

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

JUNE 30, 2010

Peak & Co., LLP
Certified Public Accountants
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Clive, IA 50325

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City of Chariton

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------------------------|-----------------|---------------------|
| (Before January, 2010) | | |
| John Braida | Mayor | December, 2009 |
| Brian Snuggs | Council Member | December, 2009 |
| Roger Manser | Council Member | December, 2009 |
| Ruth Smith | Council Member | December, 2011 |
| Vern Vogel | Council Member | December, 2011 |
| Nels Christensen | Manager | Indefinite |
| Ruth Ryun | Clerk/Treasurer | December, 2009 |
| Verle W. Norris | Attorney | December, 2009 |
| (After January, 2010) | | |
| Roger Manser | Mayor | December, 2013 |
| Raymond Meyer | Council Member | December, 2013 |
| Dennis Bisgard | Council Member | December, 2013 |
| Ruth Smith | Council Member | December, 2011 |
| Vern Vogel | Council Member | December, 2011 |
| Nels Christensen | Manager | Indefinite |
| Ruth Ryun | Clerk/Treasurer | December, 2011 |
| Verle W. Norris | Attorney | December, 2011 |

City of Chariton

PEAK & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS
1370 NW 114TH 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 Chariton, 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 Chariton'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.

The financial statements referred to above include only the primary government of the City of Chariton, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial statements 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 Chariton 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 Chariton 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 August 16, 2010 on our consideration of the City of Chariton'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 on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 13 and 31 through 32 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 Chariton'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 six 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 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peak & Co., LLP
Certified Public Accountants

August 16, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Chariton, Iowa

The City of Chariton 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

- ❖ Total program and general receipts of the City's governmental activities decreased 54.7%, or approximately \$3,658,000, from fiscal year 2009 to fiscal year 2010. Bond proceeds which totaled approximately \$2,944,000 in fiscal year 2009 decreased to approximately \$873,000 in fiscal year 2010. Total program receipts decreased approximately \$880,000 from fiscal year 2009 to fiscal year 2010 primarily due to a reduction of approximately \$998,000 in capital grants.
- ❖ Local option sales tax receipts increased by approximately \$21,000 to approximately \$348,000 in fiscal year 2010.
- ❖ Property tax receipts increased by 5.4%, or approximately \$78,000 from fiscal year 2009 to fiscal year 2010.
- ❖ Disbursements of the City's governmental activities decreased 21.0%, or approximately \$1,215,000, in fiscal year 2010 from fiscal year 2009.
- ❖ Public safety disbursements decreased approximately \$289,000, Public works disbursements decreased approximately \$108,000, and Capital projects disbursements decreased approximately \$990,000 in fiscal year 2010 compared to fiscal year 2009, due to street projects and building restoration completed in fiscal year 2009.
- ❖ Culture and recreation disbursements increased 28.4% or approximately \$153,000 from fiscal year 2009 to fiscal year 2010. Of this increase, approximately \$66,700 was for cemetery streets overlay, approximately \$23,000 was the cost to rebuild a vandalized concessions building that was covered by insurance, and approximately \$29,000 was costs in relation to the East Lakes REAP project.
- ❖ Disbursements for Community and economic development increased 590% from approximately \$10,000 in fiscal year 2009 to approximately \$69,000 in fiscal year 2010. This increase was primarily due to the \$63,805 from work completed on a CDBG Housing grant.
- ❖ Capital projects disbursements decreased 45.1%, or approximately \$990,000. This decrease was attributed to large projects completed in fiscal year 2009 and limited small projects in fiscal year 2010.
- ❖ The City's total governmental cash basis net assets decreased 42.1%, or approximately \$1,707,000 from June 30, 2009 to June 30, 2010.
- ❖ The assets of the business type activities increased by approximately \$284,000 or 240.7% primarily due to a 30.7% increase in sewer revenues which are used for waste water improvement loans for projects and for repair and maintenance of the waste water collection system.

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 and 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, 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 sanitary sewer system, solid waste and the airport. These activities are financed primarily by user charges.

Fund Financial Statements

The City has three 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 Swimming Pool, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund, such as Cemetery Perpetual Care. 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 two Enterprise Funds to provide separate information for the sanitary sewer system and solid waste fund, all considered to be major funds of the City. Another Enterprise Fund, the Airport Fund, is a non-major fund 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.

(3) Fiduciary Funds account for assets that belong to others. The Fiduciary Fund accounts for the City's Deferred Compensation Plan.

The City is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The City excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary 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 decreased sharply from a year ago, decreasing from approximately \$4.05 million to approximately \$2.34 million. 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)

| | <u>Year Ended</u> <u>June 30, 2010</u> | <u>Year Ended</u> <u>June 30, 2009</u> |
|---|---|---|
| Receipts: | | |
| Program receipts: | | |
| Charges for service | \$ 197 | \$ 207 |
| Operating grants, contributions and restricted interest | 661 | 533 |
| Capital grants, contributions and restricted interest | 120 | 1,118 |
| General receipts: | | |
| Property tax | 1,290 | 1,242 |
| Debt service property tax | 238 | 208 |
| Hotel/Motel Tax | 22 | - |
| Local option sales tax | 348 | 327 |
| Grants and contributions not restricted | 40 | 35 |
| Unrestricted interest on investments | 20 | 6 |
| Bond proceeds | 873 | 2,944 |
| Payment to bond agent | (860) | - |
| Other general receipts | 75 | 53 |
| Sale of assets | - | 9 |
| Total receipts | <u>3,024</u> | <u>6,682</u> |
| Disbursements: | | |
| Public safety | 739 | 1,028 |
| Public works | 751 | 859 |
| Health and social services | 7 | 11 |
| Culture and recreation | 693 | 540 |
| Community and economic development | 69 | 10 |
| General government | 384 | 359 |
| Debt service | 715 | 776 |
| Capital projects | <u>1,203</u> | <u>2,193</u> |
| Total disbursements | <u>4,561</u> | <u>5,776</u> |
| Change in cash basis net assets, before transfers | (1,537) | 906 |
| Transfers, net | <u>(170)</u> | <u>(20)</u> |
| Change in cash basis net assets | (1,707) | 886 |
| Cash basis net assets beginning of year | <u>4,050</u> | <u>3,164</u> |
| Cash basis net assets end of year | <u>\$2,343</u> | <u>\$4,050</u> |

The City's total receipts for governmental activities decreased by 54.7%, or approximately \$3,658,000. The total cost of all programs and services decreased by 21.0% or approximately \$1,215,000, with no new programs added this year. The significant decrease in receipts were due to capital grants and bond proceeds that were used in fiscal year 2009 for streets, building repair and maintenance. The decrease in disbursements was also due to reduced capital projects.

The City increased the property tax rates from \$16.47216 in fiscal year 2009 to \$16.89739 in fiscal year 2010. The City increased the property tax rate to cover costs of some of the major projects and needs of the city. The City's taxable valuation for taxes levied increased by approximately 0.4% in fiscal year 2010 compared to fiscal year 2009. Based on the increases in the total assessed valuations, and increase in the levy, property tax receipts are budgeted to increase by approximately \$59,000 next year.

The cost of all governmental activities this year was approximately \$4.561 million compared to approximately \$5.776 million 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 \$3.583 million because some of the cost was paid by those who directly benefited from the programs (\$197,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$781,000). The City paid for the remaining "public benefit" portion of governmental activities with \$3.583 million in tax (some of which could only be used for certain programs) and with other receipts, such as interest and other general receipts.

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

| | <u>Year Ended June 30, 2010</u> | <u>Year Ended June 30, 2009</u> |
|--|-------------------------------------|-------------------------------------|
| Receipts: | | |
| Program receipts: | | |
| Charges for service: | | |
| Sewer | \$563 | \$431 |
| Solid Waste | 40 | 37 |
| Airport | 50 | 87 |
| Capital grants, contributions, and restricted interest | 27 | 365 |
| General receipts: | | |
| Unrestricted interest on investments | 13 | 16 |
| Revenue bond proceeds | 728 | - |
| Miscellaneous | <u>6</u> | <u>12</u> |
| Total receipts | <u>1,427</u> | <u>948</u> |
| Disbursements: | | |
| Sewer | 1,170 | 994 |
| Solid Waste | 17 | 17 |
| Airport | <u>126</u> | <u>101</u> |
| Total disbursements | <u>1,313</u> | <u>1,112</u> |
| Change in cash basis net assets before transfers | 114 | (164) |
| Transfers, net | <u>170</u> | <u>20</u> |
| Change in cash basis net assets | 284 | (144) |
| Cash basis net assets beginning of year | <u>118</u> | <u>262</u> |
| Cash basis net assets end of year | <u>\$402</u> | <u>\$118</u> |

Total business type activities receipts for the fiscal year were approximately \$1.427 million compared to \$.948 million last year. Receipts were up in fiscal year 2010 primarily due to an increase from an SRF loan and an increase in sewer revenue. The cash balance increased by approximately \$284,000 from the prior year.

