CITY OF CLARION, IOWA

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

JUNE 30, 2010

- Prepared By -

Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616-2036
Phone (641)257-4222

CITY OF CLARION, IOWA

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CITY OF CLARION, IOWA

OFFICIALS

NAME	TITLE	TERM EXPIRES
	(Before January 2010)	
Mike Nail	Mayor	January 2010
Kirk Rier	Mayor Pro tem	January 2010
Darren Bierl	Council Member	January 2010
Francis Stumpf	Council Member	January 2010
Steve Evans	Council Member	January 2012
Lindsey German	Council Member	January 2012
Vicky Boyington	City Administrator/Clerk	January 2010
Duane Asbe	Treasurer	December 2009
Robert Brinton	Attorney	January 2010
	(After January 2010)	
Mike Nail	Mayor	January 2014
Kirk Rier	Mayor Pro tem	January 2014
Steve Evans	Council Member	January 2012
Lindsey German	Council Member	January 2012
Duane Asbe	Council Member	January 2014
Cory Abels	Council Member	January 2014
Vicky Boyington	City Administrator/Clerk	January 2011
Vicki Toomsen	Treasurer	Indefinite
Robert Brinton	Attorney	January 2011

Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616
E-mail: rlp@fiai.net

(641) 257-4222
or (641) 228-2812
Fax (641) 228-1513

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

I 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 Clarion, 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. These financial statements are the responsibility of the City of Clarion's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe my audit provides a reasonable basis for my 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 do not include the financial transactions of the Wright Medical Center, a component unit of the City of Clarion, pertaining to the Enterprise Funds, which should be included in order to conform with U.S. generally accepted accounting principles. The financial transactions that should have been recorded are on a different basis of accounting.

In my opinion, except for the effects on the financial statements due to the exclusion of the financial transactions of the Wright Medical Center from the reporting entity, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Clarion 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, I have also issued my report dated September 20, 2010 on my consideration of the City of Clarion's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 28 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clarion's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed qualified 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 my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

September 20, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Clarion 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. I 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 10%, or approximately $545,000 from fiscal year 2009 to fiscal year 2010. Capital grants, contributions and restricted interest and note proceeds increased approximately $365,000 and $170,000, respectively, while unrestricted interest on investments and other general receipts decreased approximately $31,000 and $136,000, respectively.

Disbursements of the City’s governmental activities increased 4.7%, or approximately $283,000, in fiscal year 2010 from fiscal year 2009. Public works, community and economic development and capital projects disbursements increased approximately $32,000, $150,000 and $285,000, respectively.

The City's total cash basis net assets decreased 24.4%, or approximately $478,000, from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities decreased approximately $403,000 and the assets of the business type activities decreased by approximately $75,000.

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 and 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 operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains several Enterprise Funds, including water, sewer and landfill accounts.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately $1,179,000 to approximately $776,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

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

	Year ended June 30, 2010	Year ended June 30, 2009
Receipts:		
Program receipts:		
Charges for service	$ 618	$ 590
Operating grants, contributions and restricted interest	307	294
Capital grants, contributions and restricted interest	534	169
General receipts:		
Property tax	1,553	1,416
Local option sales tax	224	225
Unrestricted interest on investments	20	51
Note proceeds, net	2,430	2,260
Other general receipts	303	439
Total receipts	$5,989	$5,444
Disbursements:		
Public safety	$ 886	$1,057
Public works	765	733
Health and social services	7	7
Culture and recreation	367	375
Community and economic development	261	111
General government	343	321
Debt service	2,105	2,132
Capital projects	1,581	1,296
Total disbursements	$6,315	$6,032
Change in cash basis net assets before transfers	$ (326)	$ (588)
Transfers, net	(77)	(5)
Change in cash basis net assets	$ (403)	$ (593)
Cash basis net assets beginning of year	1,179	1,772
Cash basis net assets end of year	$ 776	$1,179

The City's total receipts for governmental activities increased by 10.0%, or approximately $545,000. The total cost of all programs and services increased by approximately $283,000, or 4.7%. The increase in receipts was primarily the result of proceeds received from the issuance of notes and capital grants, contributions and restricted interest. The increase in disbursements was due primarily to several capital projects.

The cost of all governmental activities this year was approximately $6,315,000 compared to approximately $6,032,000 last year. However, as shown in the Statement of Activities and Net Assets on pages 10-13, the amount taxpayers ultimately financed for these activities was only $4,856,000 because some of the cost was paid by those directly benefited from the programs ($618,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest ($841,000).

