEBT ADMINISTRATION

At June 30, 2009, the City had \$3,102,472 in notes and other long-term debt outstanding, compared to \$3,149,602 outstanding at June 30, 2008, as follows:

	Outstanding Debt at Year-End	
	June 30,	
	2009	2008
General obligation bonds and notes	\$ 1,786,500	\$ 1,996,000
Water revenue notes	250,972	27,602
Sewer revenue notes	<u>1,065,000</u>	<u>1,126,000</u>
Total	\$ <u>3,102,472</u>	\$ <u>3,149,602</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$1,786,500 is below its constitutional debt limit of \$3,811,093.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

City of Slater’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates, and fees that will be charged for various City activities.

Amounts available for appropriation in the operating budget for 2010 are \$2,005,062, which is a decrease of 18.6% from the final 2009 budget.

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 Mary Chinery, City Administrator, 105 Greene Street, Slater, Iowa 50244.

CITY OF SLATER
Statement of Activities and Net Assets-Cash Basis
As of and for the year ended June 30, 2009

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 92,814	-	25,341	-
Public works	208,753	-	141,999	-
Health and social services	1,777	-	-	-
Culture and recreation	223,164	70,006	30,116	-
Community and economic development	9,453	-	2,614	-
General government	81,978	-	-	-
Debt service	467,647	-	-	-
Capital projects	475,512	-	-	151,000
Total governmental activities	<u>1,561,098</u>	<u>70,006</u>	<u>200,070</u>	<u>151,000</u>
Business type activities:				
Water	236,838	232,657	-	-
Sewer	198,856	282,192	-	-
Resource recovery - landfill	13,817	35,503	-	-
Total business type activities	<u>449,511</u>	<u>550,352</u>	<u>-</u>	<u>-</u>
Total	\$ <u>2,010,609</u>	<u>620,358</u>	<u>200,070</u>	<u>151,000</u>

General receipts:

Property and other city tax levied for:
 General purposes
 Debt service
 Tax increment financing
Local option sales tax
Other city tax
Licenses and permits
Unrestricted interest on investments
Note proceeds
Miscellaneous

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

 Cemetery

 Debt service

Unrestricted

 Undesignated

 Total cash basis net assets

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(67,473)	-	(67,473)
(66,754)	-	(66,754)
(1,777)	-	(1,777)
(123,042)	-	(123,042)
(6,839)	-	(6,839)
(81,978)	-	(81,978)
(467,647)	-	(467,647)
(324,512)	-	(324,512)
(1,140,022)	-	(1,140,022)
-	(4,181)	(4,181)
-	83,336	83,336
-	21,686	21,686
-	100,841	100,841
(1,140,022)	100,841	(1,039,181)
279,794	-	279,794
226,887	-	226,887
184,245	-	184,245
166,271	-	166,271
7,020	-	7,020
2,302	-	2,302
7,299	-	7,299
245,823	9,547	255,370
35,052	-	35,052
1,154,693	9,547	1,164,240
14,671	110,388	125,059
1,254,054	193,971	1,448,025
\$ 1,268,725	304,359	1,573,084
\$ 22,448	-	22,448
10,271	-	10,271
49,201	10,699	59,900
1,186,805	293,660	1,480,465
\$ 1,268,725	304,359	1,573,084

CITY OF SLATER
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2009

	Special		
	General	Road Use Tax	Tax Increment Financing
Receipts:			
Property tax	\$ 279,794	-	-
Tax increment financing	-	-	184,245
Other city tax	7,020	-	-
Licenses and permits	2,302	-	-
Use of money and property	9,099	-	-
Intergovernmental	69,108	108,359	-
Charges for service	69,550	-	-
Miscellaneous	38,355	-	-
Total receipts	475,228	108,359	184,245
Disbursements:			
Operating:			
Public safety	92,814	-	-
Public works	63,556	145,197	-
Health and social services	1,777	-	-
Culture and recreation	223,164	-	-
Community and economic development	9,453	-	-
General government	81,978	-	-
Debt service	-	-	166,994
Capital projects	-	-	-
Total disbursements	472,742	145,197	166,994
Excess (deficiency) of receipts over (under) disbursements	2,486	(36,838)	17,251
Other financing sources (uses):			
Note proceeds	-	-	-
Operating transfers in	123,432	-	-
Operating transfers out	-	-	(29,060)
Total other financing sources (uses)	123,432	-	(29,060)
Net change in cash balances	125,918	(36,838)	(11,809)
Cash balances beginning of year	70,940	59,286	18,120
Cash balances end of year	\$ 196,858	22,448	6,311
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	-
Unreserved:			
General fund	196,858	-	-
Special revenue funds	-	22,448	6,311
Capital projects fund	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	\$ 196,858	22,448	6,311

