

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

**JUNE 30, 2010**

**Peak & Co., LLP**  
**Certified Public Accountants**  
**1370 NW 114<sup>th</sup> St., Suite 205**  
**Clive, IA 50325**

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City of Centerville

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January, 2010)</b>		
Marsha Mitchell	Mayor	January, 2010
Bill McAfee	Council Member	January, 2012
Kris Koestner	Council Member	January, 2010
Rob Lind	Council Member	January, 2012
Mike Zintz	Council Member	January, 2010
Wallace "Moe" Carter	Council Member	January, 2012
Kristen M. May	City Clerk/Treasurer	Indefinite
Debra George	Attorney	Indefinite
<b>(After January, 2010)</b>		
Marsha Mitchell	Mayor	January, 2012
Bill McAfee	Council Member	January, 2012
Robbie Morgan	Council Member	January, 2014
Rob Lind	Council Member	January, 2012
Darrin Hamilton	Council Member	January, 2014
Wallace "Moe" Carter	Council Member	January, 2012
Kristen M. May*	City Clerk/Treasurer	Indefinite
Debra George	Attorney	Indefinite

\* - Resigned in May, 2010

**City of Centerville**

PEAK & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
1370 NW 114<sup>TH</sup> ST., SUITE 205  
CLIVE, IA 50325

(515) 277-3077

Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Centerville, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Centerville'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 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 U.S. generally accepted accounting principles.

The financial statements referred to above include only the primary government of the City of Centerville, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial data do not include financial data for the City's legally separate component unit, which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Centerville as of June 30, 2010, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

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 for the primary government of the City of Centerville as of June 30, 2010, 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 27, 2010 on our consideration of the City of Centerville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 30 through 31 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 Centerville's primary government financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the primary government financial statements for the five years ended June 30, 2009 (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 6, 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.

Peak & Co., LLP  
Certified Public Accountants

December 27, 2010

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Centerville 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, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2010 FINANCIAL HIGHLIGHTS

- ❖ Receipts of the City's governmental activities remained flat from fiscal 2009 to fiscal 2010.
- ❖ Disbursements of the City's governmental activities decreased by 16.37%, or \$725,229, in fiscal 2010 from fiscal 2009. Public safety, public works and debt service disbursements decreased \$59,140, \$57,302, and \$198,161 respectively. Capital projects disbursements decreased \$345,909.
- ❖ The City's total cash basis net assets increased 24.4%, or approximately \$757,000, from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities increased approximately \$366,000 and the assets of the business type activities increased approximately \$391,000.

### 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 the non-major governmental funds, non-major proprietary funds, and the non-major internal service funds, as well as the City's indebtedness.

## **Basis of Accounting**

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

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

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

- ❖ Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- ❖ Business Type Activities include the sanitary sewer system, storm sewer, and the airport. 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 Local Option Sales Tax, 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 statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

(2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains an Enterprise Fund to provide separate information for the sewer funds, considered to be a major fund of the City. The storm sewer fund and the airport fund maintain separate accounts which support these business activities, considered to be non-major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$2,149,574 to \$2,515,633. 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 (Expressed in Thousands)		
	Year Ended June 30, 2010	Year Ended June 30, 2009
<b>Receipts:</b>		
<b>Program receipts:</b>		
Charges for service	\$ 287	\$ 304
Operating grants, contributions and restricted interest	885	840
Capital grants, contributions and restricted interest	171	406
<b>General receipts:</b>		
Property tax	1,776	1,908
TIF	303	-
Local option sales tax	526	450
Grants and contributions not restricted to specific purposes	58	73
Hotel-Motel tax	61	73
Unrestricted investment earnings	12	41
Other general receipts	4	-
Sale of assets	<u>10</u>	<u>13</u>
<b>Total receipts</b>	<b><u>4,093</u></b>	<b><u>4,108</u></b>
<b>Disbursements:</b>		
Public safety	1,623	1,683
Public works	621	678
Culture and recreation	383	415
Community and economic development	14	14
General government	265	298
Debt service	496	694
Capital projects	<u>301</u>	<u>646</u>
<b>Total disbursements</b>	<b><u>3,703</u></b>	<b><u>4,428</u></b>
Change in cash basis net assets, before transfers	390	(320)
Transfers, net	<u>(24)</u>	<u>(40)</u>
Change in cash basis net assets	366	(360)
Cash basis net assets beginning of year	<u>2,150</u>	<u>2,510</u>
Cash basis net assets end of year	<b><u>\$2,516</u></b>	<b><u>\$2,150</u></b>

The City's total receipts for governmental activities remained flat. The total cost of all programs and services decreased by 16.4% or approximately \$725,000. The significant decrease in costs was due to a reduction in debt service and capital projects in fiscal 2010.

The City decreased property tax rates for 2010, resulting in an overall decrease in property tax receipts by an average of 6.92%. This decrease in property tax rates affected the City's property tax receipts, decreasing by \$131,973 in fiscal 2010.

The cost of all governmental activities this year was \$3,703,070 compared to \$4,428,299 last year. However, as shown in the Statement of Activities and Net Assets on page 15, the amount taxpayers ultimately financed for these activities was only \$2,359,832 because some of the cost was paid by those who directly benefited from the programs (\$286,864) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,056,374). The City paid for the remaining "public benefit" portion of governmental activities with \$2,359,832 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

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**Changes in Cash Basis Net Assets of Business Type Activities**  
(Expressed in Thousands)

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	<u>Year Ended June 30, 2010</u>	<u>Year Ended June 30, 2009</u>
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$1,109	\$802
Storm sewer	80	41
Airport	60	52
General receipts:		
Unrestricted interest on investments	-	11
Other general receipts	<u>21</u>	<u>19</u>
Total receipts	<u>1,270</u>	<u>925</u>
 Disbursements:		
Sewer	765	865
Storm sewer	54	-
Airport	<u>83</u>	<u>98</u>
Total disbursements	<u>902</u>	<u>963</u>
 Change in cash basis net assets before transfers	368	(38)
Transfers, net	<u>23</u>	<u>40</u>
 Change in cash basis net assets	391	2
 Cash basis net assets beginning of year	<u>953</u>	<u>951</u>
 Cash basis net assets end of year	<u>\$1,344</u>	<u>\$953</u>