Total disbursements for the fiscal year increased by 18.1%, or approximately \$201,000, to a total of approximately \$1,313,000. The increase in disbursements was due to major costs incurred for waste water system construction.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Chariton completed the year, its governmental funds reported a combined fund balance of \$2,327,944, a decrease of \$1,707,108 from last year's total of \$4,035,052. 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 decreased \$1,222,150 from the prior year to \$345,824. The City continues to spend more out of the General Fund in normal operating costs than what is received from property taxes, charges for services, and other miscellaneous receipts.
- ❖ The Special Revenue, Road Use Tax Fund cash balance decreased by \$63,489 to \$17,016 as of June 30, 2010. The City received \$24,804 in additional RUTF funds in 2010. Few equipment purchases were made and road repairs were limited.
- ❖ The Special Revenue, Swimming Pool Fund cash balance had no material change and remained at approximately \$1,391,000 as of June 30, 2010. The sales tax monies deposited to this fund are restricted by referendum for Swimming Pool construction, maintenance and operation. The Swimming Pool currently has \$725,000 in Revenue Bond debt. The pool will be using local option sales tax monies to cover operating costs.
- ❖ The Special Revenue, Employee Benefits Fund cash balance increased \$21,606 to (\$20,347) at June 30, 2010. That deficit will decrease and become positive in fiscal year 2011.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- ❖ The Enterprise, Sewer Fund cash balance increased by \$168,994 to \$133,480 as of June 30, 2010. This increase in cash was due to increased receipts of \$132,389 and revenue bond proceeds of \$728,176.
- ❖ The Enterprise, Solid Waste Fund cash balance increased by \$28,615 to \$370,054 as of June 30, 2010. This increase in cash is necessary in order to build up a reserve for potential costs which may be incurred at the old sanitary landfill. The receipts will decrease in 2011 because of an update in the agreement, but the fund balance should remain steady.

INDIVIDUAL NON-MAJOR BUSINESS TYPE FUND ANALYSIS

- ❖ The Enterprise, Airport Fund cash balance increased by \$86,546 to (\$101,375) as of June 30, 2010. This improvement to the fund balance was due to a transfer. There were some roof and building repairs done to preserve the facilities. The airport operations are under review with the goal to generate more receipts and reduce costs.

BUDGETARY HIGHLIGHTS

This past year the City of Chariton amended the budget on May 19, 2010 by \$429,530. The amendment increased disbursements in the budget. While there were three functions that exceeded the amended budgeted amount, the total of the three functions that were over was less than \$20,000. The City exceeded the amended budget amounts in the Public safety (\$6,601), Culture and recreation (\$4,679) and Capital projects (\$8,196) functions for the year ended June 30, 2010.

There was no budget amendment change in receipts.

Total disbursements were \$1,904,661 less than the amended budget. Actual disbursements for Public works and Business type activities functions were \$627,842 and \$1,074,645 respectively, less than the budgeted amounts. The reason for the lower disbursements was that we did not proceed on fiscal year 2010 capital improvement projects that were in the budget.

DEBT ADMINISTRATION

At June 30, 2010, the City had \$4,123,000 in bonds and other long-term debt outstanding, compared to \$4,055,000 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 and notes | \$2,820 | \$3,110 |
| Revenue bonds | 725 | 945 |
| Sewer Revenue (SRF) | <u>578</u> | <u>-</u> |
| Total | <u>\$4,123</u> | <u>\$4,055</u> |

General Obligation Debt decreased primarily as a result of making \$290,000 of scheduled General Obligation bond payments. The City also refinanced the LOST Revenue Bonds and reduced that debt to \$725,000.

Revenue debt increased as a result of the issuance of approximately \$728,000 in State Revolving Fund (SRF) bonds, which are being used for waste water projects. The net increase in total debt balance from fiscal year 2009 to fiscal year 2010 was approximately \$68,000.

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 \$3,545,000 at June 30, 2010, is at 46% of the constitutional debt limit of \$7,603,813.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Chariton's 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.

The City's 100% valuation has increased from \$122 million in 2005 to \$152 million in 2010. The taxable value increased from \$80 million in 2005 to \$90 million in 2010. The 100% valuation and the taxable valuation for 2011 will remain at essentially the same levels as 2010.

The city valuations are tied to agriculture through the residential rollback. A property owner pays taxes on approximately 59% of the 100% assessed value of the property. The mill levy has increased from 16.26102 in 2005 to 16.89739 in 2010, or an average increase of .1 mills per year or \$10 per year on \$100,000 valuation.

The City is budgeting during a financially uncertain period within the State. State funding cuts have presented future funding issues within the City's General Fund. During fiscal year 2011, all departments funded from the General Fund are required to review their department budgets and to either cut disbursements, or offset costs through higher receipts through fines, fees, or costs for services.

The City's expected property tax receipts for fiscal year 2011 is \$1,575,441, as compared to fiscal year 2010 actual tax receipts of \$1,527,995, an increase of \$59,035.

The City's budgeted total revenues for fiscal year 2011 are \$5,086,312 as opposed to fiscal year 2010 actual revenues of \$3,711,072, an increase of \$1,375,240.

The City's expected disbursements for fiscal year 2011 is \$5,113,963, as opposed to fiscal 2010 year budgeted disbursements of \$4,560,651.

The City is reviewing the budget to reduce deficits.

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 Ruth A. Ryun, City Clerk, 115 South Main Street, Chariton, Iowa 50049.

Basic Financial Statements

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2010

| Functions / Programs | Disbursements | Program Receipts | | | Net (Disbursements) Receipts and Changes in Cash Basis Net Assets | | |
|--|---------------------|---------------------|---|---|---|--------------------------|--------------------|
| | | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest | Governmental Activities | Business Type Activities | Total |
| Governmental activities: | | | | | | | |
| Public safety | \$ 738,603 | 7,427 | 63,196 | 57,000 | (610,980) | - | (610,980) |
| Public works | 750,600 | 60,544 | 494,599 | - | (195,457) | - | (195,457) |
| Health and social services | 7,400 | - | - | - | (7,400) | - | (7,400) |
| Culture and recreation | 693,031 | 116,986 | 56,314 | - | (519,731) | - | (519,731) |
| Community and economic development | 69,010 | - | 27,829 | - | (41,181) | - | (41,181) |
| General government | 383,878 | 11,543 | - | - | (372,335) | - | (372,335) |
| Debt service | 714,969 | - | 19,229 | - | (695,740) | - | (695,740) |
| Capital projects | 1,203,196 | - | - | 62,770 | (1,140,426) | - | (1,140,426) |
| Total governmental activities | 4,560,687 | 196,500 | 661,167 | 119,770 | (3,583,250) | - | (3,583,250) |
| Business type activities: | | | | | | | |
| Sewer | 1,170,459 | 563,099 | - | - | - | (607,360) | (607,360) |
| Solid waste | 17,382 | 39,927 | - | - | - | 22,545 | 22,545 |
| Airport | 125,857 | 50,295 | - | 26,513 | - | (49,049) | (49,049) |
| Total business type activities | 1,313,698 | 653,321 | - | 26,513 | - | (633,864) | (633,864) |
| Total | \$ 5,874,385 | 849,821 | 661,167 | 146,283 | (3,583,250) | (633,864) | (4,217,114) |
| General Receipts and Transfers: | | | | | | | |
| Property tax and other city tax levied for: | | | | | | | |
| General purposes | | | | | 1,290,113 | - | 1,290,113 |
| Debt service | | | | | 237,882 | - | 237,882 |
| Local option sales tax | | | | | 348,360 | - | 348,360 |
| Hotel/Motel tax | | | | | 22,449 | - | 22,449 |
| Grants and contributions not restricted to specific purposes | | | | | 40,100 | - | 40,100 |
| Unrestricted interest on investments | | | | | 20,195 | 13,301 | 33,496 |
| Bond proceeds (net of \$17,444 discount) | | | | | 872,556 | - | 872,556 |
| Payments to refunding bond agent | | | | | (860,240) | - | (860,240) |
| Revenue bond proceeds | | | | | - | 728,176 | 728,176 |
| Miscellaneous | | | | | 75,027 | 6,376 | 81,403 |
| Transfers | | | | | (170,334) | 170,334 | - |
| Total general receipts and transfers | | | | | 1,876,108 | 918,187 | 2,794,295 |
| Change in cash basis net assets | | | | | (1,707,142) | 284,323 | (1,422,819) |
| Cash basis net assets beginning of year | | | | | 4,049,688 | 118,350 | 4,168,038 |
| Cash basis net assets end of year | | | | | \$ 2,342,546 | 402,673 | 2,745,219 |
| Cash Basis Net Assets | | | | | | | |
| Restricted: | | | | | | | |
| Nonexpendable: | | | | | | | |
| Cemetery perpetual care | | | | | \$ 201,196 | - | 201,196 |
| Expendable: | | | | | | | |
| Streets | | | | | 17,016 | - | 17,016 |
| Capital projects | | | | | 410,346 | - | 410,346 |
| Debt service | | | | | 86,806 | - | 86,806 |
| Fire department | | | | | 282,888 | - | 282,888 |
| Other purposes | | | | | 1,677,102 | - | 1,677,102 |
| Unrestricted | | | | | (332,808) | 402,673 | 69,865 |
| Total cash basis net assets | | | | | \$ 2,342,546 | 402,673 | 2,745,219 |

See notes to financial statements.