Revenue						
Local Option Sales Tax	Economic Development	Capital Projects	Debt Service	Permanent Fund	Total	
-	-	-	226,887	-	506,681	
-	-	-	-	-	184,245	
166,271	-	-	-	-	173,291	
-	-	-	-	-	2,302	
-	-	-	-	-	9,099	
-	-	151,000	-	-	328,467	
-	-	-	-	456	70,006	
-	-	17,500	-	-	55,855	
166,271	-	168,500	226,887	456	1,329,946	
-	-	-	-	-	92,814	
-	-	-	-	-	208,753	
-	-	-	-	-	1,777	
-	-	-	-	-	223,164	
-	-	-	-	-	9,453	
-	-	-	-	-	81,978	
-	-	-	300,653	-	467,647	
-	-	475,512	-	-	475,512	
-	-	475,512	300,653	-	1,561,098	
166,271	-	(307,012)	(73,766)	456	(231,152)	
-	-	245,823	-	-	245,823	
-	-	-	89,672	-	213,104	
(160,612)	-	(23,432)	-	-	(213,104)	
(160,612)	-	222,391	89,672	-	245,823	
5,659	-	(84,621)	15,906	456	14,671	
168,603	200,000	693,995	33,295	9,815	1,254,054	
174,262	200,000	609,374	49,201	10,271	1,268,725	
-	-	-	49,201	-	49,201	
-	-	-	-	-	196,858	
174,262	200,000	-	-	-	403,021	
-	-	609,374	-	-	609,374	
-	-	-	-	10,271	10,271	
174,262	200,000	609,374	49,201	10,271	1,268,725	

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

	Enterprise Funds			Total
	Water	Sewer	Resource Recovery - Landfill	
Operating receipts:				
Charges for service	\$ 232,112	282,092	35,503	549,707
Miscellaneous	545	100	-	645
Total operating receipts	<u>232,657</u>	<u>282,192</u>	<u>35,503</u>	<u>550,352</u>
Operating disbursements:				
Business type activities	236,838	104,076	13,817	354,731
Total operating disbursements	<u>236,838</u>	<u>104,076</u>	<u>13,817</u>	<u>354,731</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(4,181)	178,116	21,686	195,621
Non-operating receipts (disbursements)				
Revenue note proceeds	9,547	-	-	9,547
Debt service	-	(61,000)	-	(61,000)
Interest expense	-	(33,780)	-	(33,780)
Net non-operating receipts (disbursements)	<u>9,547</u>	<u>(94,780)</u>	<u>-</u>	<u>(85,233)</u>
Net change in cash balances	5,366	83,336	21,686	110,388
Cash balances beginning of year	(24,609)	214,831	3,749	193,971
Cash balances end of year	<u>\$ (19,243)</u>	<u>298,167</u>	<u>25,435</u>	<u>304,359</u>
Cash Basis Fund Balances				
Reserved for debt service	\$ -	10,699	-	10,699
Unreserved	(19,243)	287,468	25,435	293,660
Total cash basis fund balances	<u>\$ (19,243)</u>	<u>298,167</u>	<u>25,435</u>	<u>304,359</u>

CITY OF SLATER
Notes to Financial Statements
June 30, 2009

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

The City of Slater is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1889 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, landfill and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Slater 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.

B. Basis of Presentation

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

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

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

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

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

CITY OF SLATER
Notes to Financial Statements (Continued)
June 30, 2009

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Tax Increment Financing Fund is used to account for tax increment financing receipts.

The Local Option Sales Tax Fund is used to account for the local option sales tax receipts.

The Economic Development Fund is used to account for the economic development activities of the City.

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

The Capital Projects Fund is used to account for projects associated with the pool, bike path, and demolition of old buildings.