Total business type activities receipts for the fiscal year were \$1,270,065 compared to \$925,497 last year. The cash balance increased by \$391,265 from the prior year. Total disbursements for the fiscal year decreased by 6.3% to a total of \$902,294.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Centerville completed the year, its governmental funds reported a combined fund balance of \$2,324,945, an increase of \$447,309 from last year's total of \$1,877,636. 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 \$140,162 from the prior year to \$426,983. This increase was the result of the significant reduction in costs.
- ❖ The Special Revenue, Road Use Tax Fund cash balance increased by \$30,426 to \$137,200 as of June 30, 2010. A decrease in materials and purchase of equipment increased the cash balance in this fund.
- ❖ The Special Revenue, Local Option Sales Tax Fund cash balance increased by \$338,800 to \$1,303,157 as of June 30, 2010. The balance in this fund will be used for various projects such as the payment of debt related to the purchase of a new fire truck, public library renovation and payments to Centerville Schools for a school project. The City currently has 2 bonds, one for the fire truck and one for the library, which are paid out of this fund. This fund is also accumulating resources for a pool project. The library renovation bond paid for 2 years of bond payments.
- ❖ The Special Revenue, Employee Benefits Fund cash balance increased by \$14,546 to \$152,634 as of June 30, 2010. The increase was due to an increase in property tax collections.
- ❖ The Debt Service Fund cash balance increased by \$27,736 to \$50,980 as of June 30, 2010. This increase was due to maturing debt which was less than the property taxes levied.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- ❖ The Sewer Fund cash balance increased by \$375,955 to \$1,237,618 as of June 30, 2010, due primarily to an increase in fees. This money will be used to fund major sewer upgrades.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The budget amendment was approved to provide for additional disbursements in certain City departments. The budget amendment increased total disbursements by \$1,414,050.

In spite of this budget amendment, total disbursements in the culture and recreation function exceeded the amounts budgeted by \$16,838.

Even with the budget amendment, total disbursements were \$2,445,279 less than the amended budget. Actual disbursements for community and economic development, capital projects, and business type activities functions were \$724,733, \$773,827 and \$839,291, respectively, less than the amended budget.

## DEBT ADMINISTRATION

At June 30, 2010, the City had \$1,582,723 in bonds and other long-term debt outstanding, compared to \$1,999,963 last year, as shown below.

Outstanding Debt Year-End (Expressed in Thousands)		
	<u>June 30, 2010</u>	<u>June 30, 2009</u>
General obligation bonds	\$1,575	\$1,990
Lease-purchase agreements	<u>8</u>	<u>10</u>
Total	<u>\$1,583</u>	<u>\$2,000</u>

Debt decreased primarily as a result of making \$417,240 of scheduled bond and other debt payments.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,575,000 is significantly below its constitutional debt limit of \$8,801,112.

More detailed information about the City's long-term debt is presented in Notes 3 and 4 to the financial statements.

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

City of Centerville elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates, and fees that will be charged for various City activities. These indicators were taken into account when adopting the budget for fiscal year 2011. Receipts are budgeted to increase by \$4,213,393. Disbursements are budgeted to increase by \$4,103,225. The majority of this increase in receipts is due to capital projects and business type receipts. The majority of the increase in disbursements is in the capital projects and business type expenses. The City has added no major new programs or initiatives to the 2011 budget. If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$160,125 by the close of 2011.

In addition, the unemployment rate in the City and County is about the highest in the State of Iowa. This can be attributed to the closing of two major manufacturing plants within the past couple of years. One of the major manufacturing plants was purchased and now has approximately 50 employees. The City has received numerous grants to improve the city to include new water lines, cross walks on the square, new trails, improvements at the airport and storm sewer improvement. These new developments will hopefully spur new population, economic and employment growth in the City.

## **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 Kim Crego, City Clerk, 312 East Maple, P.O. Box 578, Centerville, Iowa 52544.

**Basic Financial Statements**

## Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2010

Functions / Programs	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Governmental activities:</b>							
Public safety	\$ 1,623,395	170,153	199,587	-	(1,253,655)	-	(1,253,655)
Public works	621,350	19,694	615,039	-	13,383	-	13,383
Culture and recreation	383,172	72,368	70,335	-	(240,469)	-	(240,469)
Community and economic development	13,710	-	-	2,630	(11,080)	-	(11,080)
General government	265,288	24,649	-	-	(240,639)	-	(240,639)
Debt service	495,480	-	-	37	(495,443)	-	(495,443)
Capital projects	300,675	-	-	168,746	(131,929)	-	(131,929)
<b>Total governmental activities</b>	<b>3,703,070</b>	<b>286,864</b>	<b>884,961</b>	<b>171,413</b>	<b>(2,359,832)</b>	<b>-</b>	<b>(2,359,832)</b>
<b>Business type activities:</b>							
Sewer	765,147	1,108,843	-	-	-	343,696	343,696
Storm sewer	54,000	79,875	-	-	-	25,875	25,875
Airport	83,147	60,487	-	-	-	(22,660)	(22,660)
<b>Total business type activities</b>	<b>902,294</b>	<b>1,249,205</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>346,911</b>	<b>346,911</b>
<b>Total</b>	<b>\$ 4,605,364</b>	<b>1,536,069</b>	<b>884,961</b>	<b>171,413</b>	<b>(2,359,832)</b>	<b>346,911</b>	<b>(2,012,921)</b>
<b>General Receipts:</b>							
Property tax and other city tax levied for:							
General purposes					1,553,601	-	1,553,601
Debt service					222,425	-	222,425
Tax increment financing					302,720	-	302,720
Local option sales tax					526,468	-	526,468
Grants and contributions not restricted to specific purpose					57,713	-	57,713
Hotel-Motel tax					61,239	-	61,239
Unrestricted interest on investments					11,891	-	11,891
Miscellaneous					3,827	20,860	24,687
Sale of assets					9,501	-	9,501
Transfers					(23,494)	23,494	-
<b>Total general receipts and transfers</b>					<b>2,725,891</b>	<b>44,354</b>	<b>2,770,245</b>
Change in cash basis net assets					366,059	391,265	757,324
Cash basis net assets beginning of year					2,149,574	953,100	3,102,674
Cash basis net assets end of year					<b>\$ 2,515,633</b>	<b>1,344,365</b>	<b>3,859,998</b>
<b>Cash Basis Net Assets</b>							
Restricted:							
Nonexpendable:							
Cemetery perpetual care					\$ 157,109	-	157,109
Expendable:							
Streets					137,200	-	137,200
Urban renewal purposes					1,572	-	1,572
Debt service					50,980	-	50,980
Local option sales tax					1,303,157	-	1,303,157
Other purposes					247,944	-	247,944
Unrestricted					617,671	1,344,365	1,962,036
<b>Total cash basis net assets</b>					<b>\$ 2,515,633</b>	<b>1,344,365</b>	<b>3,859,998</b>

See notes to financial statements.