Overall, the City's governmental activities receipts, including governmental aid and fees for service, increased in 2010 from approximately $5,444,000 to approximately $5,989,000. The City paid for the remaining "public benefit" portion of governmental activities with approximately $1,777,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and other general receipts.

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

	Year ended June 30, 2010	2009
Receipts:		
Program receipts:		
Charges for service:		
Water	$ 521	$ 498
Landfill	87	86
Other	282	286
Operating grants, contributions and restricted interest	-	5
General receipts:		
Note proceeds	50	-
Other general receipts	19	10
Total receipts	$ 959	$ 885
Disbursements:		
Water	$ 385	$ 323
Water debt service	96	141
Landfill	141	86
Other	489	320
Total disbursements	$1,111	$ 870
Change in cash basis net assets before transfers	$ (152)	$ 15
Transfers, net	77	5
Change in cash basis net assets	$ (75)	$ 20
Cash basis net assets beginning of year	780	760
Cash basis net assets end of year	$ 705	$ 780

Total business type activities receipts for the fiscal year were approximately $959,000 compared to approximately $885,000 last year. This increase was due primarily to note proceeds received during the year. The cash balance decreased by approximately $75,000 from the prior year. Total disbursements for the fiscal year increased by 27.7% to a total of approximately $1,111,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Clarion completed the year, its governmental funds reported a combined fund balance of $776,274, a decrease of more than $402,000 below last year's total of $1,179,201. 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 $42,195 from the prior year to $341,556. Both receipts and disbursements increased from the prior year.

The Special Revenue, Local Option Sales Tax Fund cash balance decreased by $68,730 to $123,464 during the fiscal year. This decrease was attributable to transferring out approximately $145,000.

The Special Revenue, Tax Increment Financing Fund cash balance was $156,641, a decrease of $113,459 from the previous year. The decrease was the result of a transfer out of $173,872 to pay for construction costs.

The Debt Service Fund cash balance decreased by $234,803 to $(285,066) during the fiscal year. This decrease is a result of paying off interim financing.

The Capital Projects, Community Center Fund cash balance remained unchanged at $159,388 at June 30, 2010, due to no activity during the year.

The Capital Projects, Library Building Project Fund cash balance was $(194,598), a decrease of $273,799 from the previous year. The decrease was a result of capital projects during the year.

The Capital Projects, Police/Ambulance Building Project Fund cash balance increased $146,961 to $146,961 at June 30, 2010. This increase is a result of note proceeds received in excess of construction costs to date.

The Capital Projects, Fire Station Project Fund cash balance was $294,700, an increase of $294,700 from the previous year. This increase is a result of note proceeds received in excess of construction costs to date.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Fund cash balance decreased by $6,944 to $356,954, due primarily to an operating transfer out to pay for debt payments during the year.

The Enterprise, Water Debt Service Fund cash balance was $150,030, a decrease of $5,641 from the previous year. This decrease was due to debt service payments in excess of funds transferred in.

The Enterprise, Water Bond Reserve Fund cash balance remained unchanged at $85,000 at June 30, 2010, due to no activity during the year.

The Enterprise, Landfill Fund cash balance decreased $8,775 to $78,584 due primarily to an increase in operating disbursements from the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The first amendment was approved on October 19, 2009 and resulted in an increase in operating disbursements primarily related to police/ambulance and airport capital projects. The second amendment was approved on May 17, 2010 to provide additional disbursements for airport construction projects, airport transit repair and insurance costs. The amendment also reflects financing for the Wright Medical Center.

The City exceeded the amounts budgeted in the debt service function for the year ended June 30, 2010.

DEBT ADMINISTRATION

At June 30, 2010, the City had approximately $5,703,000 in notes and other long-term debt outstanding, compared to approximately $5,188,000 last year, as shown below.

Outstanding Debt at Year-End
(Expressed in Thousands)

	June 30,	
	2010	2009
General obligation notes	$ 3,303	$ 2,523
Special assessment notes	75	130
Revenue notes	2,175	2,360
REDLA loan	150	175
Total	$ 5,703	$ 5,188

Debt increased as a result of issuing general obligation notes for the construction of the Police/Ambulance Building and the Fire Station.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of $3,527,982 is significantly below its constitutional debt limit of $5,778,867.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Clarion’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and fees charged for various City activities. One of those factors is the economy.

Clarion’s Chamber/Development Partnership for Growth organization and the City of Clarion continue as team players in providing economic development opportunities.

