

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

**JUNE 30, 2010**

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

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City of Albia

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2010)		
Richard Clark	Mayor	January 1, 2010
Gene Behrens	Council Member	January 1, 2010
Merle Regenold	Council Member	January 1, 2012
Jeff Stoffa	Council Member	January 1, 2010
Cindy See	Council Member	January 1, 2012
Ron Yarkosky	Council Member	January 1, 2012
Norm Braun	Council Member	January 1, 2010
Linda Heller	City Clerk/Treasurer	January 1, 2010
Breckenridge & Duker	Attorney	January 1, 2010

(After January, 2010)

Richard Clark	Mayor	January 1, 2012
Gene Behrens	Council Member	January 1, 2014
Merle Regenold	Council Member	January 1, 2012
Jeff Stoffa	Council Member	January 1, 2014
Cindy See	Council Member	January 1, 2012
Ron Yarkosky	Council Member	January 1, 2012
Rowland Barnes	Council Member	January 1, 2014
Linda Heller	City Clerk/Treasurer	January 1, 2012
Breckenridge & Duker	Attorney	January 1, 2012

Library Board

Joe Starcevic	Library Trustee	July 1, 2011
Sally Bachman	Library Trustee	July 1, 2012
Dave Paxton	Library Trustee	July 1, 2012
Lelah Marlin	Library Trustee	July 1, 2014
Lois Mick	Library Trustee	July 1, 2014
Matt Foster	Library Trustee	July 1, 2014
Marty Ryan	Library Trustee	July 1, 2014
Sharon Crall	Library Trustee	July 1, 2014
Sue Goode	Library Trustee	July 1, 2014

Cemetery Board

Richard Grimes	Cemetery Trustee	July 1, 2012
Terri Bender	Cemetery Trustee	July 1, 2014
Sandy Clark	Cemetery Trustee	July 1, 2014
Chris Yarkosky	Cemetery Trustee	July 1, 2016
Tammy Shroyer	Cemetery Trustee	July 1, 2016

**City of Albia**

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

(515) 277-3077

Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Albia, 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 Albia'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 Albia, 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 Albia 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 Albia 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 April 22, 2011 on our consideration of the City of Albia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 26 through 27 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 Albia'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 5, 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

April 22, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Albia provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2010 FINANCIAL HIGHLIGHTS

- \* Receipts of the City's governmental activities increased 13.5%, or approximately \$414,000, from fiscal 2009 to fiscal 2010. Operating grants, contributions and restricted interest increased approximately \$22,000, capital grants, contribution and restricted interest decreased approximately \$123,000, property tax decreased approximately \$45,000, local option sales tax decreased approximately \$101,000 and bond and loan proceeds increased approximately \$664,000.
- \* Disbursements of the City's governmental activities increased 4.7%, or approximately \$133,000, in fiscal 2010 from fiscal 2009. Public safety disbursements increased approximately \$50,000, culture and recreation disbursements increased approximately \$75,000, debt service disbursements increased approximately \$36,000, and capital projects disbursements decreased approximately \$55,000.
- \* The City's total cash basis net assets increased 20.6%, or approximately \$529,000, from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities increased approximately \$546,000 and the assets of the business type activities decreased by approximately \$17,000.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the nonmajor proprietary 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 operation 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:

- (1) **Governmental Activities** include public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- (2) **Business Type Activities** include the sanitary sewer system, landfill, airport, and the rural fire department. These activities are financed primarily by user charges.

### **Fund Financial Statements**

The City has two kinds of funds:

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

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

2) **Proprietary funds** account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the Sewer Fund, considered to be a major fund of the City. The Landfill Fund, Airport Fund and the Rural Fire Department Fund are considered to be non-major funds of the City.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$2.367 million to \$2.913 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)

	Year ended <u>June 30, 2010</u>	Year ended <u>June 30, 2009</u>
<b>Receipts:</b>		
<b>Program receipts:</b>		
Charges for service	\$ 161	158
Operating grants, contributions and restricted interest	452	430
Capital grants, contributions and restricted interest	179	302
<b>General receipts:</b>		
Property tax	1,214	1,259
Local option sales tax	700	801
Grants and contributions not restricted to specific purposes	18	22
Unrestricted investment earnings	61	69
Bond and loan proceeds	664	-
Miscellaneous	25	19
Sale of assets	<u>3</u>	<u>3</u>
Total receipts	<u>3,477</u>	<u>3,063</u>
<b>Disbursements:</b>		
Public safety	550	500
Public works	464	433
Culture and recreation	368	293
Community and economic development	13	9
General government	218	226
Debt service	670	634
Capital projects	<u>688</u>	<u>743</u>
Total disbursements	<u>2,971</u>	<u>2,838</u>
Change in cash basis net assets before transfers	506	225
Transfers, net	<u>40</u>	<u>42</u>
Change in cash basis net assets	546	267
Cash basis net assets beginning of year	<u>2,367</u>	<u>2,100</u>
Cash basis net assets end of year	<u>\$2,913</u>	<u>2,367</u>

The City's total receipts for governmental activities increased by 13.5%, or \$414,000. The total cost of all programs and services increased by approximately \$133,000, or 4.7%, with no new programs added this year. The significant increase in receipts was primarily the result of an increase in bond and loan proceeds.

The City's property tax collections decreased approximately \$45,000 from fiscal 2009 to fiscal 2010. Approximately \$1,214,000 and \$1,259,000 in property taxes were collected in fiscal 2010 and 2009, respectively. Property tax receipts are budgeted to remain relatively the same in fiscal 2011.

The cost of all governmental activities this year was \$2.971 million compared to \$2.838 million last year. However, as shown on the Statement of Activities and Net Assets on page 14, the amount taxpayers ultimately financed for these activities was only \$2.179 million because some of the cost was paid by those directly benefited from the programs (\$161,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$632,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2010 from approximately \$890,000 to approximately \$793,000, principally due to less federal highway grant funds received in fiscal 2010 compared to fiscal 2009. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$2,179,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

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

	<u>Year ended</u> <u>June 30, 2010</u>	<u>Year ended</u> <u>June 30, 2009</u>
<b>Receipts:</b>		
Program receipts:		
Charges for service:		
Sewer	\$ 319	318
Landfill	16	16
Airport	8	8
Rural fire department	34	41
Capital grants, contributions and restricted interest	21	286
General receipts:		
Unrestricted interest on investments	-	2
Miscellaneous	1	11
Sale of assets	-	-
Total receipts	<u>399</u>	<u>682</u>
<b>Disbursements:</b>		
Sewer	312	260
Landfill	4	14
Airport	29	298
Rural fire department	<u>31</u>	<u>32</u>
Total disbursements	<u>376</u>	<u>604</u>
Change in cash basis net assets before transfers	23	78
Transfers, net	<u>(40)</u>	<u>(42)</u>
Change in cash basis net assets	(17)	36
Cash basis net assets beginning of year	<u>197</u>	<u>161</u>
Cash basis net assets end of year	<u>\$ 180</u>	<u>197</u>