## City of Centerville

Exhibit B

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

As of and for the year ended June 30, 2010

	General	Special Revenue			Debt Service	Nonmajor	Total
		Road Use Tax	Local Option Sales Tax	Employee Benefits			
<b>Receipts:</b>							
Property tax	\$ 936,132	-	-	589,741	222,425	27,728	1,776,026
Tax increment financing	-	-	-	-	-	302,720	302,720
Other city tax	118,953	-	526,468	-	-	-	645,421
Licenses and permits	29,773	-	-	-	-	-	29,773
Use of money and property	3,643	-	7,691	-	37	406	11,777
Intergovernmental	422,765	549,521	-	-	-	21,185	993,471
Charges for service	160,954	-	-	-	-	-	160,954
Special assessments	-	-	-	-	-	11,515	11,515
Miscellaneous	122,317	-	-	3,596	7	25,544	151,464
<b>Total receipts</b>	<b>1,794,537</b>	<b>549,521</b>	<b>534,159</b>	<b>593,337</b>	<b>222,469</b>	<b>389,098</b>	<b>4,083,121</b>
<b>Disbursements:</b>							
<b>Operating:</b>							
Public safety	1,144,005	-	-	408,735	-	8,315	1,561,055
Public works	34,703	516,522	-	60,468	-	-	611,693
Culture and recreation	330,901	-	1,210	13,124	-	35,974	381,209
Community and economic development	1,000	-	-	-	-	12,710	13,710
General government	208,971	-	-	49,026	-	-	257,997
Debt service	-	-	-	-	495,480	-	495,480
Capital projects	102,452	-	188,086	-	-	10,137	300,675
<b>Total disbursements</b>	<b>1,822,032</b>	<b>516,522</b>	<b>189,296</b>	<b>531,353</b>	<b>495,480</b>	<b>67,136</b>	<b>3,621,819</b>
Excess (deficiency) of receipts over (under) disbursements	(27,495)	32,999	344,863	61,984	(273,011)	321,962	461,302
<b>Other financing sources (uses):</b>							
Sale of capital assets	9,501	-	-	-	-	-	9,501
Operating transfers in	189,988	-	-	-	313,022	31,832	534,842
Operating transfers out	(31,832)	(2,573)	(6,063)	(47,438)	(12,275)	(458,155)	(558,336)
<b>Total other financing sources (uses)</b>	<b>167,657</b>	<b>(2,573)</b>	<b>(6,063)</b>	<b>(47,438)</b>	<b>300,747</b>	<b>(426,323)</b>	<b>(13,993)</b>
Net change in cash balances	140,162	30,426	338,800	14,546	27,736	(104,361)	447,309
Cash balances beginning of year	286,821	106,774	964,357	138,088	23,244	358,352	1,877,636
Cash balances end of year	\$ 426,983	137,200	1,303,157	152,634	50,980	253,991	2,324,945
<b>Cash Basis Fund Balances</b>							
<b>Reserved:</b>							
Debt service	\$ -	-	-	-	50,980	-	50,980
<b>Unreserved:</b>							
General fund	426,983	-	-	-	-	-	426,983
Special revenue funds	-	137,200	1,303,157	152,634	-	45,458	1,638,449
Capital projects funds	-	-	-	-	-	51,424	51,424
Permanent fund	-	-	-	-	-	157,109	157,109
<b>Total cash basis fund balances</b>	<b>\$ 426,983</b>	<b>137,200</b>	<b>1,303,157</b>	<b>152,634</b>	<b>50,980</b>	<b>253,991</b>	<b>2,324,945</b>

See notes to financial statements.

City of Centerville

Exhibit C

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Governmental Funds

As of and for the year ended June 30, 2010

**Total governmental funds cash balances (page 16)** **\$ 2,324,945**

*Amounts reported for governmental activities in the Statement of Activities  
and Net Assets are different because:*

The Internal Service Funds are used by management to charge the costs of self funding of the City's health insurance benefit plan to individual funds and the cost of the flex plan. A portion of the assets of the Internal Service Funds are included in governmental activities in the Statement of Activities and Net Assets.

190,688

**Cash basis net assets of governmental activities (page 15)** **\$ 2,515,633**

**Net change in cash balances (page 16)** **\$ 447,309**

*Amounts reported for governmental activities in the Statement of Activities  
and Net Assets are different because:*

The Internal Service Funds are used by management to charge the costs of self funding of the City's health insurance benefit plan to individual funds and the costs of the flex plan. A portion of the change in net assets of the Internal Service Funds are reported with governmental activities.

(81,250)

**Change in cash balance of governmental activities (page 15)** **\$ 366,059**

See notes to financial statements.

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

As of and for the year ended June 30, 2010

	Enterprise			Internal
	Sewer	Nonmajor	Total	Service
<b>Operating receipts:</b>				
Use of money and property	\$ -	22,659	22,659	-
Charges for service	1,108,843	117,703	1,226,546	342,553
Miscellaneous	-	-	-	342,994
<b>Total operating receipts</b>	<b>1,108,843</b>	<b>140,362</b>	<b>1,249,205</b>	<b>685,547</b>
<b>Operating disbursements:</b>				
<b>Governmental activities:</b>				
Public safety	-	-	-	227,308
Public works	-	-	-	35,204
Culture and recreation	-	-	-	7,174
General government	-	-	-	454,147
Business type activities	483,059	83,147	566,206	55,657
<b>Total operating disbursements</b>	<b>483,059</b>	<b>83,147</b>	<b>566,206</b>	<b>779,490</b>
<b>Excess (deficiency) of operating receipts over (under) operating disbursements</b>	<b>625,784</b>	<b>57,215</b>	<b>682,999</b>	<b>(93,943)</b>
<b>Non-operating receipts (disbursements):</b>				
Miscellaneous	20,860	-	20,860	-
Capital projects	(269,395)	(54,000)	(323,395)	-
<b>Net non-operating receipts (disbursements)</b>	<b>(248,535)</b>	<b>(54,000)</b>	<b>(302,535)</b>	<b>-</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>377,249</b>	<b>3,215</b>	<b>380,464</b>	<b>(93,943)</b>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	24,788	24,788	-
Operating transfers out	(1,294)	-	(1,294)	-
<b>Total other financing sources (uses)</b>	<b>(1,294)</b>	<b>24,788</b>	<b>23,494</b>	<b>-</b>
<b>Net change in cash balances</b>	<b>375,955</b>	<b>28,003</b>	<b>403,958</b>	<b>(93,943)</b>
<b>Cash balances beginning of year</b>	<b>861,663</b>	<b>41,746</b>	<b>903,409</b>	<b>321,629</b>
<b>Cash balances end of year</b>	<b>\$ 1,237,618</b>	<b>69,749</b>	<b>1,307,367</b>	<b>227,686</b>
<b>Cash Basis Fund Balances</b>				
Unreserved	<b>\$ 1,237,618</b>	<b>69,749</b>	<b>1,307,367</b>	<b>227,686</b>
<b>Total cash basis fund balances</b>	<b>\$ 1,237,618</b>	<b>69,749</b>	<b>1,307,367</b>	<b>227,686</b>