City of Chariton

Exhibit B

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

As of and for the year ended June 30, 2010

| | Special Revenue | | | | | Total |
|---|-----------------|--------------|------------------|----------------------|-----------|-------------|
| | General | Road Use Tax | Swimming Pool | Employee Benefits | Nonmajor | |
| Receipts: | | | | | | |
| Property tax | \$ 883,905 | - | - | 381,797 | 262,293 | 1,527,995 |
| Other city tax | 44,520 | - | 348,360 | - | - | 392,880 |
| Licenses and permits | 11,543 | - | - | - | - | 11,543 |
| Use of money and property | 34,210 | - | 18,261 | - | 4,098 | 56,569 |
| Intergovernmental | 293,447 | 404,225 | - | - | 23,111 | 720,783 |
| Charges for service | 117,015 | - | - | - | - | 117,015 |
| Special assessments | - | - | - | - | 3,732 | 3,732 |
| Miscellaneous | 148,926 | - | 15,000 | 1,425 | 15,693 | 181,044 |
| Total receipts | 1,533,566 | 404,225 | 381,621 | 383,222 | 308,927 | 3,011,561 |
| Disbursements: | | | | | | |
| Operating: | | | | | | |
| Public safety | 602,645 | - | - | 135,963 | - | 738,608 |
| Public works | 165,213 | 467,714 | - | 104,077 | 13,613 | 750,617 |
| Health and social services | 7,400 | - | - | - | - | 7,400 |
| Culture and recreation | 623,235 | - | 990 | 68,808 | - | 693,033 |
| Community and economic development | 5,060 | - | - | - | 63,950 | 69,010 |
| General government | 331,050 | - | - | 52,768 | - | 383,818 |
| Debt service | - | - | 298,012 | - | 416,957 | 714,969 |
| Capital projects | 1,203,196 | - | - | - | - | 1,203,196 |
| Total disbursements | 2,937,799 | 467,714 | 299,002 | 361,616 | 494,520 | 4,560,651 |
| Excess (deficiency) of receipts over (under) disbursements | (1,404,233) | (63,489) | 82,619 | 21,606 | (185,593) | (1,549,090) |
| Other financing sources (uses): | | | | | | |
| Refunding note proceeds, net of \$17,444 discount | - | - | 872,556 | - | - | 872,556 |
| Payments to refunding bond agent | - | - | (860,240) | - | - | (860,240) |
| Operating transfers in | 312,089 | - | - | - | 111,352 | 423,441 |
| Operating transfers out | (130,006) | - | (95,000) | - | (368,769) | (593,775) |
| Total other financing sources (uses) | 182,083 | - | (82,684) | - | (257,417) | (158,018) |
| Net change in cash balances | (1,222,150) | (63,489) | (65) | 21,606 | (443,010) | (1,707,108) |
| Cash balances beginning of year | 1,567,974 | 80,505 | 1,390,964 | (41,953) | 1,037,562 | 4,035,052 |
| Cash balances end of year | \$ 345,824 | 17,016 | 1,390,899 | (20,347) | 594,552 | 2,327,944 |
| Cash Basis Fund Balances | | | | | | |
| Reserved: | | | | | | |
| Debt service | \$ - | - | - | - | 86,806 | 86,806 |
| Fire department | 282,888 | - | - | - | - | 282,888 |
| Capital projects | 410,346 | - | - | - | - | 410,346 |
| Unreserved: | | | | | | |
| General fund | (347,410) | - | - | - | - | (347,410) |
| Special revenue funds | - | 17,016 | 1,390,899 | (20,347) | 306,550 | 1,694,118 |
| Permanent fund | - | - | - | - | 201,196 | 201,196 |
| Total cash basis fund balances | \$ 345,824 | 17,016 | 1,390,899 | (20,347) | 594,552 | 2,327,944 |

See notes to financial statements.

City of Chariton

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) \$ 2,327,944

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

The Internal Service Fund is used by management to charge the costs of the central fuel facility to individual funds. A portion of the assets of the Internal Service Fund are included in governmental activities in the Statement of Activities and Net Assets.

14,602

Cash basis net assets of governmental activities (page 15) \$ 2,342,546

Net change in cash balances (page 16) \$ (1,707,108)

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

The Internal Service Fund is used by management to charge the costs of the central fuel facility to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with governmental activities.

(34)

Change in cash basis net assets of governmental activities (page 15) \$ (1,707,142)

See notes to financial statements.

City of Chariton

Exhibit D

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

As of and for the year ended June 30, 2010

| | Enterprise Funds | | | | Internal Service Fund |
|---|-------------------|----------------|----------------------------|----------------|--------------------------|
| | Sewer | Solid Waste | Other Non-major Fund | Total | Central Fuel |
| | | | Airport | | |
| Operating receipts: | | | | | |
| Use of money and property | \$ - | - | 24,810 | 24,810 | - |
| Charges for service | 563,099 | 39,927 | 25,485 | 628,511 | 231,243 |
| Total operating receipts | <u>563,099</u> | <u>39,927</u> | <u>50,295</u> | <u>653,321</u> | <u>231,243</u> |
| Operating disbursements: | | | | | |
| Governmental activities: | | | | | |
| Public safety | - | - | - | - | 8,413 |
| Public works | - | - | - | - | 29,195 |
| Culture and recreation | - | - | - | - | 4,694 |
| General government | - | - | - | - | 181,006 |
| Business type activities | 532,456 | 17,382 | 76,408 | 626,246 | 7,801 |
| Total operating disbursements | <u>532,456</u> | <u>17,382</u> | <u>76,408</u> | <u>626,246</u> | <u>231,109</u> |
| Excess (deficiency) of operating receipts over (under) operating disbursements | <u>30,643</u> | <u>22,545</u> | <u>(26,113)</u> | <u>27,075</u> | <u>134</u> |
| Non-operating receipts (disbursements): | | | | | |
| Interest on investments | 7,231 | 6,070 | - | 13,301 | - |
| Intergovernmental | - | - | 26,513 | 26,513 | - |
| Miscellaneous | 781 | - | 5,595 | 6,376 | - |
| Revenue bond proceeds | 728,176 | - | - | 728,176 | - |
| Debt service | (161,708) | - | - | (161,708) | - |
| Capital projects | (476,463) | - | (49,449) | (525,912) | - |
| Net non-operating receipts (disbursements) | <u>98,017</u> | <u>6,070</u> | <u>(17,341)</u> | <u>86,746</u> | <u>-</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>128,660</u> | <u>28,615</u> | <u>(43,454)</u> | <u>113,821</u> | <u>134</u> |
| Other financing sources (uses): | | | | | |
| Operating transfers in | 40,334 | - | 130,000 | 170,334 | - |
| Total other financing sources (uses) | <u>40,334</u> | <u>-</u> | <u>130,000</u> | <u>170,334</u> | <u>-</u> |
| Net change in cash balances | 168,994 | 28,615 | 86,546 | 284,155 | 134 |
| Cash balances beginning of year | <u>(35,514)</u> | <u>341,439</u> | <u>(187,921)</u> | <u>118,004</u> | <u>14,982</u> |
| Cash balances end of year | <u>\$ 133,480</u> | <u>370,054</u> | <u>(101,375)</u> | <u>402,159</u> | <u>15,116</u> |
| Cash Basis Fund Balances | | | | | |
| Unreserved | <u>\$ 133,480</u> | <u>370,054</u> | <u>(101,375)</u> | <u>402,159</u> | <u>15,116</u> |
| Total cash basis fund balances | <u>\$ 133,480</u> | <u>370,054</u> | <u>(101,375)</u> | <u>402,159</u> | <u>15,116</u> |

See notes to financial statements.

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) \$ 402,159

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

The Internal Service Fund is used by management to charge the costs of the
the central fuel facility to individual funds. A portion of the assets of the Internal
Service Fund are included in business type activities in the Statement of Activities
and Net Assets.

514

Cash basis net assets of business type activities (page 15) \$ 402,673

Net change in cash balances (page 18) \$ 284,155

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

The Internal Service Fund is used by management to charge the costs of
the central fuel facility to individual funds. A portion of the change in net assets
of the Internal Service Fund is reported with business type activities.

168

Change in cash basis net assets of business type activities (page 15) \$ 284,323

See notes to financial statements.

City of Chariton

Exhibit F

Statement of Changes in
Fiduciary Net Assets - Cash Basis
Fiduciary Fund

As of and for the year ended June 30, 2010

| | <u>Pension Trust</u> |
|--|--------------------------|
| Additions: | |
| Employer contributions | \$ 23,271 |
| Employee contributions | 21,654 |
| Total additions | <u>44,925</u> |
| Deductions: | |
| Benefits paid | 18,825 |
| Total deductions | <u>18,825</u> |
| Excess of additions over deductions | <u>26,100</u> |
| Non-operating additions (deductions): | |
| Change in fair value of investments | 66,955 |
| Total non-operating additions (deductions) | <u>66,955</u> |
| Net change in cash balances | 93,055 |
| Cash balances beginning of year | <u>669,166</u> |
| Cash balances end of year | <u><u>\$ 762,221</u></u> |
| Cash Basis Fund Balances | |
| Reserved | <u>\$ 762,221</u> |
| Total cash basis fund balances | <u><u>\$ 762,221</u></u> |

See notes to financial statements.