The Permanent Fund is used to account for funds collected for the perpetual care of the cemetery.

The City reports the following major proprietary funds:

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

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

The Resource Recovery – Landfill Fund accounts for the per capita charge from using the City of Ames resource recovery plant.

CITY OF SLATER
Notes to Financial Statements (Continued)
June 30, 2009

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted.

(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.

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) to 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 SLATER
Notes to Financial Statements (Continued)
June 30, 2009

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and notes, water and sewer revenue bonds and notes are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Bonds and Notes				Total	
	Principal	Interest	Water		Sewer		Principal	Interest
			Principal	Interest	Principal	Interest		
2010	\$ 215,000	79,751	250,972	-	62,000	31,950	527,972	111,701
2011	221,500	70,486	-	-	64,000	30,090	285,500	100,576
2012	197,000	60,799	-	-	66,000	28,170	263,000	88,969
2013	203,000	51,976	-	-	68,000	26,190	271,000	78,166
2014	214,500	42,739	-	-	70,000	24,150	284,500	66,889
2015-2019	735,500	87,143	-	-	384,000	87,600	1,119,500	174,743
2020-2023	-	-	-	-	351,000	26,730	351,000	26,730
	\$ <u>1,786,500</u>	<u>392,894</u>	<u>250,972</u>	<u>-</u>	<u>1,065,000</u>	<u>254,880</u>	<u>3,102,472</u>	<u>647,774</u>

The water revenue capital loan note and sewer revenue bonds note were issued for construction of water and wastewater projects of the City. The resolution providing for the issuance of the revenue bonds include the following provisions: (a) the bonds will only be redeemed from the future earnings of the enterprise activity funds and the bond holders hold a lien on the future earnings of the funds, (b) sufficient monthly transfers shall be made to a separate sewer bond sinking accounts for the purpose of making the bond principal and interest payments when due.

(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, PO Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$14,699, \$15,423 and \$12,649, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

CITY OF SLATER
Notes to Financial Statements (Continued)
June 30, 2009

Type of Benefit	Amount
Vacation	\$ 12,376
Sick leave	19,916
Total	<u>\$ 32,292</u>

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

(6) Risk Management

The City of Slater is exposed to various risks of loss related to torts; thefts, 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.

(7) Deficit Balance

The water fund had a deficit balance of \$19,243 at June 30, 2009. The deficit balance was a result of capital outlay expenditures. The council will review options to eliminate the deficit in fiscal year 2010.

(8) Litigation

The City is subject to pending litigation seeking compensatory damages of approximately \$74,340. The City is awaiting an independent engineer's report involving the negligent construction of the pool facilities. Until the report is reviewed, the City will make no decision involving litigation.

CITY OF SLATER

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances-Budget and Actual (Cash Basis)

All Governmental Funds and Proprietary Funds

Required Supplementary Information

As of and for the year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 506,681	-
Tax increment financing	184,245	-
Other city tax	173,291	-
Licenses and permits	2,302	-
Use of money and property	9,099	-
Intergovernmental	328,467	-
Charges for services	70,006	549,707
Miscellaneous	55,855	645
Total receipts	1,329,946	550,352
Disbursements:		
Public safety	92,814	-
Public works	208,753	-
Health and social services	1,777	-
Culture and recreation	223,164	-
Community and economic development	9,453	-
General government	81,978	-
Debt service	467,647	-
Capital projects	475,512	-
Business type activities	-	449,511
Total disbursements	1,561,098	449,511
Excess (deficiency) of receipts over (under) disbursements	(231,152)	100,841
Other financing sources, net	245,823	9,547
Excess (deficiency) of receipts and other financing sources over (under) disbursements	14,671	110,388
Balances beginning of year	1,254,054	193,971
Balances end of year	\$ 1,268,725	304,359