Total business type activities receipts for the fiscal year were approximately \$.399 million compared to approximately \$.682 million last year. This decrease was due primarily to more grants received in fiscal 2009 compared to fiscal 2010 for an airport project, in which the majority of the costs were incurred in fiscal 2009. The cash balance decreased by approximately \$17,000 from the prior year because the sewer fund continues to spend more money than it receives. Total disbursements for the fiscal year decreased by 37.8% to a total of \$.376 million.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Albia completed the year, its governmental funds reported a combined fund balance of \$2,913,308, an increase of more than \$545,000 above last years total of \$2,367,594. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- \* The General Fund cash balance increased \$51,657 from the prior year to \$202,958. This increase was just due to spending less money than was received.
- \* The Special Revenue, Road Use Tax Fund cash balance decreased \$8,655 to (\$1,172) during the fiscal year. This decrease in cash is primarily due to a bad winter in 2009-2010, and increasing fuel and maintenance costs.
- \* The Special Revenue, Aquatic Center Fund cash balance increased by \$451,581 during the fiscal year to a total of \$2,193,555. This increase is due to the receipt of local option sales taxes in excess of the related costs and debt service payments. We are receiving a lot more local option sales tax funds than we ever expected.
- \* The Debt Service Fund cash balance increased by \$20,771 to \$40,625 during the fiscal year. The increase in cash was due to levying a tax in excess of our current year needs.
- \* The Capital Projects, Street Paving Project Fund cash balance increased \$95,520 to (\$29,463). The City is expecting reimbursement from the State of Iowa in fiscal year 2011 to make this fund positive.

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

- \* The Sewer Fund cash balance decreased by \$27,087 to \$59,925, due primarily to costs incurred for sewer improvements made during the year.

## **BUDGETARY HIGHLIGHTS**

During the course of the year, the City amended its budget one time. The budget was amended because of equipment purchases and capital projects which were greater than originally anticipated.

The City's receipts were \$224,353 more than budgeted. This was primarily due to the City receiving more local option sales taxes than anticipated, even after the amendment.

Even with the budget amendment, the City exceeded the amounts budgeted in the public works, culture and recreation, and the debt service function. However, the actual disbursements for public safety and business type activities functions were \$54,350 and \$192,924, respectively, less than the amended budget. This was primarily due to the City only purchasing items which were absolutely necessary. For all functions combined, total disbursements were less than budgeted disbursements.

## DEBT ADMINISTRATION

At June 30, 2010, the City of Albia had approximately \$3,839,000 in bonds and other long-term debt, compared to approximately \$3,711,000 last year.

### Outstanding Debt at Year-End (Expressed in Thousands)

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
General Obligation Bonds and Notes	\$3,751	3,587
Revenue Note	75	84
Lease – Purchase Agreement	<u>13</u>	<u>40</u>
Total	<u>\$3,839</u>	<u>3,711</u>

Debt increased as a result of new debt obtained in the fiscal year.

The amount of general obligation debt a political subdivision of the State of Iowa can incur is controlled by constitutional debt limit, which is an amount equal to 5% of the actual value of property within the corporate limits, taken from the last county tax list. The City's debt limit, based upon said valuation, amounts to the following:

Actual Value of Property, 2008	\$114,273,349
Debt Limit	<u>.05</u>
	<u>\$5,713,667</u>

The City's outstanding general obligation debt of \$3,751,000 is below the constitutional debt limit of \$5,713,667.

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

City of Albia'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. One of those factors is the economy and the rising costs of employee benefits.

The across the board budget cuts will also reduce our property tax amounts received because the State of Iowa will not be fully funding the various property tax credits.

These indicators were taken into account when adopting the budget for fiscal year 2011. Amounts available for appropriation in the operating budget are approximately \$4.0 million, keeping in line with 2010 budget year.

## CONTRACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayer, 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 Linda Heller, City Clerk, 120 South "A" Street, Albia, Iowa 52531.

**Basic Financial Statements**

City of Albia

Exhibit A

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
<b>Governmental activities:</b>							
Public safety	\$ 550,295	31,413	11,749	-	(507,133)	-	(507,133)
Public works	463,730	3,663	393,232	-	(66,835)	-	(66,835)
Culture and recreation	368,501	104,049	46,279	14,846	(203,327)	-	(203,327)
Community and economic development	13,046	-	-	-	(13,046)	-	(13,046)
General government	217,841	21,586	-	-	(196,255)	-	(196,255)
Debt service	669,920	-	1,210	-	(668,710)	-	(668,710)
Capital projects	688,093	-	-	164,500	(523,593)	-	(523,593)
<b>Total governmental activities</b>	<b>2,971,426</b>	<b>160,711</b>	<b>452,470</b>	<b>179,346</b>	<b>(2,178,899)</b>	<b>-</b>	<b>(2,178,899)</b>
<b>Business type activities:</b>							
Sewer	312,270	319,062	-	-	-	6,792	6,792
Landfill	3,542	16,679	-	-	-	13,137	13,137
Airport	29,351	7,900	-	20,757	-	(694)	(694)
Rural fire department	31,395	33,930	-	-	-	2,535	6,741
<b>Total business type activities</b>	<b>376,558</b>	<b>377,571</b>	<b>-</b>	<b>20,757</b>	<b>-</b>	<b>21,770</b>	<b>21,770</b>
<b>Total</b>	<b>\$ 3,347,984</b>	<b>538,282</b>	<b>452,470</b>	<b>200,103</b>	<b>(2,178,899)</b>	<b>21,770</b>	<b>(2,157,129)</b>
<b>General Receipts and Transfers:</b>							
Property and other city tax levied for:							
General purposes					870,026	-	870,026
Debt service					343,755	-	343,755
Local option sales tax					699,304	-	699,304
Grants and contributions not restricted to specific purposes					17,981	-	17,981
Unrestricted interest on investments					60,864	29	60,893
Bond proceeds (net of \$5,695 discount)					664,305	-	664,305
Miscellaneous					25,299	1,297	26,596
Sale of assets					3,270	-	3,270
Transfers					39,809	(39,809)	-
<b>Total general receipts and transfers</b>					<b>2,724,613</b>	<b>(38,483)</b>	<b>2,686,130</b>
<b>Change in cash basis net assets</b>					<b>545,714</b>	<b>(16,713)</b>	<b>529,001</b>
<b>Cash basis net assets beginning of year</b>					<b>2,367,594</b>	<b>197,262</b>	<b>2,564,856</b>
<b>Cash basis net assets end of year</b>					<b>\$ 2,913,308</b>	<b>180,549</b>	<b>3,093,857</b>
<b>Cash Basis Net Assets</b>							
<b>Restricted:</b>							
<b>Nonexpendable:</b>							
Cemetery perpetual care					\$ 83,956	-	83,956
Library endowment					92,666	-	92,666
<b>Expendable:</b>							
Streets					(1,172)	-	(1,172)
Debt service					40,625	4,601	45,226
Other purposes					2,494,274	-	2,494,274
<b>Unrestricted</b>					<b>202,959</b>	<b>175,948</b>	<b>378,907</b>
<b>Total cash basis net assets</b>					<b>\$ 2,913,308</b>	<b>180,549</b>	<b>3,093,857</b>

See notes to financial statements.