June 30, 2010

(1) Summary of Significant Accounting Policies

The City of Chariton is a political subdivision of the State of Iowa located in Lucas County. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Council-Manager form of government with the 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 sewer utilities for its citizens.

A. Reporting Entity

Except as discussed below, for financial reporting purposes, the City of Chariton 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 Chariton (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 Chariton 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 three-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 boards of the Lucas County Assessor's Conference Board, South Central Iowa Solid Waste Commission and the Chariton Area Development Corporation.

Related Organization

The City Council members are also responsible for appointing the members of the Low Rent Housing Board, but the City's accountability for this organization does not extend beyond making the appointments.

B. Basis of Presentation

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

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

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

Unrestricted net assets consist of net assets not meeting 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 tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

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

The Swimming Pool Fund is used to account for the local option sales tax and the related costs and debt associated with the Pool.

The Employee Benefits Fund is used to account for the tax levy and the costs associated with providing employee benefits.

The City reports the following major proprietary funds:

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

The Enterprise - Solid Waste Fund accounts for the operation and maintenance of the City's solid waste 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.

The City also reports the following fiduciary fund:

The Fiduciary Fund is used to account for assets held by the City in a trustee capacity. The Fiduciary Fund accounts for the City's Deferred Compensation Plan.

C. Measurement Focus and Basis of Accounting

The City of Chariton 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 public safety, culture and recreation and capital projects functions.

(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 the following investments:

| <u>Type</u> | <u>Carrying Amount</u> | <u>Fair Value</u> |
|-----------------|----------------------------|-----------------------|
| Corporate stock | <u>\$2,160</u> | <u>\$9,692</u> |

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.

Corporate stock is not an allowable investment according to the Code of Iowa.

In addition, the City has Deferred Compensation Plan investments with a fair value of \$762,221 at June 30, 2010 that is not subject to risk categorization. At June 30, 2010 plan assets consisted entirely of mutual funds.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and notes, local option sales and services tax revenue refunding bonds, and sewer revenue bonds are as follows:

| Year Ended June 30, | General Obligation Bonds and Notes | | Local Option Sales and Services Tax Revenue Refunding Bonds | | Sewer Revenue Bonds | | Total | |
|------------------------|---------------------------------------|-------------------|---|------------------|---------------------|-------------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2011 | \$ 145,000 | \$ 115,242 | \$ 155,000 | \$ 18,543 | \$ 30,000 | \$ 17,352 | \$ 330,000 | \$ 151,137 |
| 2012 | 180,000 | 110,514 | 160,000 | 15,675 | 38,000 | 16,451 | 378,000 | 142,640 |
| 2013 | 185,000 | 104,318 | 160,000 | 11,915 | 39,000 | 15,311 | 384,000 | 131,544 |
| 2014 | 195,000 | 97,591 | 165,000 | 7,755 | 40,000 | 14,141 | 400,000 | 119,487 |
| 2015 | 195,000 | 90,220 | 85,000 | 2,805 | 42,000 | 12,941 | 322,000 | 105,966 |
| 2016-2020 | 1,125,000 | 324,825 | - | - | 231,000 | 44,999 | 1,356,000 | 369,824 |
| 2021-2025 | 795,000 | 71,929 | - | - | 94,384 | 15,852 | 889,384 | 87,781 |
| 2026-2030 | - | - | - | - | 64,000 | 5,910 | 64,000 | 5,910 |
| Total | \$ 2,820,000 | \$ 914,639 | \$ 725,000 | \$ 56,693 | \$ 578,384 | \$ 142,957 | \$ 4,123,384 | \$ 1,114,289 |

Local Option Sales and Services Tax Revenue Refunding Bonds – The City has pledged future local option sales tax receipts, net of specified operating disbursements, to repay \$890,000 in local option sales and services tax revenue bonds issued in November 2009. Proceeds from the bonds provided financing for refunding a 1999 bond issue. This 1999 bond issue provided financing for costs of constructing and equipping a municipal swimming pool. The bonds are payable solely from local option sales taxes and are payable through 2015. Annual principal and interest payments on the bonds are expected to require less than 83 percent of local option sales tax receipts. The total principal and interest remaining to be paid on the bonds is \$781,693. For the current year, principal and interest paid and total local option sales tax receipts were \$286,356 and \$348,360, respectively. The bonds are payable solely from the proceeds of the local option sales tax revenues received by the City in accordance with Chapter 422B.12(3) of the Code of Iowa. The bonds are not a general obligation of the City. The debt, however, is subject to the constitutional debt limitation of the City.

The resolution providing for the issuance of the local option sales and services tax revenue refunding bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the local option sales tax revenues received by the City and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly cash transfers shall be made to the swimming pool revenue sinking account for the purpose of making the bond principal and interest payments when due.
- (c) \$89,000 shall be paid into a Swimming Pool Reserve Fund from the loan proceeds.

Sewer Revenue Bonds (Series 2009-A) – On January 13, 2010, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and the Wells Fargo Bank Iowa, N.A. (trustee) for the issuance of \$808,000 of wastewater revenue bonds with interest at 3.00% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A and 384.83 of the Code of Iowa for the purpose of paying the costs of construction, improvement and extensions to the municipal wastewater system. The funds were drawn down by the City from the Trustee upon request to reimburse the City for costs as they were incurred. At June 30, 2010, the City had drawn down \$378,384 of the \$808,000 authorized. An initiation fee of 1% of the authorized borrowing for the wastewater revenue bonds was charged by Wells Fargo Bank Iowa, N.A. The total initiation fee was withheld in fiscal year 2010 by the bank from the first proceeds of the wastewater revenue bonds drawn down by the City. During fiscal year 2010, the City did not make a principal payment, but did make an interest payment of \$1,816, leaving a principal balance of \$378,384 at June 30, 2010.

The City has pledged future customer wastewater customer receipts, net of specified operating disbursements, to repay \$378,834 in wastewater revenue bonds issued in 2010. The bonds are payable solely from wastewater customer net receipts and are payable through 2021. Annual principal and interest payment on the bonds are expected to require less than 6 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$450,151. For the current year, principal and interest paid and total customer net receipts were \$1,816 and \$30,643, respectively.

The resolutions providing for the issuance of the wastewater revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the City and the bond holders hold a lien on the future earnings of the funds.
- (b) The City shall establish a rate to be charged to customers in order to produce gross revenues at least sufficient to pay expenses of the operation and maintenance of the Utility, and to leave a balance of net revenues equal to at least 110% of the principal and interest of all outstanding bonds and notes due in the fiscal year.
- (c) Monthly transfers of 1/6 of the installment of interest next due and 1/12 of installment principal due shall be made to a wastewater revenue bond and interest sinking account. Monies in this fund are to be used solely for the purpose of paying principal and interest on the bonds.
- (d) All funds remaining after payment of all maintenance and operating expenses and the transfers to the restricted account noted above can be used to pay for extraordinary repairs or replacements to the water system, may be used to pay or redeem any bonds, and then can be used for any lawful purpose.

The City has not established a wastewater revenue bond and interest sinking account.

Sewer Revenue Bonds (Series 2009-B) – On January 13, 2010, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and the Wells Fargo Bank Iowa, N.A. (trustee) for the issuance of \$200,000 of wastewater revenue bonds with interest at 3.00% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A and 384.83 of the Code of Iowa for the purpose of paying the costs of construction, improvement and extensions to the municipal wastewater system. The funds were drawn down by the City from the Trustee upon request to reimburse the City for costs as they were incurred. At June 30, 2010, the City had drawn down all of the \$200,000 amount authorized. An initiation fee of 1% of the authorized borrowing for the wastewater revenue bonds will be charged by Wells Fargo Bank Iowa, N.A. if the requirements of the American Recovery and Reinvestment Act are not met and this loan is not forgiven. However, the City believes this loan will be forgiven in fiscal year 2011, as a result of the American Recovery and Reinvestment Act provisions. The principal balance is \$200,000 at June 30, 2010.

The City has pledged future customer wastewater customer receipts, net of specified operating disbursements, to repay \$200,000 in wastewater revenue bonds issued in 2010. The bonds are payable solely from wastewater customer net receipts and are payable through 2030. Annual principal and interest payment on the bonds are expected to require 0 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$271,190, assuming this loan is not forgiven by the American Reinvestment and Recovery Act provisions. If this loan is forgiven by the American Reinvestment and Recovery Act provisions then the total principal and interest remaining to be paid on the bonds is \$0. For the current year, principal and interest paid and total customer net receipts were \$0 and \$30,643, respectively.