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
506,681	493,991	540,185	(33,504)
184,245	148,290	163,151	21,094
173,291	220,435	154,500	18,791
2,302	975	2,064	238
9,099	1,650	9,280	(181)
328,467	732,390	532,106	(203,639)
619,713	588,993	576,282	43,431
56,500	10,290	93,900	(37,400)
1,880,298	2,197,014	2,071,468	(191,170)
92,814	92,138	102,658	9,844
208,753	129,510	225,335	16,582
1,777	500	1,780	3
223,164	209,542	242,369	19,205
9,453	187,194	11,302	1,849
81,978	112,305	89,926	7,948
467,647	336,190	511,465	43,818
475,512	869,600	482,781	7,269
449,511	526,275	477,647	28,136
2,010,609	2,463,254	2,145,263	134,654
(130,311)	(266,240)	(73,795)	(56,516)
255,370	266,240	-	255,370
125,059	-	(73,795)	198,854
1,448,025	1,233,891	1,233,891	214,134
1,573,084	1,233,891	1,160,096	412,988

CITY OF SLATER
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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by \$317,991. The budget amendment is reflected in the final amounts.

During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted.

CITY OF SLATER
Schedule of Indebtedness
Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Pool	05-01-04	3.75 %	\$ 700,000
Fire truck	03-01-05	4.00	135,000
Pool	11-15-05	4.00	75,000
Pool, water utility, maintenance shop, fire station and library roof	05-01-06	3.80 - 4.70 %	320,000
Corporate purpose	04-15-07	5.35 - 5.90	590,000
Corporate purpose	04-15-07	4.00 - 4.25	535,000
Total			
Revenue bonds and notes:			
Water revenue capital loan note	03-15-07	3.00 %	50,000
	04-22-09		255,370
Sewer revenue bonds	11-13-02	3.00 %	1,500,000
Total			

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
515,000	-	65,000	450,000	19,313	-
102,000	-	13,000	89,000	4,080	-
64,000	-	6,500	57,500	2,560	-
245,000	-	50,000	195,000	10,265	-
545,000	-	60,000	485,000	30,638	-
525,000	-	15,000	510,000	21,898	-
\$ 1,996,000	-	209,500	1,786,500	88,754	-
27,602	-	27,602	-	6,913	-
-	255,370	4,398	250,972	-	-
1,126,000	-	61,000	1,065,000	33,780	-
\$ 1,153,602	255,370	93,000	1,315,972	40,693	-

CITY OF SLATER
Bond and Note Maturities
June 30, 2009

General Obligation Bonds and Notes

<u>Year</u> <u>Ending</u> June 30,	<u>Pool</u> <u>Issued May 1, 2004</u>		<u>Fire Truck</u> <u>Issued Mar. 1, 2005</u>		<u>Pool</u> <u>Issued May 1, 2006</u>	
	<u>Interest</u>		<u>Interest</u>		<u>Interest</u>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
2010	3.75%	\$ 70,000	4.00%	\$ 13,000	4.00%	\$ 7,000
2011	3.75	70,000	4.00	14,000	4.00	7,500
2012	3.75	75,000	4.00	14,000	4.00	8,000
2013	3.75	75,000	4.00	15,000	4.00	8,000
2014	3.75	80,000	4.00	16,000	4.00	8,500
2015	3.75	80,000	4.00	17,000	4.00	9,000
2016	-	-	-	-	4.00	9,500
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
Total		<u>\$ 450,000</u>		<u>\$ 89,000</u>		<u>\$ 57,500</u>

Pool, water utility, maintenance shop, fire station and library roof Issued May 15, 2006		Corporate Purpose Issued Apr. 15, 2007		Corporate Purpose Issued Apr. 15, 2007		Total
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
4.00%	\$ 50,000	5.40%	\$ 60,000	4.00%	\$ 15,000	\$ 215,000
4.10	50,000	5.45	65,000	4.05	15,000	221,500
4.20	15,000	5.55	70,000	4.10	15,000	197,000
4.30	15,000	5.65	75,000	4.15	15,000	203,000
4.40	15,000	5.75	80,000	4.20	15,000	214,500
4.50	15,000	5.85	85,000	4.25	15,000	221,000
4.60	15,000	5.90	50,000	4.10	60,000	134,500
4.70	20,000	-	-	4.15	115,000	135,000
-	-	-	-	4.20	120,000	120,000
-	-	-	-	4.25	125,000	125,000
	<u>\$ 195,000</u>		<u>\$ 485,000</u>		<u>\$ 510,000</u>	<u>\$ 1,786,500</u>