See notes to financial statements.

City of Centerville

Exhibit E

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Proprietary Funds

As of and for the year ended June 30, 2010

**Total enterprise funds cash balances (page 18)** **\$ 1,307,367**

*Amounts reported for business type activities in the Statement of Activities  
and Net Assets are different because:*

The Internal Service Funds are used by management to charge the costs of self funding of the City's health insurance benefit plan to individual funds and the costs of the flex plan. A portion of the assets of the Internal Service Funds are included in business type activities in the Statement of Activities and Net Assets.

36,998

**Cash basis net assets of business type activities (page 15)**

\$ 1,344,365

**Net change in cash balances (page 18)**

**\$ 403,958**

*Amounts reported for business type activities in the Statement of Activities  
and Net Assets are different because:*

The Internal Service Funds are used by management to charge the costs of self funding of the City's health insurance benefit plan to individual funds and the costs of the flex plan. A portion of the change in net assets of the Internal Service Funds are reported with business type activities.

(12,693)

**Change in cash balance of business type activities (page 15)**

\$ 391,265

See notes to financial statements.

City of Centerville

Notes to Financial Statements

June 30, 2010

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

The City of Centerville is a political subdivision of the State of Iowa located in Appanoose County. It was first incorporated in 1855 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides sewer and storm sewer utilities for its citizens.

**A. Reporting Entity**

Except as discussed below, for financial reporting purposes, the City of Centerville 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.

These financial statements present the City of Centerville (the primary government) and exclude the City's component unit. The component unit discussed below is not included in the City's reporting entity although its operational or financial relationship with the City is significant.

**Excluded Component Unit**

The Centerville Municipal Waterworks was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to, or impose specific burdens on the City. The Municipal Waterworks is governed by a five-member board appointed by the Mayor and approved by the City Council. The Waterworks' operating budget is subject to the approval of the City Council. Complete financial statements of the component unit, which will issue separate financial statements, can be obtained from the Municipal Waterworks administrative office.

**Jointly Governed Organizations**

The City also 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: Appanoose County Assessor's Conference Board, Appanoose County Emergency Management Commission, Appanoose County Joint E911 Service Board and the Rathbun Area Solid Waste Management Commission.

**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 the 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 the following categories/components:

*Nonexpendable Restricted net assets* are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

*Expendable 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 categories. 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 from other funds.

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for local option sales tax receipts and the projects financed with these receipts.

The Employee Benefits Fund is used to account for property tax receipts and the related payment of employee benefits.

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

The City reports the following major proprietary fund:

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

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

### C. Measurement Focus and Basis of Accounting

The City of Centerville 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, 2010, disbursements exceeded the amounts budgeted in the culture and recreation function.

### (2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2010 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.

At June 30, 2010, the City had no investments meeting the disclosure requirements of Government Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

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

**(3) Bonds and Notes Payable**

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

Year Ending June 30,	General Obligation Bonds and Notes	
	Principal	Interest
2011	\$ 310,000	61,119
2012	290,000	50,557
2013	230,000	40,792
2014	235,000	31,634
2015	185,000	22,915
2016	195,000	14,680
2017	65,000	5,785
2018	65,000	2,925
	<u>\$ 1,575,000</u>	<u>230,407</u>

**(4) Lease Purchase Obligation**

The City Library is purchasing office equipment under a capital lease contract. Future payments in relation to this capital lease are as follows:

Year Ended June 30,	Principal	Interest	Total Payment
2011	\$ 2,392	432	2,824
2012	2,551	272	2,823
2013	2,780	43	2,823
Total	<u>\$ 7,723</u>	<u>747</u>	<u>8,470</u>

**(5) Pension and Retirement Benefits**

Iowa Public Employees Retirement System

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 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$56,639, \$54,426 and \$50,225, respectively, equal to the required contributions for each year.

## Municipal Fire and Police Retirement System of Iowa

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits, which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, IA 50266.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, can not be less than 17% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2010, 2009 and 2008 were \$94,290, \$97,269 and \$144,354, respectively, which met the required contribution rate for each year.

### (6) **Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 34 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a self-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees. However, for former employees, the City will pay for 50% of the cost of the single health insurance premium to the age of 65. Former employees have to be employed by the City for over 20 years in order to qualify for this benefit. If these requirements are met, the City and the former employee each pay \$277.86 per month for single health insurance coverage.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$555.72 for single coverage and \$1,227.29 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$342,553 and plan members eligible for benefits contributed \$89,954 to the plan.

### (7) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, compensatory, and personal 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, compensatory and personal hours payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Personal time	\$ 370
Compensatory time	23,947
Vacation	<u>74,908</u>
Total	<u>\$99,225</u>

This liability has been computed based on rates of pay in effect at June 30, 2010.