The Library is completed and was dedicated at a Masonic Cornerstone Laying Ceremony on November 10, 2009. The Library is being used for Library purposes as well as a place to hold many community events.

The Police/Ambulance Building is completed and was dedicated at a Masonic Cornerstone Laying Ceremony on August 14, 2010. The building is being used as the police and ambulance headquarters as well as holding many community activities. It was also used as the command center for the 2010 flood.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Vicky Boyington, City Clerk, 121 1st SW, Clarion, Iowa 50525.

CITY OF CLARION, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	$ 885,732	$ 361,084	$ -	$ -
Public works	765,537	99,006	278,627	353,735
Health and social services	7,350	-	-	-
Culture and recreation	366,925	71,571	28,047	180,645
Community and economic development	261,555	-	-	-
General government	342,671	41,857	-	-
Debt service	2,105,164	44,402	-	-
Capital projects	1,581,002	-	-	-
Total governmental activities	$6,315,936	$ 617,920	$ 306,674	$ 534,380
Business type activities:				
Water	$ 384,991	$ 520,913	$ -	$ -
Water debt service	141,358	-	-	-
Landfill	96,374	87,393	-	-
Other	488,438	281,532	-	-
Total business type activities	$1,111,161	$ 889,838	$ -	$ -
Total	$7,427,097	$1,507,758	$ 306,674	$ 534,380

(Continued)

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
$ (524,648)	$ -	$ (524,648)
(34,169)	-	(34,169)
(7,350)	-	(7,350)
(86,662)	-	(86,662)
(261,555)	-	(261,555)
(300,814)	-	(300,814)
(2,060,762)	-	(2,060,762)
(1,581,002)	-	(1,581,002)
$(4,856,962)	$ -	$(4,856,962)
$ -	$ 135,922	$ 135,922
-	(141,358)	(141,358)
-	(8,981)	(8,981)
-	(206,906)	(206,906)
$ -	$ (221,323)	$ (221,323)
$(4,856,962)	$ (221,323)	$(5,078,285)

CITY OF CLARION, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

General Receipts:
Property and other city tax levied for:
General purposes
Debt service
Tax increment financing
Local option sales tax
Unrestricted interest on investments
Note proceeds, net
Miscellaneous
Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:
Nonexpendable:
Cemetery perpetual care
Expendable:
Urban renewal purposes
Debt service
Other purposes
Unrestricted

Total cash basis net assets

See Notes to Financial Statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
$ 759,074	$ -	$ 759,074
251,584	-	251,584
542,614	-	542,614
223,491	-	223,491
20,331	-	20,331
2,430,333	50,000	2,480,333
303,302	19,162	322,464
(76,694)	76,694	-
$ 4,454,035	$ 145,856	$4,599,891
$ (402,927)	$ (75,467)	$ (478,394)
1,179,201	780,076	1,959,277
$ 776,274	**$ 704,609**	**$1,480,883**

$ 57,646	$ -	$ 57,646
156,641	-	156,641
-	150,030	150,030
515,075	-	515,075
46,912	554,579	601,491
$ 776,274	**$ 704,609**	**$1,480,883**

CITY OF CLARION, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

		Special Revenue		
	General	Local Option Sales Tax	Tax Increment Financing	Debt Service
RECEIPTS:				
Property tax	$ 498,864	$ -	$ -	$ 251,584
Tax increment financing	-	-	542,614	-
Other city tax	-	223,491	-	-
Licenses and permits	6,477	-	-	-
Use of money and property	55,586	-	-	-
Intergovernmental	379,687	-	-	-
Charges for service	530,686	-	-	-
Special assessments	-	-	-	44,402
Miscellaneous	63,888	-	16,246	-
Total receipts	$1,535,188	$ 223,491	$ 558,860	$ 295,986
DISBURSEMENTS:				
Operating:				
Public safety	$ 665,066	$ 14,163	$ -	$ -
Public works	391,412	34,727	-	-
Health and social services	-	-	-	-
Culture and recreation	286,804	-	-	-
Community and economic development	-	-	187,443	-
General government	231,466	98,308	-	-
Debt service	-	-	311,004	1,794,160
Capital projects	-	-	-	97,848
Total disbursements	$1,574,748	$ 147,198	$ 498,447	$ 1,892,008
Excess (deficiency) of receipts over (under) disbursements	$ (39,560)	$ 76,293	$ 60,413	$(1,596,022)
Other financing sources (uses):				
Note proceeds	$ -	$ -	$ -	$ 1,295,000
Note issue costs	-	-	-	(19,828)
Operating transfers in	81,755	-	-	86,047
Operating transfers out	-	(145,023)	(173,872)	-
Total other financing sources (uses)	$ 81,755	$ (145,023)	$ (173,872)	$ 1,361,219
Net change in cash balances	$ 42,195	$ (68,730)	$ (113,459)	$ (234,803)
Cash balances beginning of year	299,361	192,194	270,100	(50,263)
Cash balances end of year	**$ 341,556**	**$ 123,464**	**$ 156,641**	**$ (285,066)**
Cash Basis Fund Balances:				
Unreserved:				
General fund	$ 341,556	$ -	$ -	$ -
Special revenue funds	-	123,464	156,641	-
Debt service fund	-	-	-	(285,066)
Capital projects funds	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	**$ 341,556**	**$ 123,464**	**$ 156,641**	**$ (285,066)**