## City of Albia

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			Debt Service	Capital Projects	Nonmajor	Total
	General	Road Use Tax	Aquatic Center		Street Projects		
<b>Receipts:</b>							
Property tax	\$ 634,159	-	-	343,755	-	235,867	1,213,781
Other city tax	17,981	-	699,304	-	-	-	717,285
Licenses and permits	18,261	-	-	-	-	-	18,261
Use of money and property	20,296	-	41,673	1,210	-	3,095	66,274
Intergovernmental	98,503	343,775	-	-	164,500	1,572	608,350
Charges for service	108,171	-	-	-	-	-	108,171
Miscellaneous	60,337	-	206	-	-	17,091	77,634
Total receipts	957,708	343,775	741,183	344,965	164,500	257,625	2,809,756
<b>Disbursements:</b>							
<b>Operating:</b>							
Public safety	423,898	-	-	-	-	126,397	550,295
Public works	48,876	352,430	-	-	-	62,424	463,730
Culture and recreation	281,175	-	32,416	-	-	54,910	368,501
Community and economic development	-	-	-	-	-	13,046	13,046
General government	187,372	-	-	-	-	30,469	217,841
Debt service	-	-	-	669,920	-	-	669,920
Capital projects	-	-	-	-	688,093	-	688,093
Total disbursements	941,321	352,430	32,416	669,920	688,093	287,246	2,971,426
Excess (deficiency) of receipts over (under) disbursements	16,387	(8,655)	708,767	(324,955)	(523,593)	(29,621)	(161,670)
<b>Other financing sources (uses):</b>							
Bond proceeds (net of \$5,695 discount)	-	-	-	45,475	618,830	-	664,305
Sale of capital assets	3,270	-	-	-	-	-	3,270
Operating transfers in	38,000	-	-	300,251	283	2,461	340,995
Operating transfers out	(6,000)	-	(257,186)	-	-	(38,000)	(301,186)
Total other financing sources (uses)	35,270	-	(257,186)	345,726	619,113	(35,539)	707,384
Net change in cash balances	51,657	(8,655)	451,581	20,771	95,520	(65,160)	545,714
Cash balances beginning of year	151,301	7,483	1,741,974	19,854	(124,983)	571,965	2,367,594
Cash balances end of year	\$ 202,958	(1,172)	2,193,555	40,625	(29,463)	506,805	2,913,308
<b>Cash Basis Fund Balances</b>							
Reserved for debt service	\$ -	-	-	40,625	-	-	40,625
Unreserved:							
General fund	202,958	-	-	-	-	-	202,958
Special revenue funds	-	(1,172)	2,193,555	-	-	330,183	2,522,566
Capital projects fund	-	-	-	-	(29,463)	-	(29,463)
Permanent funds	-	-	-	-	-	176,622	176,622
Total cash basis fund balances	\$ 202,958	(1,172)	2,193,555	40,625	(29,463)	506,805	2,913,308

See notes to financial statements.

City of Albia

Exhibit C

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

As of and for the year ended June 30, 2010

	Enterprise		
	Sewer	Nonmajor	Total
<b>Operating receipts:</b>			
Use of money and property	\$ -	7,900	7,900
Charges for service	318,345	50,609	368,954
Miscellaneous	717	-	717
<b>Total operating receipts</b>	<b>319,062</b>	<b>58,509</b>	<b>377,571</b>
<b>Operating disbursements:</b>			
Business type activities	250,567	29,672	280,239
<b>Total operating disbursements</b>	<b>250,567</b>	<b>29,672</b>	<b>280,239</b>
<b>Excess of operating receipts over operating disbursements</b>	<b>68,495</b>	<b>28,837</b>	<b>97,332</b>
<b>Non-operating receipts (disbursements):</b>			
Intergovernmental	-	20,757	20,757
Interest on investments	-	29	29
Miscellaneous	-	1,297	1,297
Debt service	-	(12,766)	(12,766)
Capital projects	(61,703)	(21,850)	(83,553)
<b>Net non-operating receipts (disbursements)</b>	<b>(61,703)</b>	<b>(12,533)</b>	<b>(74,236)</b>
<b>Excess of receipts over disbursements</b>	<b>6,792</b>	<b>16,304</b>	<b>23,096</b>
<b>Other financing sources (uses):</b>			
Operating transfers in	-	6,000	6,000
Operating transfers out	(33,879)	(11,930)	(45,809)
<b>Total other financing sources (uses)</b>	<b>(33,879)</b>	<b>(5,930)</b>	<b>(39,809)</b>
<b>Net change in cash balances</b>	<b>(27,087)</b>	<b>10,374</b>	<b>(16,713)</b>
<b>Cash balances beginning of year</b>	<b>87,012</b>	<b>110,250</b>	<b>197,262</b>
<b>Cash balances end of year</b>	<b>\$ 59,925</b>	<b>120,624</b>	<b>180,549</b>
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ -	4,601	4,601
Unreserved	59,925	116,023	175,948
<b>Total cash basis fund balances</b>	<b>\$ 59,925</b>	<b>120,624</b>	<b>180,549</b>

See notes to financial statements.

City of Albia

Notes to Financial Statements

June 30, 2010

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

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

A. **Reporting Entity**

Except as discussed below, for financial reporting purposes, City of Albia 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 Albia (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 Albia 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 following boards and commissions: Monroe County Assessor's Conference Board and the Monroe County Joint E-911 Service Board.

**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 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 or 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 and proprietary funds are aggregated and reported as nonmajor governmental funds and nonmajor proprietary funds.

The City reports the following major governmental funds:

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

**Special Revenue:**

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

The Aquatic Center Fund is used to account for the local option sales tax and the related costs and debt associated with the aquatic center.

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

The Capital Projects - Street Projects Fund is used to account for costs associated with major road construction projects of the City.