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	\$ 36,775
	Emergency	27,728
	Debt Service	12,275
	Capital Projects:	
	Library Construction	<u>113,210</u>
		<u>189,988</u>
Debt Service	Special Revenue:	
	Road Use Tax	2,572
	Local Option Sales Tax	6,063
	Urban Renewal Tax Increment	291,578
	Special Assessment	11,515
	Enterprise:	
	Sewer	<u>1,294</u>
		<u>313,022</u>
Special Revenue: Crime Stoppers	General	<u>2,000</u>
Special Revenue: Library Memorial	General	<u>14,700</u>
Capital Projects: Airport Construction	General	<u>15,132</u>
Enterprise: Airport	Special Revenue:	
	Employee Benefits	10,664
	Capital Projects:	
	Airport Construction	<u>14,124</u>
		<u>24,788</u>
		<u>\$ 559,630</u>

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

**(9) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$675 during the year ended June 30, 2010.

**(10) Industrial Development Revenue Bonds**

The City has issued a total of \$7,000,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest does not constitute liabilities of the City.

**(11) Self-Insured Medical Plan**

The City of Centerville has a self-insured medical plan for City employees. A fixed monthly fee per participating employee is paid to an insurance administrative company to administer the plan and evaluate claims. The plan is funded by both employee and city contributions, and is administered through a service agreement with American Administrators, Inc.

The City escrows funds each month to be used to pay medical claims incurred. The maximum exposure by the City for one individual in a twelve-month period is \$20,000. Claims in excess of this amount are paid by the insurance administrative company through the purchase of stop loss insurance. The maximum aggregate benefit to be paid by the insurance company in a contract year is \$1,000,000, with a \$2,000,000 maximum per covered person over a lifetime. The City records the plan receipts and disbursements of the City of Centerville Health Insurance Fund as an Internal Service Fund. Monthly payments to the fund are recorded as disbursements from the operating funds.

**(12) Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital.

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

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2010 were \$87,147.

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

The Pool's intergovernmental contracts with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$1,000,000 each accident, \$1,000,000 memorandum limit, and \$1,000,000 each employee; and airport owners liability for various coverage limits. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(13) Development and Rebate Agreement**

The City entered into a development and rebate agreement during the year ended June 30, 2004 to assist in an urban renewal project. The City agreed to rebate incremental taxes paid by the developer in exchange for infrastructure improvements with an estimated taxable value of \$200,000 constructed by the developer as set forth in the urban renewal plan. The incremental taxes to be received by the City under Chapter 403.10 of the Code of Iowa from the developer will be rebated for a period of seven years beginning with the tax year in which the property taxes on the completed value of the improvements are first paid. Future payments under the development and rebate agreement are as follows:

Year Ended June 30,	Principal	Interest	Total Payment
2011	\$ 7,865	513	8,378
2012	1,464	81	1,545
Total	\$ 9,329	594	9,923

During the year ended June 30, 2010, the City rebated \$7,455 of incremental taxes and \$923 in related interest to the developer. The cumulative amount rebated to the developer from March 2004 through June 30, 2010 was \$41,890.

**(14) Contingency**

The City receives payments in lieu of taxes from the local housing agency. The City is in the process of determining whether some of these funds received in prior years from the local housing agency should have been distributed to political subdivisions in the County. During the year ended June 30, 2009, the City paid the School District a total of \$50,000 to the School District as partial settlement of the payment in lieu of tax amount. The City is still working with the other local political subdivisions in relation to this issue. The amount of funds the City received from the local housing agency which would be distributed to the political subdivisions, if any, is undeterminable.

The City participates in a number of Federal and State grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

**(15) Subsequent Events/Commitments**

In fiscal year 2011, the City will be completing a storm water replacement project. This project will be entirely funded by a grant, with a contracted construction cost amount of \$628,997. The construction portion of this project began in fiscal year 2011. It is anticipated that this project will also be completed in fiscal year 2011.

**Required Supplementary Information**

City of Centerville

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Total	Budgeted Amounts		Final to Total Variance
					Original	Final	
<b>Receipts:</b>							
Property tax	\$ 1,776,026	-	-	1,776,026	1,587,698	1,587,698	188,328
Tax increment financing	302,720	-	-	302,720	299,959	299,959	2,761
Other city tax	645,421	-	-	645,421	746,606	746,606	(101,185)
Licenses and permits	29,773	-	-	29,773	77,800	77,800	(48,027)
Use of money and property	11,777	22,659	-	34,436	48,200	48,200	(13,764)
Intergovernmental	993,471	-	-	993,471	1,729,743	2,167,056	(1,173,585)
Charges for service	160,954	1,569,099	342,553	1,387,500	1,011,775	1,705,775	(318,275)
Special assessments	11,515	-	-	11,515	14,289	14,289	(2,774)
Miscellaneous	151,464	363,854	342,994	172,324	76,536	108,481	63,843
<b>Total receipts</b>	<b>4,083,121</b>	<b>1,955,612</b>	<b>685,547</b>	<b>5,353,186</b>	<b>5,592,606</b>	<b>6,755,864</b>	<b>(1,402,678)</b>
<b>Disbursements:</b>							
Public safety	1,561,055	227,308	227,308	1,561,055	1,436,457	1,580,811	19,756
Public works	611,693	35,204	35,204	611,693	595,840	680,798	69,105
Culture and recreation	381,209	7,174	7,174	381,209	259,303	364,371	(16,838)
Community and economic development	13,710	-	-	13,710	474,956	738,443	724,733
General government	257,997	454,147	454,147	257,997	249,739	288,548	30,551
Debt service	495,480	-	-	495,480	500,334	500,334	4,854
Capital projects	300,675	-	-	300,675	1,000,000	1,074,502	773,827
Business type activities	-	945,258	55,657	889,601	1,026,020	1,728,892	839,291
<b>Total disbursements</b>	<b>3,621,819</b>	<b>1,669,091</b>	<b>779,490</b>	<b>4,511,420</b>	<b>5,542,649</b>	<b>6,956,699</b>	<b>2,445,279</b>
Excess (deficiency) of receipts over (under) disbursements	461,302	286,521	(93,943)	841,766	49,957	(200,835)	1,042,601
Other financing sources, net	(13,993)	23,494	-	9,501	-	-	9,501
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	447,309	310,015	(93,943)	851,267	49,957	(200,835)	1,052,102
Balances beginning of year	1,877,636	1,225,038	321,629	2,781,045	4,202,100	4,202,100	(1,421,055)
Balances end of year	\$ 2,324,945	\$ 1,535,053	\$ 227,686	\$ 3,632,312	\$ 4,252,057	\$ 4,001,265	\$ (368,953)

City of Centerville

Notes to Required Supplementary Information-Budgetary Reporting

June 30, 2010

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 for the 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 increased budgeted disbursements by \$1,414,050. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the culture and recreation function.