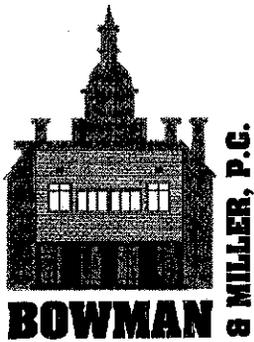
CITY OF SLATER
Bond and Note Maturities
June 30, 2009

Revenue Bonds and Notes

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Water</u>		<u>Sewer</u>		<u>Total</u>
	<u>Issued Mar. 15, 2007</u>	<u>Issued Nov.13, 2002</u>	<u>Interest</u>	<u>Interest</u>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	
2010	3.00%	\$ 250,972	3.00%	62,000	\$ 312,972
2011	-	-	3.00	64,000	64,000
2012	-	-	3.00	66,000	66,000
2013	-	-	3.00	68,000	68,000
2014	-	-	3.00	70,000	70,000
2015	-	-	3.00	72,000	72,000
2016	-	-	3.00	75,000	75,000
2017	-	-	3.00	77,000	77,000
2018	-	-	3.00	79,000	79,000
2019	-	-	3.00	81,000	81,000
2020	-	-	3.00	84,000	84,000
2021	-	-	3.00	86,000	86,000
2022	-	-	3.00	89,000	89,000
2023	-	-	3.00	92,000	92,000
Total		\$ 250,972		\$ 1,065,000	\$ 1,315,972

CITY OF SLATER
Schedule of Receipts By Source and Disbursements by Function-
All Governmental Funds
For the Last Four Years

	2009	2008	2007	2006
Receipts:				
Property tax	\$ 506,681	558,301	408,036	378,411
Tax increment financing	184,245	168,120	114,191	152,168
Other city tax	173,291	153,485	158,182	138,232
Licenses and permits	2,302	12,557	1,400	2,668
Use of money and property	9,099	10,001	11,127	6,715
Intergovernmental	328,467	147,336	222,686	191,955
Charges for services	70,006	49,159	78,361	77,583
Miscellaneous	55,855	16,727	57,608	32,774
Total	\$ 1,329,946	1,115,686	1,051,591	980,506
Disbursements:				
Operating:				
Public safety	\$ 92,814	107,186	91,704	122,105
Public works	208,753	135,687	131,579	225,450
Health and social services	1,777	460	-	2,968
Culture and recreation	223,164	243,194	254,313	510,220
Community and economic development	9,453	7,376	17,402	-
General government	81,978	105,134	220,551	277,547
Debt service	467,647	436,544	172,257	301,751
Capital projects	475,512	65,700	250,555	-
Total	\$ 1,561,098	1,101,281	1,138,361	1,440,041



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Slater, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 11, 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 Slater's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Slater's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Slater'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 a deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

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

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

Compliance and Other Matters

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

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

The City of Slater's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Slater's responses and, accordingly, we express no opinions 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 Slater and other parties to whom the City of Slater 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 Slater 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.

Bowman and Miller, P.C.

CITY OF SLATER
Schedule of Findings
Year ended June 30, 2009

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF SLATER
Schedule of Findings (Continued)
Year ended June 30, 2009

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCY:

II-A-09 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one person has control over each of the following areas:

- (1) Cash receipts - collecting, depositing, journalizing, and posting
- (2) Payroll preparation and distribution.

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

Response – The noted areas will be reviewed to identify duties that could be handled by other personnel or council members.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Other Findings Related to Statutory Reporting:

III-A-09 Certified Budget – Disbursements during the year ended June 30, 2009, did not exceed the amounts budgeted.

III-B-09 Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

III-D-09 Business Transactions – No business transactions between the City and City officials or employees were noted.

III-E-09 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

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

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

CITY OF SLATER
Schedule of Findings (Continued)
Year ended June 30, 2009

III-H-09 Financial Condition – The Water enterprise fund had a deficit balance at June 30, 2009 of \$19,243.

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

Response – The City will review various options to eliminate the deficit balance in fiscal year 2010.

Conclusion – Response accepted.

CITY OF SLATER

Staff

This audit was performed by:

Bowman and Miller, P.C.
Certified Public Accountants
West Des Moines, IA 50266

Personnel:

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Lowen K. Poock, PC