The City reports the following major proprietary fund:

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

**C. Measurement Focus and Basis of Accounting**

The City of Albia 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 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 works, culture and recreation, and the debt service 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 the obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

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

(3) **Bonds and Notes Payable**

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

Year Ending June 30,	General Obligation					
	Bonds and Notes		Revenue Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 526,000	\$ 139,549	\$ 9,682	\$ 3,083	\$ 535,682	\$ 142,632
2012	515,000	120,890	10,083	2,683	525,083	123,573
2013	495,000	102,546	10,499	2,267	505,499	104,813
2014	490,000	84,160	10,932	1,834	500,932	85,994
2015	520,000	65,487	11,383	1,383	531,383	66,870
2016	485,000	44,925	11,852	914	496,852	45,839
2017	175,000	25,518	10,302	425	185,302	25,943
2018	175,000	19,555	-	-	175,000	19,555
2019	180,000	13,605	-	-	180,000	13,605
2020	190,000	7,125	-	-	190,000	7,125
	<u>\$ 3,751,000</u>	<u>\$ 623,360</u>	<u>\$ 74,733</u>	<u>\$ 12,589</u>	<u>\$ 3,825,733</u>	<u>\$ 635,949</u>

**Revenue Note**

The City has pledged future township fire receipts, net of specified operating disbursements, to repay \$102,900 in a fire department revenue note issued in October, 2006. Proceeds from the note provided financing for the purchase of a new fire truck. The note is payable solely from township fire net receipts and is payable through fiscal year 2017. Annual principal and interest payments on the note are expected to require less than 84 percent of net receipts. The total principal and interest remaining to be paid on the note is \$87,322. For the current year, principal and interest paid and total customer net receipts were \$12,766 and \$15,301 respectively.

The note is payable to the U.S. Department of Agriculture (USDA) in annual installments of \$12,766, including interest at 4.125% per annum. During the year ended June 30, 2010, a payment of \$12,766 was made to the USDA, leaving a principal balance due at June 30, 2010 of \$74,733.

The resolution for the issuance of the fire department revenue note includes the following provisions:

- (a) The note will only be redeemed from the future earnings of the enterprise activity and the note holder holds a lien on the future earnings of the funds.
- (b) The City shall make annual payments of \$12,766 to the USDA, including interest at 4.125%, per annum, in fiscal years 2008 through 2017, inclusive.
- (c) Sufficient monthly transfers shall be made to a fire department revenue note sinking account for the purpose of making the above payments when due.
- (d) Additional monthly transfers shall be made to a fire department revenue note reserve account until a specific maximum balance has been accumulated. This account is restricted for making the annual principal and interest payments whenever there is insufficient money in the fire department revenue note sinking account.

The City's balance in the fire department revenue note sinking account was deficient by \$12,766 as of June 30, 2010. The balance in the Enterprise – Rural Fire Department Fund as of June 30, 2010 was \$7,792. As a result, it appears the City is technically in non-compliance with the USDA requirements in relation to this loan.

**(4) Lease Purchase Obligations**

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2011	\$ 4,252	\$ 913	\$ 5,165
2012	4,603	562	5,165
2013	4,553	182	4,735
Total	<u>\$ 13,408</u>	<u>\$ 1,657</u>	<u>\$ 15,065</u>

**(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 contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$46,801, \$43,416 and \$40,978, 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 17 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 the plan members are \$446.36 for single coverage, \$914.14 for employee/spouse, \$844.96/\$806.86 for employee/dependent, and \$1,369.87/\$1,308.11 for family coverage. The difference in the premiums for the same group represents differences in the types of coverage provided. For the year ended June 30, 2010, the City contributed \$139,153 and plan members eligible for benefits contributed \$2,181 to the plan.

(7) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, holiday and compensatory 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 compensated absences payable to employees at June 30, 2010 primarily relating to the General Fund, was \$28,689. The liability has been computed based on rates of pay in effect at June 30, 2010.

(8) **Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Emergency	<u>\$ 38,000</u>
Special Revenue: Employee Benefits	Enterprise: Sewer	<u>2,461</u>
Debt Service	Special Revenue: Aquatic Center	256,903
	Enterprise: Sewer	31,418
	Rural Fire Department	<u>11,930</u>
		<u>300,251</u>
Capital Projects: Street Projects	Special Revenue: Aquatic Center	<u>283</u>
Enterprise: Rural Fire Department	General	<u>6,000</u>
	Total	<u>\$ 346,995</u>

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

(9) **Related Party Transactions**

The City had business transactions between the City and City officials, totaling \$655 during the year ended June 30, 2010.

(10) **Risk Management**

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

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

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2010 were \$55,155.

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

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

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

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

**(11) Contingency**

In prior years, the City received payments in lieu of taxes from the local housing agency. However it was later determined that some of these funds should have been distributed to the other political subdivisions in the county. The City Attorney's position was that the City owed the other political subdivisions in the County for the past five years only, which would amount to approximately \$21,000. However, in fiscal year 2004, the City agreed to pay approximately \$64,000 to the other political subdivisions in settlement of the payments in lieu of taxes from the local housing agency. The City and other political subdivisions signed an agreement whereby the other political subdivisions will receive the City's share of the payments in lieu of taxes until the City's liability has been satisfied. At June 30, 2010, the City owed approximately \$46,000 to the other political subdivisions in settlement of the payments in lieu of taxes from the local housing agency.

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.

**(12) Deficit Balances**

The Special Revenue – Emergency Fund had a deficit balance of \$4,493 at June 30, 2010. This deficit occurred because the City transferred too much from this fund to the General Fund. This deficit will be eliminated through future property tax collections.

The Special Revenue – Road Use Tax Fund had a deficit balance of \$1,172 as of June 30, 2010. This deficit occurred because the City just spent more monies than they received from the State. This deficit will be eliminated through future allocations from the State of Iowa.

The Capital Projects – Street Projects Fund had a deficit balance of \$29,463 at June 30, 2010. This deficit was the result of the payment of claims prior to the related bond issue. This deficit will be eliminated when the bond issue proceeds are received in fiscal year 2011.

**(13) Subsequent Events**

The City issued a bond for \$845,000 on September 1, 2010. The proceeds of this bond issue were used for street repair, and for the purchase of a police car and a lawn mower. The proceeds of this bond issue were primarily spent in fiscal year 2011.

The City received a grant from the Federal Aviation Administration (FAA) to fund the costs of airport improvements. The total cost of the project was approximately \$212,000, with 95% of the cost reimbursed to the City by the FAA, and the City funding the other 5% of the costs from funds on hand. This project will essentially be completed in fiscal year 2011.