The resolutions providing for the issuance of the wastewater revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the City and the bond holders hold a lien on the future earnings of the funds.
- (b) The City shall establish a rate to be charged to customers in order to produce gross revenues at least sufficient to pay expenses of the operation and maintenance of the Utility, and to leave a balance of net revenues equal to at least 110% of the principal and interest of all outstanding bonds and notes due in the fiscal year.
- (c) Monthly transfers of 1/6 of the installment of interest next due and 1/12 of installment principal due shall be made to a wastewater revenue bond and interest sinking account. Monies in this fund are to be used solely for the purpose of paying principal and interest on the bonds.
- (d) All funds remaining after payment of all maintenance and operating expenses and the transfers to the restricted account noted above can be used to pay for extraordinary repairs or replacements to the water system, may be used to pay or redeem any bonds, and then can be used for any lawful purpose.

The City has not established a wastewater revenue bond and interest sinking account.

The City believes that they have met the requirements of the American Recovery and Reinvestment Act requirements in order for this \$200,000 loan to be forgiven in the future. If these requirements are met and the loan is forgiven, the City would not have to pay any principal, interest, initiation fee, and servicing fees in relation to this loan.

(4) Operating Lease Agreements

The City is leasing a copy machine for \$150 per month. Future required payments consist of \$1,650 due during the year ended June 30, 2011, and \$1,350 due during the year ended June 30, 2012, for a grand total of \$3,000.

Total rent expense during the fiscal year on this agreement was \$1,800.

(5) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% 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, 2010, 2009 and 2008 were \$74,311, 67,877 and \$63,154, respectively, equal to the required contributions for each year.

(6) Other Postemployment Benefits (OPEB)

The City implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 24 active and no retired members in the plan. Participants must be age 55 or older at retirement.

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

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 \$508.65 for single members, \$1,041.72 for employee/spouse, \$962.88 for employee/children, and \$1,561.05 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$233,573 and plan members eligible for benefits contributed \$41,220 to the plan.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation 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 leave termination payments payable to employees at June 30, 2010, primarily relating to the General Fund, is \$95,314.

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

(8) Deferred Compensation Plan

The City offers its employees a deferred compensation plan as allowed by Internal Revenue Code Section 457. The plan allows City employees to defer a portion of their current salary until future years. The employee becomes eligible to withdraw funds upon termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are, until made available to the participant or other beneficiary, solely the property and rights of the City; without being restricted to the provision of benefits under the plan, subject only to the claims of the City's general creditors.

The City is responsible for due care in managing the investments and the participant or beneficiary assumes the risk of loss from decreases in the value of plan assets. At June 30, 2010 plan assets consisted entirely of mutual funds.

The City records the plan assets and related activity in a Fiduciary Fund. Investments held by the deferred compensation plan administrator are reported at fair value.

(9) Interfund Transfers

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

| Transfer to | Transfer from | Amount |
|-----------------------|--------------------|-------------------|
| General | Special Revenue: | |
| | Emergency | \$ 217,089 |
| | Swimming Pool | 95,000 |
| | | <u>312,089</u> |
| Special Revenue: | | |
| Historic Preservation | General | <u>6</u> |
| Debt Service | Special Revenue: | |
| | Donations | 614 |
| | Special Assessment | 110,732 |
| | | <u>111,346</u> |
| Enterprise: | Special Revenue: | |
| Sewer | Special Assessment | <u>40,334</u> |
| Enterprise: | | |
| Airport | General | <u>130,000</u> |
| Total | | <u>\$ 593,775</u> |

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

(10) Related Party Transactions

The City had business transactions between the City and City officials totaling \$2,500 during the year ended June 30, 2010.

(11) Industrial Development Revenue Bonds

The City has issued a total of \$4,992,000 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 do not constitute liabilities of the City.

(12) Risk Management

The City of Chariton is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(13) Deficit Fund Balance

At June 30, 2010, the City had deficit balances as follows:

| | |
|--|------------|
| Enterprise – Airport Fund | \$ 101,375 |
| Special Revenue – Donations Fund | 9,674 |
| Special Revenue - Employee Benefits Fund | 20,347 |

The Enterprise – Airport Fund deficit occurred because the City is unable to generate sufficient income from the airport operation to operate the airport. This deficit should be eventually eliminated by rents received, reimbursement of federal grants, profit from fuel sold, and transfers from the General Fund.

The Special Revenue - Donations Fund deficit occurred because some receipts promised to the City were not received by the City. This deficit should be eliminated through subsequent donations received, and transfers from the General Fund.

The Special Revenue - Employee Benefits Fund deficit occurred because of raising employee benefit costs, and the failure by the City to levy enough property taxes to cover these costs. This deficit should eventually be eliminated through an increase in property taxes.

(14) Contingency

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) Commitments/Subsequent Events

The City has received notification that they have been awarded grants from the State of Iowa Community Development Block Grant program and the Iowa Department of Transportation for housing and bridge replacement. The total amount of these grant awards is over \$1.2 million. The City currently is, or will be, incurring costs in relation to these projects.

The City has an uncompleted construction contract with a total remaining cost of approximately \$350,000 for sewer repair and reconstruction. It is anticipated that these costs will be paid for with a loan from the State of Iowa, with the rest of the funds coming from existing cash reserves. It is also anticipated that this project will be completed in fiscal year 2011. Loan proceeds will be requested from the State of Iowa as work on the project progresses.

Required Supplementary Information

City of Chariton

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 | |
| Receipts: | | | | | | | |
| Property tax | \$ 1,527,995 | - | - | 1,527,995 | 1,458,378 | 1,458,378 | 69,617 |
| Other city tax | 392,880 | - | - | 392,880 | 304,148 | 304,148 | 88,732 |
| Licenses and permits | 11,543 | - | - | 11,543 | 10,575 | 10,575 | 968 |
| Use of money and property | 56,569 | 38,111 | - | 94,680 | 273,906 | 273,906 | (179,226) |
| Intergovernmental | 720,783 | 26,513 | - | 747,296 | 1,585,991 | 1,585,991 | (838,695) |
| Charges for service | 117,015 | 859,754 | 231,243 | 745,526 | 2,406,476 | 2,406,476 | (1,660,950) |
| Special assessments | 3,732 | - | - | 3,732 | - | - | 3,732 |
| Miscellaneous | 181,044 | 6,376 | - | 187,420 | 347,653 | 347,653 | (160,233) |
| Total receipts | 3,011,561 | 930,754 | 231,243 | 3,711,072 | 6,387,127 | 6,387,127 | (2,676,055) |
| Disbursements: | | | | | | | |
| Public safety | 738,608 | 8,413 | 8,413 | 738,608 | 672,007 | 732,007 | (6,601) |
| Public works | 750,617 | 29,195 | 29,195 | 750,617 | 1,378,459 | 1,378,459 | 627,842 |
| Health and social services | 7,400 | - | - | 7,400 | 14,400 | 14,400 | 7,000 |
| Culture and recreation | 693,033 | 4,694 | 4,694 | 693,033 | 678,354 | 688,354 | (4,679) |
| Community and economic development | 69,010 | - | - | 69,010 | 29,500 | 89,500 | 20,490 |
| General government | 383,818 | 181,006 | 181,006 | 383,818 | 386,173 | 386,173 | 2,355 |
| Debt service | 714,969 | - | - | 714,969 | 607,244 | 906,774 | 191,805 |
| Capital projects | 1,203,196 | - | - | 1,203,196 | 1,195,000 | 1,195,000 | (8,196) |
| Business type activities | - | 1,321,667 | 7,801 | 1,313,866 | 2,388,511 | 2,388,511 | 1,074,645 |
| Total disbursements | 4,560,651 | 1,544,975 | 231,109 | 5,874,517 | 7,349,648 | 7,779,178 | 1,904,661 |
| Excess (deficiency) of receipts over (under) disbursements | (1,549,090) | (614,221) | 134 | (2,163,445) | (962,521) | (1,392,051) | (771,394) |
| Other financing sources (uses), net | (158,018) | 898,510 | - | 740,492 | - | - | 740,492 |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | (1,707,108) | 284,289 | 134 | (1,422,953) | (962,521) | (1,392,051) | (30,902) |
| Balances beginning of year | 4,035,052 | 132,986 | 14,982 | 4,153,056 | 4,828,655 | 4,828,655 | (675,599) |
| Balances end of year | \$ 2,327,944 | 417,275 | 15,116 | 2,730,103 | 3,866,134 | 3,436,604 | (706,501) |

See accompanying independent auditor's report.

City of Chariton

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 Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon 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 Funds 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 \$429,530. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, and capital projects functions.