See Notes to Financial Statements.

Capital Projects					
Community Center	Library Building Project	Police/Ambulance Building Project	Fire Station Project	Nonmajor	Total
$ -	$ -	$ -	$ -	$ 260,210	$ 1,010,658
-	-	-	-	-	542,614
-	-	-	-	-	223,491
-	-	-	-	-	6,477
-	-	-	-	125	55,711
-	180,645	-	-	280,723	841,055
-	-	-	-	-	530,686
-	-	-	-	-	44,402
-	170,282	-	-	53,860	304,276
$ -	$ 350,927	$ -	$ -	$ 594,918	$ 3,559,370
$ -	$ -	$ -	$ -	$ 206,503	$ 885,732
-	-	-	-	339,398	765,537
-	-	-	-	7,350	7,350
-	-	-	-	80,121	366,925
-	-	-	-	74,112	261,555
-	-	-	-	12,897	342,671
-	-	-	-	-	2,105,164
-	649,726	742,915	2,966	87,547	1,581,002
$ -	$ 649,726	$ 742,915	$ 2,966	$ 807,928	$ 6,315,936
$ -	$ (298,799)	$ (742,915)	$ (2,966)	$ (213,010)	$(2,756,566)
$ -	$ -	$ 875,000	$ 301,000	$ -	$ 2,471,000
-	-	(14,679)	(6,160)	-	(40,667)
-	25,000	29,555	2,826	130,965	356,148
-	-	-	-	(113,947)	(432,842)
$ -	$ 25,000	$ 889,876	$ 297,666	$ 17,018	$ 2,353,639
$ -	$ (273,799)	$ 146,961	$ 294,700	$ (195,992)	$ (402,927)
159,388	79,201	-	-	229,220	1,179,201
$ 159,388	**$ (194,598)**	**$ 146,961**	**$ 294,700**	**$ 33,228**	**$ 776,274**
$ -	$ -	$ -	$ -	$ -	$ 341,556
-	-	-	-	63,009	343,114
-	-	-	-	-	(285,066)
159,388	(194,598)	146,961	294,700	(87,427)	319,024
-	-	-	-	57,646	57,646
$ 159,388	**$ (194,598)**	**$ 146,961**	**$ 294,700**	**$ 33,228**	**$ 776,274**

CITY OF CLARION, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise		
	Water	**Water Debt Service**	**Water Bond Reserve**
Operating receipts:			
Charges for service	$ 520,913	$ -	$ -
Miscellaneous	15,469	-	-
Total operating receipts	$ 536,382	$ -	$ -
Operating disbursements:			
Business type activities	384,991	-	-
Excess (deficiency) of operating receipts over (under) operating disbursements	$ 151,391	$ -	$ -
Non-operating disbursements:			
Debt service	$ -	$(141,358)	$ -
Capital projects	-	-	-
Net non-operating disbursements	$ -	$(141,358)	$ -
Excess (deficiency) of receipts over (under) disbursements	$ 151,391	$(141,358)	$ -
Other financing sources (uses):			
Note proceeds	$ -	$ -	$ -
Operating transfers in	-	135,717	-
Operating transfers out	(158,335)	-	-
Total other financing sources (uses)	$(158,335)	$ 135,717	$ -
Net change in cash balances	$ (6,944)	$ (5,641)	$ -
Cash balances beginning of year	363,898	155,671	85,000
Cash balances end of year	**$ 356,954**	**$ 150,030**	**$ 85,000**
Cash Basis Fund Balances:			
Reserved for debt service	$ -	$ 150,030	$ 85,000
Unreserved	356,954	-	-
Total cash basis fund balances	**$ 356,954**	**$ 150,030**	**$ 85,000**

See Notes to Financial Statements.