**Required Supplementary Information**

City of Albia

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

	Budgeted Amounts				Final to Total Variance	
	Governmental Funds Actual	Proprietary Funds Actual	Total	Original		Final
<b>Receipts:</b>						
Property tax	\$ 1,213,781	-	1,213,781	1,184,371	1,184,371	29,410
Other city tax	717,285	-	717,285	635,475	635,475	81,810
Licenses and permits	18,261	-	18,261	12,350	12,350	5,911
Use of money and property	66,274	7,929	74,203	7,525	7,525	66,678
Intergovernmental	608,350	20,757	629,107	626,626	626,626	2,481
Charges for service	108,171	368,954	477,125	477,760	477,760	(635)
Miscellaneous	71,634	2,014	79,648	5,950	40,950	38,698
<b>Total receipts</b>	<b>2,809,756</b>	<b>399,654</b>	<b>3,209,410</b>	<b>2,950,057</b>	<b>2,985,057</b>	<b>224,353</b>
<b>Disbursements:</b>						
Public safety	550,295	-	550,295	594,825	604,825	54,530
Public works	463,730	-	463,730	403,392	453,392	(10,338)
Culture and recreation	368,501	-	368,501	353,590	353,590	(14,911)
Community and economic development	13,046	-	13,046	13,000	18,000	4,954
General government	217,841	-	217,841	223,349	233,349	15,508
Debt service	669,920	-	669,920	598,684	658,684	(11,236)
Capital projects	688,093	-	688,093	300,000	700,000	11,907
Business type activities	-	376,558	376,558	519,482	569,482	192,924
<b>Total disbursements</b>	<b>2,971,426</b>	<b>376,558</b>	<b>3,347,984</b>	<b>3,006,322</b>	<b>3,991,322</b>	<b>243,338</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>(161,670)</b>	<b>23,096</b>	<b>(138,574)</b>	<b>(56,265)</b>	<b>(606,265)</b>	<b>467,691</b>
<b>Other financing sources, net</b>	<b>707,384</b>	<b>(39,809)</b>	<b>667,575</b>	<b>300,000</b>	<b>300,000</b>	<b>367,575</b>
<b>Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses</b>	<b>545,714</b>	<b>(16,713)</b>	<b>529,001</b>	<b>243,735</b>	<b>(306,265)</b>	<b>835,266</b>
<b>Balances beginning of year</b>	<b>2,367,594</b>	<b>197,262</b>	<b>2,564,856</b>	<b>2,822,753</b>	<b>2,822,753</b>	<b>(257,897)</b>
<b>Balances end of year</b>	<b>\$ 2,913,308</b>	<b>180,549</b>	<b>3,093,857</b>	<b>3,066,488</b>	<b>2,516,488</b>	<b>577,369</b>

See accompanying independent auditor's report.

City of Albia

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. 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 \$585,000. 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 works, culture and recreation, and the debt service functions.

**Other Supplementary Information**

City of Albia

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

As of and for the year ended June 30, 2010

	Special				
	Employee Benefits	Historical Preservation Board	Police Department	Emergency	Library
<b>Receipts:</b>					
Property tax	\$ 217,036	-	-	18,831	-
Use of money and property	-	-	-	-	93
Intergovernmental	-	-	-	-	1,572
Miscellaneous	-	-	7,299	-	8,200
<b>Total receipts</b>	<b>217,036</b>	<b>-</b>	<b>7,299</b>	<b>18,831</b>	<b>9,865</b>
<b>Disbursements:</b>					
<b>Operating:</b>					
Public safety	118,138	-	8,259	-	-
Public works	62,424	-	-	-	-
Culture and recreation	37,396	-	-	-	17,514
Community and economic development	-	8,280	-	-	-
General government	30,462	-	-	7	-
<b>Total disbursements</b>	<b>248,420</b>	<b>8,280</b>	<b>8,259</b>	<b>7</b>	<b>17,514</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>(31,384)</b>	<b>(8,280)</b>	<b>(960)</b>	<b>18,824</b>	<b>(7,649)</b>
<b>Other financing sources (uses):</b>					
Operating transfers in	2,461	-	-	-	-
Operating transfers out	-	-	-	(38,000)	-
<b>Total other financing sources (uses)</b>	<b>2,461</b>	<b>-</b>	<b>-</b>	<b>(38,000)</b>	<b>-</b>
<b>Net change in cash balances</b>	<b>(28,923)</b>	<b>(8,280)</b>	<b>(960)</b>	<b>(19,176)</b>	<b>(7,649)</b>
<b>Cash balances beginning of year</b>	<b>184,907</b>	<b>11,155</b>	<b>21,814</b>	<b>14,683</b>	<b>28,596</b>
<b>Cash balances end of year</b>	<b>\$ 155,984</b>	<b>2,875</b>	<b>20,854</b>	<b>(4,493)</b>	<b>20,947</b>
<b>Cash Basis Fund Balances</b>					
<b>Unreserved:</b>					
Special revenue funds	\$ 155,984	2,875	20,854	(4,493)	20,947
Permanent funds	-	-	-	-	-
<b>Total cash basis fund balances</b>	<b>\$ 155,984</b>	<b>2,875</b>	<b>20,854</b>	<b>(4,493)</b>	<b>20,947</b>

See accompanying independent auditor's report.

Schedule 1

Revenue	Permanent		Total
Cooper Estate Bequest	Cemetery Perpetual Care	Library Endowment	
-	-	-	235,867
3,002	-	-	3,095
-	-	-	1,572
-	1,592	-	17,091
3,002	1,592	-	257,625
-	-	-	126,397
-	-	-	62,424
-	-	-	54,910
4,766	-	-	13,046
-	-	-	30,469
4,766	-	-	287,246
(1,764)	1,592	-	(29,621)
-	-	-	2,461
-	-	-	(38,000)
-	-	-	(35,539)
(1,764)	1,592	-	(65,160)
135,780	82,364	92,666	571,965
134,016	83,956	92,666	506,805
134,016	-	-	330,183
-	83,956	92,666	176,622
134,016	83,956	92,666	506,805

City of Albia

Schedule 2

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

As of and for the year ended June 30, 2010

Enterprise				
	Landfill	Airport	Rural Fire Department	Total
<b>Operating receipts:</b>				
Use of money and property	\$ -	7,900	-	7,900
Charges for service	16,679	-	33,930	50,609
<b>Total operating receipts</b>	<b>16,679</b>	<b>7,900</b>	<b>33,930</b>	<b>58,509</b>
<b>Operating disbursements:</b>				
Business type activities	3,542	7,501	18,629	29,672
<b>Total operating disbursements</b>	<b>3,542</b>	<b>7,501</b>	<b>18,629</b>	<b>29,672</b>
<b>Excess of operating receipts over operating disbursements</b>	<b>13,137</b>	<b>399</b>	<b>15,301</b>	<b>28,837</b>
<b>Non-operating receipts (disbursements):</b>				
Intergovernmental	-	20,757	-	20,757
Interest on investments	-	-	29	29
Miscellaneous	-	-	1,297	1,297
Debt service	-	-	(12,766)	(12,766)
Capital projects	-	(21,850)	-	(21,850)
<b>Net non-operating receipts (disbursements)</b>	<b>-</b>	<b>(1,093)</b>	<b>(11,440)</b>	<b>(12,533)</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>13,137</b>	<b>(694)</b>	<b>3,861</b>	<b>16,304</b>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	6,000	6,000
Operating transfers out	-	-	(11,930)	(11,930)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(5,930)</b>	<b>(5,930)</b>
<b>Net change in cash balances</b>	<b>13,137</b>	<b>(694)</b>	<b>(2,069)</b>	<b>10,374</b>
<b>Cash balances beginning of year</b>	<b>75,908</b>	<b>24,481</b>	<b>9,861</b>	<b>110,250</b>
<b>Cash balances end of year</b>	<b>\$ 89,045</b>	<b>23,787</b>	<b>7,792</b>	<b>120,624</b>
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ -	-	4,601	4,601
Unreserved	89,045	23,787	3,191	116,023
<b>Total cash basis fund balances</b>	<b>\$ 89,045</b>	<b>23,787</b>	<b>7,792</b>	<b>120,624</b>

See accompanying independent auditor's report.