Other Supplementary Information

City of Chariton

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

As of and for the year ended June 30, 2010

| | Special | | | |
|--|------------------------|----------------------|-----------------|----------------|
| | Revolving Loan Fund | Section 8 Housing | CDBG Housing | Donations |
| Receipts: | | | | |
| Property tax | \$ - | - | - | - |
| Use of money and property | 2,064 | 1,966 | - | - |
| Intergovernmental | - | - | 23,111 | - |
| Special assessments | - | - | - | - |
| Miscellaneous | - | - | - | 11,117 |
| Total receipts | <u>2,064</u> | <u>1,966</u> | <u>23,111</u> | <u>11,117</u> |
| Disbursements: | | | | |
| Operating: | | | | |
| Public works | - | - | - | 13,613 |
| Community and economic development | - | - | 63,805 | - |
| Debt service | - | - | - | - |
| Total disbursements | <u>-</u> | <u>-</u> | <u>63,805</u> | <u>13,613</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>2,064</u> | <u>1,966</u> | <u>(40,694)</u> | <u>(2,496)</u> |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | - | - | - |
| Operating transfers out | - | - | - | (614) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>(614)</u> |
| Net change in cash balances | 2,064 | 1,966 | (40,694) | (3,110) |
| Cash balances beginning of year | <u>97,781</u> | <u>85,157</u> | <u>55,518</u> | <u>(6,564)</u> |
| Cash balances end of year | <u>\$ 99,845</u> | <u>87,123</u> | <u>14,824</u> | <u>(9,674)</u> |
| Cash Basis Fund Balances | | | | |
| Reserved for debt service | \$ - | - | - | - |
| Unreserved: | | | | |
| Special revenue funds | 99,845 | 87,123 | 14,824 | (9,674) |
| Permanent fund | - | - | - | - |
| Total cash basis fund balances | <u>\$ 99,845</u> | <u>87,123</u> | <u>14,824</u> | <u>(9,674)</u> |

See accompanying independent auditor's report.

| Revenue | | | | Debt Service | Permanent | |
|-----------|-------------------|-----------------------|--------------------|--------------|-------------------------|-----------|
| Emergency | Library Endowment | Historic Preservation | Special Assessment | | Cemetery Perpetual Care | Total |
| 24,411 | - | - | - | 237,882 | - | 262,293 |
| - | - | 68 | - | - | - | 4,098 |
| - | - | - | - | - | - | 23,111 |
| - | - | - | 3,732 | - | - | 3,732 |
| - | - | 620 | - | 968 | 2,988 | 15,693 |
| 24,411 | - | 688 | 3,732 | 238,850 | 2,988 | 308,927 |
| - | - | - | - | - | - | 13,613 |
| - | - | 145 | - | - | - | 63,950 |
| - | - | - | - | 416,957 | - | 416,957 |
| - | - | 145 | - | 416,957 | - | 494,520 |
| 24,411 | - | 543 | 3,732 | (178,107) | 2,988 | (185,593) |
| - | - | 6 | - | 111,346 | - | 111,352 |
| (217,089) | - | - | (151,066) | - | - | (368,769) |
| (217,089) | - | 6 | (151,066) | 111,346 | - | (257,417) |
| (192,678) | - | 549 | (147,334) | (66,761) | 2,988 | (443,010) |
| 192,678 | 107,485 | 2,666 | 151,066 | 153,567 | 198,208 | 1,037,562 |
| - | 107,485 | 3,215 | 3,732 | 86,806 | 201,196 | 594,552 |
| - | - | - | - | 86,806 | - | 86,806 |
| - | 107,485 | 3,215 | 3,732 | - | - | 306,550 |
| - | - | - | - | - | 201,196 | 201,196 |
| - | 107,485 | 3,215 | 3,732 | 86,806 | 201,196 | 594,552 |

City of Charlton

Schedule 2

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 |
|---|--------------------|----------------|--------------------------|---------------------------|--------------------|----------------------|---------------------|----------------|-------------------------|
| General Obligation Bonds and Notes: | | | | | | | | | |
| Corporate Purpose and Refunding | November 1, 1999 | 4.50-5.30% | \$ 715,000 | 50,000 | - | 50,000 | - | 2,650 | - |
| Economic Development Note | June 1, 2004 | 4.93% | 50,000 | 25,000 | - | 5,000 | 20,000 | 1,232 | - |
| Corporate Purpose | May 1, 2005 | 2.80-3.55% | 480,000 | 100,000 | - | 100,000 | - | 3,550 | - |
| Corporate Purpose and Refunding | September 15, 2008 | 3.00-4.50% | 2,995,000 | 2,935,000 | - | 135,000 | 2,800,000 | 118,315 | - |
| Total | | | | <u>\$ 3,110,000</u> | | <u>290,000</u> | <u>2,820,000</u> | <u>125,747</u> | |
| Revenue Bonds: | | | | | | | | | |
| Local Option Sales and Services Tax Revenue | December 1, 1999 | 4.70-6.00% | \$ 1,980,000 | 945,000 | - | 945,000 | - | 24,240 | - |
| Local Option Sales and Services Tax Revenue Refunding Bonds | November 1, 2009 | 1.60-3.30% | 890,000 | - | 890,000 | 165,000 | 725,000 | 12,356 | - |
| Total | | | | <u>\$ 945,000</u> | <u>890,000</u> | <u>1,110,000</u> | <u>725,000</u> | <u>36,596</u> | |
| Sewer Revenue: | | | | | | | | | |
| Sewer Revenue Project Note | April 22, 2009 | - | \$ 150,000 | - | 149,792 | 149,792 | - | - | - |
| Sewer Revenue Bond | January 13, 2010 | 3.00% | 808,000 | - | 378,384 | - | 378,384 | 1,816 | - |
| Sewer Revenue Bond | January 13, 2010 | 3.00% | 200,000 | - | 200,000 | - | 200,000 | - | - |
| Total | | | | <u>\$ -</u> | <u>728,176</u> | <u>149,792</u> | <u>578,384</u> | <u>1,816</u> | |

See accompanying independent auditor's report.

City of Chariton

Schedule 3

Bond and Note Maturities

June 30, 2010

| General Obligation Bonds and Notes | | | | | |
|------------------------------------|---|------------------|---|---------------------|---------------------|
| Year Ending June 30, | Economic Development Note Issued June 1, 2004 | | Corporate Purpose and Refunding Issued September 15, 2008 | | Total |
| | Interest Rates | Amount | Interest Rates | Amount | |
| | 2011 | 4.93% | \$ 5,000 | 3.20% | |
| 2012 | 4.93% | 5,000 | 3.40% | 175,000 | 180,000 |
| 2013 | 4.93% | 5,000 | 3.60% | 180,000 | 185,000 |
| 2014 | 4.93% | 5,000 | 3.75% | 190,000 | 195,000 |
| 2015 | - | - | 3.90% | 195,000 | 195,000 |
| 2016 | - | - | 4.00% | 205,000 | 205,000 |
| 2017 | - | - | 4.10% | 215,000 | 215,000 |
| 2018 | - | - | 4.20% | 225,000 | 225,000 |
| 2019 | - | - | 4.30% | 235,000 | 235,000 |
| 2020 | - | - | 4.35% | 245,000 | 245,000 |
| 2021 | - | - | 4.40% | 255,000 | 255,000 |
| 2022 | - | - | 4.45% | 265,000 | 265,000 |
| 2023 | - | - | 4.50% | 275,000 | 275,000 |
| | | <u>\$ 20,000</u> | | <u>\$ 2,800,000</u> | <u>\$ 2,820,000</u> |

| Year Ending June 30, | Revenue Bonds Local Option Sales and Services Tax Revenue Refunding Bonds Issued November 1, 2009 | | Sewer Revenue Sewer Revenue Bond Issued January 13, 2010 | | | | Sewer Revenue Bond Issued January 13, 2010 | | Total |
|-------------------------|---|-------------------|---|-------------------|-------------------|-------------------|--|-----------|-------|
| | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount | | | |
| | 2011 | 1.85% | \$ 155,000 | 3.00% | \$ 29,000 | 3.00% | \$ 1,000 | \$ 30,000 | |
| 2012 | 2.35% | 160,000 | 3.00% | 30,000 | 3.00% | 8,000 | 38,000 | | |
| 2013 | 2.60% | 160,000 | 3.00% | 31,000 | 3.00% | 8,000 | 39,000 | | |
| 2014 | 3.00% | 165,000 | 3.00% | 32,000 | 3.00% | 8,000 | 40,000 | | |
| 2015 | 3.30% | 85,000 | 3.00% | 33,000 | 3.00% | 9,000 | 42,000 | | |
| 2016 | - | - | 3.00% | 34,000 | 3.00% | 9,000 | 43,000 | | |
| 2017 | - | - | 3.00% | 36,000 | 3.00% | 9,000 | 45,000 | | |
| 2018 | - | - | 3.00% | 37,000 | 3.00% | 9,000 | 46,000 | | |
| 2019 | - | - | 3.00% | 38,000 | 3.00% | 10,000 | 48,000 | | |
| 2020 | - | - | 3.00% | 39,000 | 3.00% | 10,000 | 49,000 | | |
| 2021 | - | - | 3.00% | 39,384 | 3.00% | 10,000 | 49,384 | | |
| 2022 | - | - | - | - | 3.00% | 11,000 | 11,000 | | |
| 2023 | - | - | - | - | 3.00% | 11,000 | 11,000 | | |
| 2024 | - | - | - | - | 3.00% | 11,000 | 11,000 | | |
| 2025 | - | - | - | - | 3.00% | 12,000 | 12,000 | | |
| 2026 | - | - | - | - | 3.00% | 12,000 | 12,000 | | |
| 2027 | - | - | - | - | 3.00% | 12,000 | 12,000 | | |
| 2028 | - | - | - | - | 3.00% | 13,000 | 13,000 | | |
| 2029 | - | - | - | - | 3.00% | 13,000 | 13,000 | | |
| 2030 | - | - | - | - | 3.00% | 14,000 | 14,000 | | |
| | | <u>\$ 725,000</u> | | <u>\$ 378,384</u> | | <u>\$ 200,000</u> | <u>\$ 578,384</u> | | |

See accompanying independent auditor's report.