**Other Supplementary Information**

City of Centerville

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2010

	Special			
	Urban Renewal Tax Increment	Friends of Oakland Cemetery	Crime Stoppers	Special Law Enforcement
<b>Receipts:</b>				
Property tax	\$ -	-	-	-
Tax increment financing	302,720	-	-	-
Use of money and property	-	406	-	-
Intergovernmental	-	-	2,500	9,726
Special assessments	-	-	-	-
Miscellaneous	-	11,125	-	50
<b>Total receipts</b>	<b>302,720</b>	<b>11,531</b>	<b>2,500</b>	<b>9,776</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	-	-	650	7,665
Culture and recreation	-	11,177	-	-
Community and economic development	9,570	-	-	-
Capital projects	-	-	-	-
<b>Total disbursements</b>	<b>9,570</b>	<b>11,177</b>	<b>650</b>	<b>7,665</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>293,150</b>	<b>354</b>	<b>1,850</b>	<b>2,111</b>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	2,000	-
Operating transfers out	(291,578)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(291,578)</b>	<b>-</b>	<b>2,000</b>	<b>-</b>
<b>Net change in cash balances</b>	<b>1,572</b>	<b>354</b>	<b>3,850</b>	<b>2,111</b>
<b>Cash balances beginning of year</b>	<b>-</b>	<b>21,886</b>	<b>1,224</b>	<b>1,776</b>
<b>Cash balances end of year</b>	<b>\$ 1,572</b>	<b>22,240</b>	<b>5,074</b>	<b>3,887</b>
<b>Cash Basis Fund Balances</b>				
<b>Unreserved:</b>				
Special revenue funds	\$ 1,572	22,240	5,074	3,887
Capital project funds	-	-	-	-
Permanent fund	-	-	-	-
<b>Total cash basis fund balances</b>	<b>\$ 1,572</b>	<b>22,240</b>	<b>5,074</b>	<b>3,887</b>

See accompanying independent auditor's report.

Revenue			Capital Projects			Permanent	
Emergency	Library Memorial	Special Assessment	Library Construction	Tax Increment Financing	Airport Construction	Cemetery Perpetual Care	Total
27,728	-	-	-	-	-	-	27,728
-	-	-	-	-	-	-	302,720
-	-	-	-	-	-	-	406
-	-	-	-	-	8,959	-	21,185
-	-	11,515	-	-	-	-	11,515
-	6,752	-	-	-	-	7,617	25,544
27,728	6,752	11,515	-	-	8,959	7,617	389,098
-	-	-	-	-	-	-	8,315
-	24,797	-	-	-	-	-	35,974
-	-	-	-	3,140	-	-	12,710
-	-	-	2	-	10,135	-	10,137
-	24,797	-	2	3,140	10,135	-	67,136
27,728	(18,045)	11,515	(2)	(3,140)	(1,176)	7,617	321,962
-	14,700	-	-	-	15,132	-	31,832
(27,728)	-	(11,515)	(113,210)	-	(14,124)	-	(458,155)
(27,728)	14,700	(11,515)	(113,210)	-	1,008	-	(426,323)
-	(3,345)	-	(113,212)	(3,140)	(168)	7,617	(104,361)
-	16,030	-	113,212	45,888	8,844	149,492	358,352
-	12,685	-	-	42,748	8,676	157,109	253,991
-	12,685	-	-	-	-	-	45,458
-	-	-	-	42,748	8,676	-	51,424
-	-	-	-	-	-	157,109	157,109
-	12,685	-	-	42,748	8,676	157,109	253,991

## City of Centerville

## Schedule 2

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2010

	Enterprise		
	Storm Sewer	Airport	Total
<b>Operating receipts:</b>			
Use of money and property	\$ -	22,659	22,659
Charges for service	79,875	37,828	117,703
<b>Total operating receipts</b>	<b>79,875</b>	<b>60,487</b>	<b>140,362</b>
<b>Operating disbursements:</b>			
Business type activities	-	83,147	83,147
<b>Total operating disbursements</b>	<b>-</b>	<b>83,147</b>	<b>83,147</b>
<b>Excess (deficiency) of operating receipts over (under) operating disbursements</b>	<b>79,875</b>	<b>(22,660)</b>	<b>57,215</b>
<b>Non-operating receipts (disbursements):</b>			
Capital projects	(54,000)	-	(54,000)
<b>Net non-operating receipts (disbursements)</b>	<b>(54,000)</b>	<b>-</b>	<b>(54,000)</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>25,875</b>	<b>(22,660)</b>	<b>3,215</b>
<b>Other financing sources (uses):</b>			
Operating transfers in	-	24,788	24,788
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>24,788</b>	<b>24,788</b>
<b>Net change in cash balances</b>	<b>25,875</b>	<b>2,128</b>	<b>28,003</b>
<b>Cash balances beginning of year</b>	<b>41,107</b>	<b>639</b>	<b>41,746</b>
<b>Cash balances end of year</b>	<b>\$ 66,982</b>	<b>2,767</b>	<b>69,749</b>
<b>Cash Basis Fund Balances</b>			
<b>Unreserved</b>	<b>\$ 66,982</b>	<b>2,767</b>	<b>69,749</b>
<b>Total cash basis fund balances</b>	<b>\$ 66,982</b>	<b>2,767</b>	<b>69,749</b>

See accompanying independent auditor's report.

## City of Centerville

Schedule 3

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Internal Service Funds

As of and for the year ended June 30, 2010

	Employee Health	Flex Plan	Total
<b>Operating receipts:</b>			
<b>Charges for service:</b>			
Personal service costs from operating funds	\$ 342,553	-	342,553
<b>Miscellaneous:</b>			
Employee contributions and refunds	330,676	12,318	342,994
<b>Total operating receipts</b>	<b>673,229</b>	<b>12,318</b>	<b>685,547</b>
<b>Operating disbursements:</b>			
<b>Governmental activities:</b>			
Public safety	227,308	-	227,308
Public works	35,204	-	35,204
Culture and recreation	7,174	-	7,174
General government	441,763	12,384	454,147
Business type activities	55,657	-	55,657
<b>Total operating disbursements</b>	<b>767,106</b>	<b>12,384</b>	<b>779,490</b>
<b>Net change in cash balances</b>	<b>(93,877)</b>	<b>(66)</b>	<b>(93,943)</b>
<b>Cash balances beginning of year</b>	<b>321,070</b>	<b>559</b>	<b>321,629</b>
<b>Cash balances end of year</b>	<b>\$ 227,193</b>	<b>493</b>	<b>227,686</b>

See accompanying independent auditor's report.