City of Alhambra

Schedule of Indebtedness

Schedule 3

Year ended June 30, 2010

Obigation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
<b>General Obligation Bonds and Notes-</b>									
Fire Equipment Note	May 4, 1999	4.23%	\$ 108,000	22,000	-	11,000	11,000	930	-
Corporate Purpose Bonds	December 1, 2002	1.90 to 4.35%	520,000	310,000	-	50,000	260,000	12,435	-
Swimming Pool Bonds	December 1, 2003	2.25 to 4.00%	2,000,000	1,570,000	-	200,000	1,370,000	56,502	-
Corporate Purpose Bonds	May 25, 2006	3.70 to 4.05%	1,345,000	960,000	-	125,000	835,000	37,305	-
Street Improvement Bonds	September 1, 2007	3.75 to 4.10%	250,000	180,000	-	25,000	155,000	7,136	-
Corporate Purpose Bonds	May 1, 2008	3.10 to 3.80%	640,000	545,000	-	95,000	450,000	18,648	-
Street Improvement Bonds	August 1, 2009	3.25 to 3.75%	670,000	-	670,000	-	670,000	19,681	-
<b>Total</b>			<b>670,000</b>	<b>\$3,587,000</b>	<b>670,000</b>	<b>506,000</b>	<b>3,751,000</b>	<b>152,637</b>	<b>-</b>
<b>Revenue Note-</b>									
Fire Department	October 30, 2006	4.125%	\$ 102,900	84,032	-	9,299	74,733	3,467	-
<b>Lease Purchase Agreement-</b>									
Equipment	September 29, 2004	4.10%	\$ 105,919	22,918	-	22,918	-	940	-
Equipment	June 3, 2008	7.95%	21,396	17,336	-	3,928	13,408	1,237	-
<b>Total</b>				<b>\$ 40,254</b>	<b>-</b>	<b>26,846</b>	<b>13,408</b>	<b>2,177</b>	<b>-</b>

See accompanying independent auditor's report.

City of Albia  
Bond and Note Maturities

June 30, 2010

Year Ending June 30,	Fire Equipment Note Issued May 4, 1999		Corporate Purpose Bonds Issued December 1, 2002		Swimming Pool Bonds Issued December 1, 2003		Corporate Purpose Bonds Issued May 25, 2006		Street Improvement Bonds Issued September 1, 2007		Corporate Purpose Bonds Issued May 1, 2008		Street Improvement Bonds Issued August 1, 2009		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2011	4.23%	\$ 11,000	3.80%	\$ 50,000	3.35%	\$ 210,000	3.80%	\$ 130,000	3.88%	\$ 25,000	3.35%	\$ 100,000	-	\$ -	\$ 526,000
2012	-	-	4.00%	50,000	3.45%	215,000	3.85%	130,000	3.90%	25,000	3.10%	95,000	-	-	515,000
2013	-	-	4.05%	50,000	3.60%	225,000	3.90%	135,000	3.95%	25,000	3.35%	60,000	-	-	495,000
2014	-	-	4.25%	50,000	3.70%	230,000	3.95%	140,000	4.00%	25,000	3.35%	45,000	-	-	490,000
2015	-	-	4.35%	60,000	3.85%	240,000	4.00%	145,000	4.05%	25,000	3.80%	50,000	-	-	520,000
2016	-	-	-	-	4.00%	250,000	4.05%	155,000	4.10%	30,000	3.80%	50,000	-	-	485,000
2017	-	-	-	-	-	-	-	-	-	-	-	-	3.25%	125,000	175,000
2018	-	-	-	-	-	-	-	-	-	-	-	-	3.40%	175,000	175,000
2019	-	-	-	-	-	-	-	-	-	-	-	-	3.60%	180,000	180,000
2020	-	-	-	-	-	-	-	-	-	-	-	-	3.75%	190,000	190,000
		<u>\$ 11,000</u>		<u>\$ 260,000</u>		<u>\$ 1,370,000</u>		<u>\$ 835,000</u>		<u>\$ 155,000</u>		<u>\$ 450,000</u>		<u>\$ 670,000</u>	<u>\$ 3,751,000</u>

Revenue Note	
Fire Department	
Year Ending June 30,	Amount
2011	\$ 9,682
2012	10,083
2013	10,499
2014	10,932
2015	11,383
2016	11,852
2017	10,302
	<u>\$ 74,733</u>

See accompanying independent auditor's report.

City of Albia

Schedule 5

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

For the Last Seven Years

	2010	2009	2008	2007	2006	2005	2004
<b>Receipts:</b>							
Property tax	\$ 1,213,781	1,259,475	1,194,235	1,171,575	1,083,508	946,940	950,378
Other city tax	717,285	821,020	720,239	802,383	592,594	395,200	132,780
Licenses and permits	18,261	13,035	14,213	10,027	12,467	12,251	10,933
Use of money and property	66,274	80,900	49,674	34,441	18,817	50,775	51,900
Intergovernmental	608,350	692,753	399,788	552,749	815,230	491,131	403,254
Charges for service	108,171	101,782	142,031	152,345	78,802	23,630	6,588
Special assessments	-	-	-	-	-	-	5,269
Miscellaneous	77,634	92,487	45,622	147,615	113,930	46,933	123,574
<b>Total</b>	<b>\$2,809,756</b>	<b>3,061,452</b>	<b>2,565,802</b>	<b>2,871,135</b>	<b>2,715,348</b>	<b>1,966,860</b>	<b>1,684,676</b>
<b>Disbursements:</b>							
Operating:							
Public safety	\$ 550,295	499,768	539,780	682,761	504,928	523,795	452,930
Public works	463,730	433,386	485,546	421,834	369,213	362,559	352,137
Culture and recreation	368,501	292,741	289,273	302,258	233,024	152,510	193,891
Community and economic development	13,046	9,185	46,670	2,477	11,714	32,956	47,637
General government	217,841	225,846	253,739	299,152	301,257	228,492	289,948
Debt service	669,920	633,696	1,086,975	620,756	1,478,044	417,219	387,104
Capital projects	688,093	743,120	197,074	635,254	1,275,365	1,867,844	235,007
<b>Total</b>	<b>\$2,971,426</b>	<b>2,837,942</b>	<b>2,899,057</b>	<b>2,964,492</b>	<b>4,173,545</b>	<b>3,585,375</b>	<b>1,958,654</b>

See accompanying independent auditor's report.