City of Chariton

Schedule 4

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

For the Last Seven Years

| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|------------------------------------|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Receipts: | | | | | | | |
| Property tax | \$ 1,527,995 | 1,449,823 | 1,357,277 | 1,324,958 | 1,245,388 | 1,248,279 | 1,281,166 |
| Tax increment financing | - | - | 90,766 | 88,363 | 84,970 | 70,141 | 53,680 |
| Other city tax | 392,880 | 348,465 | 526,678 | 520,969 | 505,068 | 427,265 | 470,216 |
| Licenses and permits | 11,543 | 8,351 | 10,869 | 9,668 | 14,346 | 11,410 | 8,648 |
| Use of money and property | 56,569 | 81,874 | 116,875 | 313,763 | 231,890 | 64,000 | 150,407 |
| Intergovernmental | 720,783 | 1,419,371 | 723,369 | 509,582 | 450,401 | 455,901 | 668,993 |
| Charges for service | 117,015 | 123,850 | 101,806 | 74,262 | 116,669 | 128,300 | 176,839 |
| Special assessments | 3,732 | 2,221 | 22,658 | 11,033 | 15,771 | 15,688 | 26,119 |
| Miscellaneous | 181,044 | 295,759 | 172,556 | 638,795 | 347,416 | 1,671,264 | 127,176 |
| Total | \$ 3,011,561 | 3,729,714 | 3,122,854 | 3,491,393 | 3,011,919 | 4,092,248 | 2,963,244 |
| Disbursements: | | | | | | | |
| Operating: | | | | | | | |
| Public safety | \$ 738,608 | 1,027,649 | 756,584 | 670,353 | 608,609 | 590,405 | 613,188 |
| Public works | 750,617 | 859,241 | 975,900 | 762,208 | 779,619 | 832,039 | 591,061 |
| Health and social services | 7,400 | 11,060 | 7,270 | 7,683 | 6,030 | 9,036 | 7,457 |
| Culture and recreation | 693,033 | 539,897 | 433,780 | 537,248 | 467,570 | 584,598 | 451,533 |
| Community and economic development | 69,010 | 10,466 | 8,200 | 7,203 | 17,125 | 43,249 | 208,933 |
| General government | 383,818 | 362,634 | 339,543 | 338,532 | 302,087 | 350,925 | 330,853 |
| Debt service | 714,969 | 775,922 | 581,670 | 576,161 | 581,082 | 510,916 | 498,754 |
| Capital projects | 1,203,196 | 2,192,964 | 737,284 | 1,092,852 | 278,495 | - | 21 |
| Non-program | - | - | - | 55,231 | 293,984 | 91,158 | 50,820 |
| Total | \$ 4,560,651 | 5,779,833 | 3,840,231 | 4,067,471 | 3,334,601 | 3,012,326 | 2,752,620 |

See accompanying independent auditor's report.

PEAK & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS
1370 NW 114TH ST., SUITE 205
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 primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Chariton, 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 issue our report thereon dated August 16, 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 Chariton'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 Chariton's internal control over financial reporting. Accordingly, we do not express our opinion on the effectiveness of the City of Chariton'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 that 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 combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Chariton'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 Chariton'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 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.

City of Chariton's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Chariton's responses and, accordingly, we do not express an 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 Chariton and other parties to whom the City of Chariton may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

August 16, 2010

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-10 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. The issuance of receipt slips, bank deposits and the posting of the cash receipts to the accounting records are sometimes all done by the same person.

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

Response - We have implemented new procedures beginning with the current fiscal year which should address this concern.

Conclusion - Response acknowledged. The City could 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-B-10 Accounting Records – The City did not properly record the refinanced loans on the accounting records. The cash basis of accounting requires that the pay off of the refinanced loans and the receipt of proceeds to pay the refinanced loans be recorded on the accounting records. On one refinanced loan, the City only recorded the net cash received on the accounting records, and for the other refinanced loan, the refinancing loan transactions were not recorded at all on the accounting records. However, these issues were all resolved for audit purposes.

Recommendation – The City implement procedures to ensure refinanced loan transactions are properly recorded on the accounting records in the future.

Response – We will implement this recommendation. However, we recorded the transactions related to the refinanced loans based on advice we received from the bonding attorney, Dorsey & Whitney, and the financial advisors from Ruan Securities.

Conclusion – Response accepted.

I-C-10 Receipts - Instances were noted where the City and the Library did not always deposit receipts timely and on an intact basis. We noted instances in which receipts were held several days to several months before they were deposited. To help ensure security and accountability over receipts, all receipts should be deposited timely and on an intact basis.

Recommendation – The City and the Library should implement procedures to ensure all receipts are deposited intact and on a timely basis.

Response - We are depositing a minimum of once per week, more if it is appropriate.

Conclusion – Response accepted.

City of Chariton

Schedule of Findings

Year Ended June 30, 2010

- I-D-10 Receipt Analysis and Procedures – Two local political subdivisions do not consistently pay the City their landfill assessment fees. One of the local political subdivisions is two years delinquent in its landfill assessment fees due to the City. In total, these two local political subdivisions owe approximately \$30,000 to the City as of June 30, 2010.

The City has not requested a sales tax refund on the completed pool construction project. The final payment to the contractor on this project was made in August 2008. However, as of August 2010, the City has not even filed a claim with the State of Iowa for this refund.

It appears the State of Iowa still owes the City approximately \$8,500 for costs incurred to remove trees as a result of the December, 2007 ice storm.

There does not appear to be procedures in place to ensure all monies due to the City are actually received by the City, or are timely received by the City. City personnel apparently do not have a mechanism in place to follow up on unusual or unique situations. These types of issues were noted in prior years audits, but the City has still not adequately addressed these issues.

Recommendation – The City review its operating procedures to ensure all monies due to them are identified, and that all receipts are collected in a timely manner.

Response – Paragraph 1 – One entity has paid in full. The other has paid one-half and will pay the balance in the 2011 fiscal year. Paragraph 2 – The claim has been filed, and we are awaiting on payment. Paragraph 3 – We have reviewed this with the State and an additional \$8,600 was claimed and paid. The split is 75% federal, 10% State and 15% Local. We are reviewing this for the additional \$8,500 as noted above. Paragraph 4 – An accounts receivable tracking spreadsheet has been set up to track this issue. We believe these procedures will better track the funds to ensure all monies due to us are received in a timely manner.

Conclusion – Response accepted.

- I-E-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 all 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 OCBOA financial statements.

Response – This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with the OCBOA requirements.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Chariton

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 public safety, culture and recreation and capital projects functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

The May, 2010 budget amendment did not incorporate two large interfund transfers in excess of \$170,000 which were made in July, 2009. To show accountability to the public, the budget amendment should incorporate all known facts at the time of the budget amendment.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. In addition, budget amendments should incorporate all known facts at the time of the budget amendment.

Response – We will implement these recommendations.

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 are detailed as follows:

| Name, Title, and Business Connection | Transaction Description | Amount |
|---|-------------------------|----------|
| Chris Hamilton, City Employee Owner of Hamilton Roofing and Siding | Repair Work | \$ 2,500 |

In accordance with Chapter 362.5(10) of the Code of Iowa, the above transactions may represent a conflict of interest as defined in Chapter 362.5 of the Code of Iowa since the total transactions with the City Employee were greater than \$1,500 during the fiscal year.

Recommendation – The City consult with their Attorney on the above to determine a proper resolution of the matter.

Response – In the future, we will avoid using any employee as a contractor.

Conclusion – Response accepted.

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.

Response – We are reviewing this annual coverage with our agent. The review will be scheduled annually.

Conclusion – Response accepted.

City of Chariton

Schedule of Findings

Year Ended June 30, 2010

II-F-10 Council Minutes - Transactions were found that we believe should have been approved in the Council minutes but were not. We noted one regular City Council meeting minutes, including related claims, and one special City Council meeting minutes were not published in the newspaper. Chapter 372.13 of the Code of Iowa requires that all City Council minutes be published in the newspaper, and that the publications include a list of claims allowed and total expenditures from each city fund. In addition, interfund transfers were not consistently approved by the City Council.

Recommendation – The City should publish all the City Council minutes and claims, as required by the Code of Iowa. In addition, all interfund transfers should be approved by the City Council.

Response – We will implement these recommendations. All interfund transfers will be approved by the Council in the future.

Conclusion – Response accepted.