City of Centerville

Schedule 4

Schedule of Indebtedness

Year ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
<b>General Obligation Bonds and Notes:</b>									
Corporate Purpose	September 1, 2001	3.40-4.70%	\$ 1,400,000	840,000	-	105,000	735,000	37,100	-
Capital Loan	May 1, 2003	1.25-4.50%	1,195,000	500,000	-	45,000	455,000	20,118	-
Capital Loan	July 1, 2003	1.20-3.20%	500,000	215,000	-	50,000	165,000	6,460	-
Capital Loan	September 1, 2003	3.00-4.00%	700,000	135,000	-	65,000	70,000	4,865	-
Refunding Capital Loan	April 1, 2005	3.00-3.375%	910,000	300,000	-	150,000	150,000	9,937	-
Total			\$ 1,990,000	\$ 1,990,000	-	415,000	1,575,000	78,480	-

Lease Purchase Agreements:

Equipment	April 14, 2008	6.50%	\$ 12,065	9,963	-	2,240	7,723	583	-
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See accompanying independent auditor's report.

City of Centerville

Schedule 5

Bond and Note Maturities

June 30, 2010

General Obligation Bonds and Notes

Year Ending June 30,	Corporate Purpose Issued September 1, 2001		Capital Loan Issued May 1, 2003		Capital Loan Issued July 1, 2003		Capital Loan Issued September 1, 2003		Refunding Capital Loan Issued April 1, 2005		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2011	4.20%	\$ 110,000	3.60%	\$ 50,000	-	\$ -	-	\$ -	3.250%	\$ 150,000	\$ 310,000
2012	4.30%	115,000	3.75%	50,000	2.95%	55,000	3.700%	70,000	-	-	290,000
2013	4.40%	120,000	3.90%	55,000	3.05%	55,000	-	-	-	-	230,000
2014	4.50%	125,000	4.00%	55,000	3.20%	55,000	-	-	-	-	235,000
2015	4.60%	130,000	4.10%	55,000	-	-	-	-	-	-	185,000
2016	4.70%	135,000	4.25%	60,000	-	-	-	-	-	-	195,000
2017	-	-	4.40%	65,000	-	-	-	-	-	-	65,000
2018	-	-	4.50%	65,000	-	-	-	-	-	-	65,000
		<u>\$ 735,000</u>		<u>\$ 455,000</u>		<u>\$ 165,000</u>		<u>\$ 70,000</u>		<u>\$ 150,000</u>	<u>\$ 1,575,000</u>

See accompanying independent auditor's report.

City of Centerville

Schedule 6

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

For the Last Six Years

	2010	2009	2008	2007	2006	2005
<b>Receipts:</b>						
Property tax	\$1,776,026	1,908,000	1,942,462	1,882,266	1,955,748	1,724,719
Tax increment financing	302,720	-	-	-	4,983	391,046
Other city tax	645,421	594,999	563,109	620,114	502,078	401,423
Licenses and permits	29,773	29,484	28,114	67,657	66,598	71,047
Use of money and property	11,777	51,850	70,935	120,407	59,455	40,907
Intergovernmental	993,471	1,159,501	1,756,627	1,332,878	915,365	889,884
Charges for service	160,954	162,465	148,129	133,100	161,539	130,839
Special assessments	11,515	14,161	12,991	30,103	17,965	35,863
Miscellaneous	151,464	174,017	370,077	146,766	342,640	194,059
<b>Total</b>	<b>\$4,083,121</b>	<b>4,094,477</b>	<b>4,892,444</b>	<b>4,333,291</b>	<b>4,026,371</b>	<b>3,879,787</b>
<b>Disbursements:</b>						
<b>Operating:</b>						
Public safety	\$1,561,055	1,724,788	1,579,219	1,554,102	1,435,742	1,294,664
Public works	611,693	686,428	596,553	547,899	487,234	582,726
Culture and recreation	381,209	416,993	359,258	424,317	426,005	363,190
Community and economic development	13,710	13,705	38,578	178,143	366,224	259,328
General government	257,997	299,727	239,526	336,907	237,911	214,897
Debt service	495,480	693,641	562,694	784,457	772,593	820,223
Capital projects	300,675	646,584	1,191,523	850,995	279,500	769,504
<b>Total</b>	<b>\$3,621,819</b>	<b>4,481,866</b>	<b>4,567,351</b>	<b>4,676,820</b>	<b>4,005,209</b>	<b>4,304,532</b>

See accompanying independent auditor's report.

PEAK & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
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CLIVE, IA 50325

(515) 277-3077

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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Centerville, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 27, 2010. Our report expressed unqualified opinions on the primary government 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 Centerville'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 of Centerville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Centerville'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control that there is a reasonable possibility a material misstatement of City of Centerville's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-10, I-B-10 and I-C-10 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-D-10 and I-E-10 to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Centerville'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 which 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, 2010 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 Centerville'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 Centerville'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 Centerville and other parties to whom the City of Centerville may report, and 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 Centerville 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.

Peak & Co., LLP  
Certified Public Accountants

December 27, 2010

City of Centerville

Schedule of Findings

Year Ended June 30, 2010

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

**INTERNAL CONTROL DEFICIENCIES:**

**I-A-10 Financial Reporting** – We noted that while management is capable of preparing accurate financial statements that provide information sufficient for City Council members to make management decisions, reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Due to the technical nature of these requirements, management does not prepare this information, which is a common situation in small entities.

**Recommendation** – Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable OCBOA financial statements.

**Response** – The officials will attempt to read relevant accounting literature and attend professional education courses to improve in the ability to apply appropriate accounting principles.

**Conclusion** – Response accepted.

**I-B-10 Segregation of Duties - Airport** – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person. In addition, all aspects of the payroll preparation and reporting are all done by the same person.

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

**Response** – We will consider this.

**Conclusion** – Response acknowledged. The Airport should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

**I-C-10 Airport Records** – No evidence could be located that the airport performed monthly bank reconciliations during the fiscal year.

The airport buys fuel in bulk and resells the fuel to its customers. However, it does not appear that the airport has procedures in place to provide assurance that all fuel bought for resale is either on hand or billed to customers.