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CLIVE, IA 50325

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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 Albia, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated April 22, 2011. 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 Albia'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 Albia's internal control over financial reporting. Accordingly, we do not express our opinion on the effectiveness of the City of Albia'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 a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Albia'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, I-C-10 and I-D-10 to be material weaknesses.

A significant deficiency is a deficiency, or 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-E-10, I-F-10 and I-G-10 to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Albia'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 Albia'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 Albia'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 Albia and other parties to whom the City of Albia 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 Albia 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

April 22, 2011

City of Albia

Schedule of Findings

Year ended June 30, 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 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 will consider this.

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

- I-B-10 **Records of Account** - The Albia Police Department maintains the accounting records and bank statements pertaining to two different bank accounts. These transactions and the resulting balances are not recorded in the Clerk's records. Chapter 384.20 of the Code of Iowa states in part "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." In addition, a certificate of deposit held by the City is not recorded on the City's accounting system either manually or on the computer.

**Recommendation** - For better accountability, financial and budgetary control, the financial activity and balances of all city accounts should be recorded on the Clerk's records. In addition, the City should record all funds on its computer system.

**Response** – We will review this situation.

**Conclusion** - Response accepted.

- I-C-10 **Accounting Structure** – Instances were noted where receipts and disbursements were not always properly classified in the general ledger. Also, the City's general ledger account structure does not consistently follow the requirements as outlined by the City Finance Committee.

**Recommendation** – The City should implement procedures to ensure all receipts and disbursements are properly classified in the general ledger, and that the account structure follows the requirements as outlined by the City Finance Committee.

**Response** – We will also work on the proper classification of receipts and disbursements, and ensure compliance with the requirements as outlined by the City Finance Committee.

**Conclusion** – Response accepted.

City of Albia

Schedule of Findings

Year ended June 30, 2010

I-D-10 **Bank Reconciliations** - During the fiscal year, the City Clerk did not formally reconcile the cash balances in the bank with the cash balances recorded on the books. As a result, the June 30, 2010 book balances did not materially reconcile with the June 30, 2010 bank balances. These differences occurred because of recording errors on the accounting records which took place during the year. These errors were not known by the City until we brought this to their attention. If the cash balances in the bank were reconciled with the cash balances recorded on the books on a monthly basis, these errors should have been detected by the City on a timelier basis.

**Recommendation** - The City implement procedures to ensure the cash balances in the bank reconcile with the cash balances recorded on the books, on a monthly basis. Any differences should be investigated and immediately resolved.

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

**Conclusion** - Response accepted.

I-E-10 **Library Procedures** - The Library receives monies from memorials, donations, the State of Iowa, and from miscellaneous fees. However, receipt slips are not issued for Library monies received. Library monies are not timely deposited, currently the monies are normally deposited approximately once per month. In addition, Library monies on hand are taken home at night by the Librarian for safekeeping. Also, an adequate written record is not maintained which documents the amount of unspent Library memorial monies, by memorial, at any one time.

**Recommendation** - The Library issue pre-numbered receipts slips for all monies received. Library monies should be deposited when cash and checks on hand exceed \$100. In addition, Library monies should not be taken home at night by the Librarian. Also, written records need to be maintained documenting the amount of unspent Library memorial monies, by memorial, at any one time.

**Response** - We will implement the above to the best of our ability.

**Conclusion** - Response accepted.

I-F-10 **Receipts** - Pop machine money collected by the police department is not timely deposited. There is no initial record of receipt for fees collected by the police department.

**Recommendation** - Police department receipts should be deposited on a timely basis, and an initial record of receipt should be maintained for all police department collections.

**Response** - We will implement this to the best of our ability.

**Conclusion** - Response accepted.

City of Albia

Schedule of Findings

Year ended June 30, 2010

**I-G-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** – These are very technical issues that the average citizen would not understand. 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 requirement.

**Conclusion** – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Albia  
 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 works, culture and recreation, and the debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

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

**Conclusion** – Response accepted.

**II-B-10 Questionable Disbursements** - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

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

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

<u>Name, Title, and Business Connection</u>	<u>Transaction/Description</u>	<u>Amount</u>
Warren Woolums, Volunteer Fireman	Service Trucks	\$573
Ray Vitko, Jr. Volunteer Fireman, Owner, Vitko’s	Service Trucks	\$82

In accordance with Chapter 362.5(8) of the Code of Iowa, the above transactions with the Volunteer Fireman do not appear to represent conflicts of interest.

**II-E-10 Bond Coverage** - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations

**II-F-10 Council Minutes** - Transactions were found that we believe should have been approved in the Council minutes but were not. Several invoices and interfund transfers were not approved by the City Council.

A summary of all receipts was not consistently published in the newspaper. Total expenditures from each city fund and several claims were not published in the newspaper. Several City Council minutes were not published until several months after the City Council meetings. Chapter 372.13(6) of the Code of Iowa requires a summary of all receipts, total expenditures from each city fund, and all claims be published in the newspaper. In addition, this same Code Section requires that the City Council minutes and related information to be published within fifteen days of the City Council meeting.

The City Clerk did not consistently sign the official record of the City Council minutes as required by Chapter 380.7 of the Code of Iowa.

City of Albia

Schedule of Findings

Year ended June 30, 2010

The City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.

**Recommendation** - The City should implement procedures to ensure that all invoices and interfund transfers are approved by the City Council. The City should also implement procedures to ensure that total expenditures from each city fund, all invoices, a summary of all receipts, and all City Council minutes are included in the newspaper publication. In addition, the City should ensure that all this information is timely published in the newspaper as required by the Code of Iowa. Also, the City Clerk should sign the official record of the City Council minutes as required by the Code of Iowa. The individual salaries should also be published annually as required.

**Response** - We will implement these recommendations.

**Conclusion** - Response accepted.

- II-G-10 **Deposits and Investments** – The City's depository resolution does not include one depository used by the City. In addition, the depository resolution refers to an outdated Section of the Code of Iowa. Other than the above, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

**Recommendation** – The City implement procedures to ensure compliance with the Code of Iowa in relation to the City's depository resolution, which should include all depositories used by the City, and that the references used in the resolution refer to the current Sections of the Code of Iowa.

**Response** – The above issues were an oversight on our part. We will implement the above recommendation.

**Conclusion** – Response accepted.

- II-H-10 **Revenue Note** – The City has not complied with the fire department revenue note resolutions.

The City's cash balance in the fire department revenue note sinking account is \$0 as of June 30, 2010. The cash balance in the fire department revenue note sinking account should be \$12,766 as of June 30, 2010, according to the requirements as established by the U.S. Department of Agriculture. In addition, the actual cash balance in the Enterprise – Rural Fire Department Fund as of June 30, 2010 was \$7,792. As a result, it appears the City may not have the resources available in order to pay future debt payments.

**Recommendation** – The City implement procedures to ensure the fire department revenue note sinking account cash balance meets the requirements as established by the U.S. Department of Agriculture revenue note resolutions. In addition, the City should ensure it has the resources available to pay future debt payments.