II-G-10 Deposits and Investments - The City library has received stock as part of a bequest. This type of investment is not normally permitted by the Code of Iowa. However, the terms of the trust agreement prohibits the City from disposing of these investments.

The City cemetery owns stock which was purchased in previous years. This is not a permissible investment in accordance with the Code of Iowa, nor with the City's investment policy.

Recommendation - The City should continue its efforts to dispose of cemetery stock and reinvest in permissible investments as soon as possible.

Response - We are in the process of divesting this stock.

Conclusion - Response accepted.

II-H-10 Revenue Bonds – The City has not complied with the wastewater revenue bond resolutions.

The City has not established a wastewater revenue bond and interest sinking account as required by the bond agreements. As a result, it does not appear that the City is in compliance with the revenue bond resolutions.

Recommendation – In the future, the City establish and properly fund a wastewater revenue bond and interest sinking account, as required by the revenue bond resolutions.

Response – The account has been set up.

Conclusion – Response accepted.

II-I-10 Financial Condition and Decisions – As documented in Note 13 in the Notes to the Financial Statements, the Enterprise – Airport Fund, the Special Revenue – Donations Fund and the Special Revenue - Employee Benefits Fund all had deficit balances at June 30, 2010. In addition, the City had an unreserved General Fund balance deficit of (\$347,410) at June 30, 2010.

City of Chariton

Schedule of Findings

Year Ended June 30, 2010

The City refinanced a fiscal year 2000 revenue bond issue in fiscal year 2010. The proceeds from the original fiscal year 2000 revenue bond issue were used to finance the construction of the swimming pool. The City incurred over \$28,000 in costs for legal and underwriting service fees to refinance this revenue bond issue in fiscal year 2010. If the City would have paid all these bonds off during the fiscal year, instead of refinancing them, the City would not have incurred over \$28,000 in legal and underwriting service fees, and would still have over \$700,000 in cash in the Special Revenue – Swimming Pool Fund as of June 30, 2010. In the current economic situation, refinancing of this revenue bond issue and incurring over \$28,000 in legal and underwriting service fees did not appear to be a prudent financial decision.

From fiscal year 2006 to fiscal year 2010, the City's overall cash balances declined by approximately \$2,500,000, while the City's overall debt balances during this same time period increased by approximately \$1,500,000. If drastic measures are not taken to reverse this trend, the City may not be able to meet its future obligations to employees, vendors, and creditors.

Recommendation - The City should monitor the above funds in order to eliminate these deficits. In addition, the City needs to review its overall financial statement position and take measures to ensure the continued financial viability of the City of Chariton. In addition, the City needs to review all business decisions and ensure that all actions taken by the City Council are in the best long-term interests of the City from a financial basis. The City also needs to implement a plan to ensure that it is financially able to meet its future obligations to employees, vendors, and creditors.

Response - The Enterprise - Airport Fund deficit should be eventually eliminated by rents received, reimbursement of federal grants, and profit from fuel sold. The Special Revenue - Donations Fund deficit will be eliminated through donations received. The Special Revenue - Employee Benefits Fund deficit will be eliminated through an increase in that funds property taxes.

The refinancing of the revenue bond issue was done by a prior City Council, and there is nothing that we can do about this now.

In addition, we are well aware of our financial situation, especially in the General Fund, and have begun to take immediate steps to improve the City's financial condition.

Conclusion - Response accepted.

II-J-10 Payment of General Obligation Bonds – A general obligation bond interest payment was paid from the Special Revenue – Donations Fund. Chapter 384.4 of the Code of Iowa states, in part “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.” This issue was corrected for audit report purposes.

Recommendation – Future payments of general obligation bond principal and interest should be disbursed from the Debt Service Fund.

Response – We will implement this in the future.

Conclusion – Response accepted.

City of Chariton

Schedule of Findings

Year Ended June 30, 2010

II-K-10 Tax Levy - The City levies a separate property tax levy for both the Civic Center and for liability insurance, pursuant to Chapter 384.12 of the Code of Iowa. However, it appears the City has levied too much in property taxes for both the Civic Center and for liability insurance given the annual costs to fund these programs. These Code Sections only allow the City to levy an amount necessary to fund the costs of these specific programs. As a result, it would appear that the City is not allowed to levy excess taxes under the Civic Center and liability insurance Code Sections in order to fund the general operations of the City.

Recommendation – The City review these Code Sections to ensure compliance with the Code of Iowa requirements. In addition, the City needs to consult with legal counsel to determine an appropriate course of action in relation to the above issues.

Response – The extra Community Center money is for roof repair and a separate fund has been created for it in fiscal year 2011.

Conclusion – Response accepted. However, the City still needs to address the liability insurance levy as discussed above.

II-L-10 Compliance – There is no City policy on personal use of City cell phones. For example, the policy should address whether personal use is allowed on City cell phones, and if personal use is allowed, whether the employees will be required to reimburse the City for the personal use of the City cell phones. In addition, the City also needs to ensure its policy is in compliance with Internal Revenue Service (IRS) regulations.

Personal use of a City vehicle is not taxed to a City employee as a taxable fringe benefit, as required by the IRS regulations.

Workers compensation costs are currently paid out of the liability insurance levy. However, according to the State of Iowa requirements, this cost should be paid out of the employee benefits levy.

The City did not file any quarterly reports with the Iowa Department of Transportation for the I-Jobs monies it received. Quarterly reports are required to be submitted to the Iowa Department of Transportation in relation to these I-Jobs monies.

Recommendation – The City implement a policy on the personal use of City cell phones which is in compliance with IRS regulations. In addition, personal use of a City vehicle should be taxed as a taxable fringe benefit in accordance with IRS regulations. Workers compensation costs should be paid out of the employee benefits levy as required by the Code of Iowa. Also, reports should be filed as required with the Iowa Department of Transportation in relation to the I-Jobs monies.

Response - The City now has a cell phone policy, and personal use of the city vehicle is now being taxed to the city employee as a fringe benefit. In addition, currently the workers compensation cost is being paid out of the employee benefits fund, and the I-Jobs reports have been filed.

Conclusion – Response accepted.

II-M-10 Construction Issues – On one construction project, there were no change orders extending the time of performance on the project, and no liquidated damages were assessed on the project that significantly exceeded the original required performance deadline.

Weight tickets were not always obtained for the purchase of asphalt.

City of Chariton

Schedule of Findings

Year Ended June 30, 2010

The City did not require an engineer to prepare project plans and specifications, request sealed bids, give notice to the bidders, or hold a public hearing on a cemetery paving project as required by Chapter 26 and 314 of the Code of Iowa. Instead, the City just hired a local contractor to pave roads in the City cemetery which were previously rock roads.

Recommendation – The City implement procedures to ensure change orders extending the time of performance are issued, or liquidated damages are assessed on future construction contracts, if warranted. Weight tickets should be obtained for the purchase of all asphalt. In addition, when required, future construction activities should be procured in accordance with the requirements as outlined in Chapter 26 and 314 of the Code of Iowa.

Response – The Masonry Construction extensions were due to weather factors and change in the project scope. The project exceeded the deadline and no one extended the contract days. In addition, we will obtain the weight tickets in the future. In regards to the cemetery project, the project was done with another asphalt project and we did not realize it should have been done separately.

Conclusion – Response accepted.

- II-N-10 Airport Program – The City receives federal funds for reimbursement, from the Federal Aviation Administration (FAA), for costs incurred by the City related to airport planning and construction costs. The airport engineer prepares the claim forms, which are signed by the City, and are then submitted to the FAA for reimbursement. For one project, it appears that the City claimed too much in costs, as the costs claimed on the claim form exceeded the actual costs incurred by the City by \$1,478. With a 95% reimbursement rate, it appears the City received \$1,404 too much in reimbursement from the FAA. City personnel do not apparently review these claim forms even though they are signed by City personnel prior to submission to the FAA.

For another project, as of June 30, 2010, the City has not yet claimed approximately \$25,000 in costs from the FAA, even though the City has already paid the vendor these amounts for their services.

Recommendation – The City work with the FAA to resolve the apparent over claim of \$1,478 in costs. The City should also implement procedures to ensure all claim forms are reviewed by them prior to submission to the FAA, and that all monies due to them are claimed from the FAA in a timely manner.

Response – We have talked to our airport engineer and we are checking our files for further information and action.

Conclusion – Response accepted.

- II-O-10 Economic Development – The City pays its hotel-motel tax collections to the Lucas County Tourism (LCT), which is a part of the Chariton Chamber and Development Corporation. The payments made to the LCT are for the promotion of tourism, and ultimately more economic development in the area. Insufficient support was provided to document the public purpose served by the hotel-motel tax disbursements paid to LCT, as required by Chapter 15A of the Code of Iowa.

Recommendation – The Council should evaluate and document the public purpose served by the expenditure before authorizing further payments and should require the benefiting organization to provide documentation to the City of how these funds were used to accomplish economic development activities.

City of Chariton
Schedule of Findings
Year Ended June 30, 2010

Response – We will review this and take appropriate action.

Conclusion – Response accepted.