**Recommendation** – The airport perform monthly bank reconciliations. In addition, the airport needs to implement procedures to provide assurance that all fuel is accounted for properly.

**Response** – We will review this.

**Conclusion** – Response accepted.

City of Centerville

Schedule of Findings

Year Ended June 30, 2010

I-D-10 Recreation Department – The City discontinued its recreation program during the year. It appears the City did not retain all of the records related to this program, such as registration records and team lists.

Recommendation - The City implement procedures to ensure all records from discontinued programs are retained.

Response – We will implement this recommendation in the future.

Conclusion – Response accepted.

I-E-10 Receipt Procedures – There does not appear to be procedures in place to ensure all monies are billed and collected from fire department related service calls.

Recommendation – The City implement procedures to ensure all monies due the City are actually received by the City, including monies from fire department related service calls.

Response – We will attempt to implement this recommendation.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Centerville

Schedule of Findings

Year Ended June 30, 2010

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-10 **Certified Budget** – Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the culture and recreation function. 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-10 **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.

II-C-10 **Travel Expense** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-10 **Business Transactions** – Business transactions between the City and City officials or employees of the primary government are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Rob Lind, Council Member Owner of Centerville Greenhouse	Supplies	\$ 675

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the above individual do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year.

II-E-10 **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-10 **Council Minutes** – No transactions were found that we believe should have been approved in the Council minutes but were not.

We noted that one Council minutes were not published, and another Council minutes were not timely published as required by Chapter 372.13 (6) of the Code of Iowa.

**Recommendation** – The City should publish the minutes as required per the Code of Iowa.

**Response** – We will implement this recommendation.

**Conclusion** - Response accepted.

II-G-10 **Deposits and Investments** – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

City of Centerville

Schedule of Findings

Year Ended June 30, 2010

- II-H-10 Payroll – In one case, the number of hours paid to an employee did not agree to the number of hours worked as recorded on the timesheet.

Payroll costs of non-road related activities are charged to the Special Revenue - Road Use Tax Fund. Chapter 312.6 of the Code of Iowa states that funds received from the State of Iowa for road purposes shall only be used for any purpose relating to the construction, maintenance, and supervision of the public streets.

Recommendation - All employees should document hours worked on their timesheet. Also, the City should review its procedures regarding payroll cost allocations to ensure compliance with the Code of Iowa.

Response - We will review and implement these recommendations.

Conclusion - Response accepted.

- II-I-10 Fuel Log – The City street department has a bulk fuel tank which is used by city departments. Even though a fuel log is maintained at the tanks, the City does not analyze the propriety of fuel usage.

Recommendation – Fuel logs should be analyzed to ensure all fuel purchased is accounted for properly and that analysis is performed of the fuel usage for reasonableness.

Response – We will review this and take action as necessary.

Conclusion – Response accepted.

- II-J-10 Airport – Dual signatures are not required on checks.

Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and required retention in this manner to include an image of both the front and back of each check. The Airport retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

It appears that some Job Service, Federal Form 941 reports and the W2 forms are not accurate.

In some instances, no invoices could be located. In other instances, the airport paid claims based off a statement and not an invoice.

Timesheets could not all be located for the Airport employee. Also, no evidence could be located which documents the Airport's management approval of the employee rate of pay.

Recommendation – Dual signatures should be required on all checks. The Airport should obtain and retain an image of both the front and back of each cancelled check. In addition, all payroll reports should be reviewed to ensure they are properly completed. All invoices should be retained, and all bills should be paid from an invoice and not a statement. Also, all timesheets should be retained, and written authorization should be maintained documenting employee rate of pay.

City of Centerville

Schedule of Findings

Year Ended June 30, 2010

Response – We now require dual signatures on checks. In addition, in the future we will obtain an image of both the front and back of each cancelled check. We will also review the payroll reports and make adjustments as necessary. Also, invoices will be obtained prior to the payment of all bills, and that timesheets will be retained and authorized rate of pay will be documented in the future.

Conclusion - Response accepted.

II-K-10 Library – For memorial and donation monies, an immediate record of receipt is not generated at the time of collection. Some invoices were not cancelled after payment. The Board President does not sign the list of approved bills. The November and December bills were not approved by the Board.

Recommendation – The Library record receipts immediately upon receipt. Also, all invoices should be cancelled after payment, the Board President should sign the list of approved bills, and all bills should be approved by the Board.

Response – We will implement these recommendations.

Conclusion – Response accepted.

II-L-10 Debt– The City's \$1,400,000 debt issue, of which there is \$735,000 left to pay as of June 30, 2010, has interest rates in excess of 4%. The City can refinance this debt. Given the current low interest rates, the City should be able to save a significant amount of money if this debt was refinanced.

Recommendation – The City determine if refinancing would be in their best interests.

Response – We will review this.

Conclusion – Response accepted.

II-M-10 Compliance Issues – The City paid for approximately \$9,000 in costs from the Special Revenue, Employee Benefits Fund which were not related to employee benefits. The Code of Iowa requires that only employee benefit costs be paid for from the Special Revenue, Employee Benefits Fund.

The City's liability tax levy appears to be excessive given the amount of liability insurance costs paid for by the City. The Code of Iowa only allows a City to establish a liability insurance tax levy up to the amount needed for applicable liability insurance costs. It would not appear that the Code of Iowa allows a City to levy a tax for liability insurance purposes in order to fund the general operations of the City.

The City is unable to determine which specific costs make up a reimbursement for \$218 received by the City from the Federal Aviation Administration (FAA). FAA regulations require that adequate documentation be maintained by the City for all claims for reimbursement.

On a sewer lining project, it does not appear that the Contractor met the project completion date as noted in the contract, and that change orders were not completed for differences between the original contract amount and the amount ultimately paid the contractor.

City of Centerville

Schedule of Findings

Year Ended June 30, 2010

**Recommendation** – The City implement procedures to ensure all costs charged to the Special Revenue, Employee Benefits Fund are for employee benefits, and that the tax levy for liability insurance be established at a rate which approximates the applicable liability insurance costs paid for by the City.

In addition, the City should retain documentation which reconciles the claim forms filed with the FAA to the internal accounting records. Also, on construction projects the City should ensure that contractor completion dates are met and that change orders are generated for differences between the original contract amount and the amount ultimately paid to the contractor.

**Response** – We will implement the above recommendations.

**Conclusion** – Response accepted.