**Response** – There was some confusion over the sinking fund; however, we will implement this recommendation in the future. In addition, we will borrow monies from other funds in order to pay future debt payments.

**Conclusion** – Response accepted.

City of Albia

Schedule of Findings

Year ended June 30, 2010

- II-I-10 Financial Condition – The balance in the Enterprise - Landfill Fund appears to be excessive. The Special Revenue – Road Use Tax Fund had a deficit balance at June 30, 2010 of \$1,172. The Special Revenue – Emergency Fund had a deficit balance at June 30, 2010 of \$4,493. The Capital Projects – Street Projects Fund had a deficit balance at June 30, 2010 of \$29,463.

Recommendation – Procedures should be implemented to reduce the fund with excessive balances, and increase the funds with deficit balances.

Response - We will continue to monitor the Enterprise - Landfill Fund and take action accordingly. The balance in the Special Revenue – Road Use Tax Fund will be positive once the state allocations are received in fiscal year 2011. The balance in the Special Revenue – Emergency Fund will be positive when property taxes are collected in fiscal year 2011. The balance in the Capital Projects – Street Projects Fund will be positive once the bond proceeds are received in fiscal year 2011.

Conclusion - Response accepted.

- II-J-10 Transfers – At June 30, 2010, \$6,527 was due from the Debt Service Fund to the Capital Projects – Street Projects Fund.

Recommendation – The City make the above transfer.

Response – We will implement this recommendation.

Conclusion – Response accepted.

- II-K-10 Compliance Issues – Some general obligation bond principal and interest payments were not paid from the Debt Service Fund, as required by Chapter 384.4 of the Code of Iowa. Adjustments were subsequently made so that all general obligation bond principal and interest payments were charged to the Debt Service Fund.

The City levies a tax to pay for liability insurance coverage. The proceeds of this tax is used to pay all the costs associated with liability insurance coverage. However, the costs incurred by the sewer and airport operations for liability insurance coverage should be charged to those funds instead of the tax levy for liability insurance coverage.

Personal use of a City vehicle is not consistently taxed to the employees as a taxable fringe benefit, as required by Internal Revenue Service guidelines.

Recommendation – The City should ensure that all general obligation bond principal and interest payments are paid from the Debt Service Fund. Also, costs incurred for liability insurance coverage for the sewer and airport operations should be charged to those funds. In addition, personal use of City owned vehicles should be treated as a taxable fringe benefit in accordance with Internal Revenue Service guidelines.

Response – We will implement these recommendations.

Conclusion – Response accepted.

City of Albia

Schedule of Findings

Year ended June 30, 2010

- II-L-10 Follow – Up Issues – Our review noted where individuals did not pay the City \$750 in rent for airplane hangers. Legal and publication costs incurred due to a Federal Aviation Administration grant project were not claimed as a reimbursable expense, even though these were allowable reimbursable costs that could have been charged to the grant. The City of Melrose has not paid its Library fee to the City for three fiscal years. It does not appear the City received all the money due to them in relation to the sales tax refund on the completed pool construction project, which could have amounted to several thousand dollars due to the City.

All of the above issues were identified in prior audits; however, it does not appear that the City has performed appropriate action to resolve these issues. In addition, it does not appear that the City has adequate follow-up procedures in place in order to resolve prior year audit findings and concerns.

Recommendation – The City implement procedures to ensure all monies due to them are received, including monies from the rental of airplane hangars, reimbursements from grants, Library fees due from the City of Melrose, and sales tax refunds due from the State of Iowa. In addition, the City should implement procedures to ensure all issues identified in prior audits are timely resolved.

Response – We will review this and take appropriate action. In some cases, we will attempt to collect all monies due to us. However, because the issues with the legal and publication cost reimbursements, and the sales tax refund on the pool project were not timely followed-up on, we believe it is too late to collect these monies at this time.

Conclusion – Response accepted.

- II-M-10 Construction Projects – No liquidated damages were assessed on the contractor of the Benton Avenue construction project as required by the contract. The contractor did not complete the project on time as required by the contract, as a result, the City had the option to assess liquidated damages.

Recommendation – The City review this, and implement procedures to ensure that liquidated damages are assessed in the future on construction projects, if appropriate.

Response – We will review this and address this issue on future construction projects. Due to the wet weather, we understand why the Benton Avenue construction project took longer than anticipated.

Conclusion – Response accepted.

- II-N-10 Code of Ordinances – The City has not adopted its Code of Ordinance supplement in over two years. Chapter 380.8 of the Code of Iowa requires the City, to adopt by resolution, the Code of Ordinance supplement on at least an annual basis.

Recommendation – To ensure compliance with the Code of Iowa, the City should implement procedures to ensure the Code of Ordinances supplement is adopted by resolution on at least an annual basis.

Response – Our prior City Attorney took care of this on his own. We realize that this is the City's responsibility to do this on an annual basis, and we will implement this recommendation.

Conclusion – Response accepted.

City of Albia

Schedule of Findings

Year ended June 30, 2010

- II-O-10 **Procedural Issues** – The City did not claim over \$1,000 in administrative cost reimbursement from the Federal Emergency Management Agency (FEMA), even though the City was eligible to receive this reimbursement.

An instance was noted where the City paid a claim based off a statement and not from an invoice. Department heads do not consistently approve, prior to Council approval, the invoices which relate to their department. Weight tickets which document tons of asphalt paid by the City were not consistently retained.

**Recommendation** – The City implement procedures to ensure administrative cost reimbursements are received on future projects paid for by FEMA. In addition, the City should implement procedures to ensure all claims are paid from invoices and not from a statement. Also, prior to Council approval, the department heads should approve all invoices which relate to their department, and weight tickets should be obtained and retained for all asphalt purchases.

**Response** – We will attempt to implement these recommendations.

**Conclusion** – Response accepted.

- II-P-10 **Payroll Issues** – A salary resolution which documents employee rates of pay was not completed for some employees. Form I9's and W4's could not be located for some employees. Payroll withholdings, such as union dues and health insurance withholdings, were not accurately computed in some cases. Some employees do not document the "time in" and "time out" on their timesheet, instead these employees only document the number of hours worked on their timesheet.

Time worked by employees on non-transportation related activities is sometimes charged as an expense to the Special Revenue - Road Use Tax Fund. The State of Iowa requires that all expenses charged to the Special Revenue - Road Use Tax Fund be related to transportation related activities.

**Recommendation** – The City implement procedures to ensure salary resolutions which documents rates of pay are completed for all employees. In addition, I9's and W4's should be obtained for all employees. Payroll withholdings should be properly computed, all employees should document "time in" and "time out" on their timesheets for all hours worked, and that time worked on non-transportation related activities be charged as an expense to a fund other than the Special Revenue - Road Use Tax Fund.

**Response** – We will attempt to implement these recommendations.

**Conclusion** – Response accepted.