Landfill	Nonmajor	Total
$ 87,393	$ 281,532	$ 889,838
206	3,487	19,162
$ 87,599	$ 285,019	$ 909,000
96,374	353,515	834,880
$ (8,775)	$ (68,496)	$ 74,120
$ -	$ -	$ (141,358)
-	(134,923)	(134,923)
$ -	$ (134,923)	$ (276,281)
$ (8,775)	$ (203,419)	$ (202,161)
$ -	$ 50,000	$ 50,000
-	107,541	243,258
-	(8,229)	(166,564)
$ -	$ 149,312	$ 126,694
$ (8,775)	$ (54,107)	$ (75,467)
87,359	88,148	780,076
$ 78,584	**$ 34,041**	**$ 704,609**
$ -	$ -	$ 235,030
78,584	34,041	469,579
$ 78,584	**$ 34,041**	**$ 704,609**

(1) Summary of Significant Accounting Policies

The City of Clarion is a political subdivision of the State of Iowa located in Wright County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Clarion has included all funds, organizations, agencies, boards, commissions and authorities, except for the Wright Medical Center. 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 Clarion (the Primary government) and exclude all component units. The component unit discussed below is not included in the City's reporting entity. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from their administrative office.

Component Unit - The Wright Medical Center is not presented in these financial statements. It is legally separate from the City, but is financially accountable to the City. The Medical Center is governed by a five-member board appointed by the City Council and the Medical Center’s operating budget is subject to the approval of the City Council.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the Wright County Assessor’s Conference Board and the Mid-Iowa Development Association Council of Governments.

B. Basis of Presentation

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

(1) Summary of Significant Accounting Policies - continued

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

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

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

Unrestricted net assets consist of net assets 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 and proprietary funds are aggregated and reported as nonmajor governmental and 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 not paid from other funds.

Special Revenue:

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

The Tax Increment Financing Fund is used to account for urban renewal projects financed by tax increment financing.

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

(1) Summary of Significant Accounting Policies - continued

Capital Projects:

The Community Center Fund accounts for improvements.

The Library Building Project Fund is used to account for library construction.

The Police/Ambulance Building Project Fund accounts for construction.

The Fire Station Project Fund is used for construction.

The City reports the following major proprietary funds:

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

The Enterprise, Water Debt Service Fund is used to account for the payment of interest and principal on the City’s long-term debt.

The Enterprise, Water Bond Reserve Fund accounts for the reserve funds for future water system repairs and maintenance.

The Enterprise, Landfill Fund accounts for the operation and maintenance of the City's garbage system.

C. Measurement Focus and Basis of Accounting

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the debt service function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

(2) Cash and Pooled Investments - continued

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the City had the following investments:

	Carrying Amount	Fair Value
U.S. Savings Bond	$ 4,500	$ 4,500

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) Notes Payable

Annual debt service requirements to maturity for general obligations, revenue and special assessment notes are as follows:

Year Ending	General Obligation Notes		Revenue Notes		Special Assessment Notes		Other Loans	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 393,111	$123,744	$ 190,000	$ 98,125	$ 15,000	$ 3,405	$ 25,000	$ -
2012	429,871	113,251	200,000	89,401	15,000	2,775	25,000	-
2013	382,000	101,425	210,000	80,148	15,000	2,115	25,000	-
2014	403,000	89,940	215,000	70,391	15,000	1,433	25,000	-
2015	418,000	77,003	230,000	60,347	15,000	364	25,000	-
2016-2020	777,000	232,117	890,000	150,574	-	-	25,000	-
2021-2025	310,000	107,512	240,000	19,600	-	-	-	-
2026-2028	190,000	23,100	-	-	-	-	-	-
Total	$3,302,982	$868,092	$2,175,000	$568,586	$ 75,000	$ 10,092	$150,000	$ -

Year Ending	Total	
June 30,	Principal	Interest
2011	$ 623,111	$ 225,274
2012	669,871	205,427
2013	632,000	183,688
2014	658,000	161,764
2015	688,000	137,714
2016-2020	1,692,000	382,691
2021-2025	550,000	127,112
2026-2028	190,000	23,100
Total	$5,702,982	$1,446,770

The resolutions providing for the issuance of the general obligation notes include the following provisions:

(a) At the option of the City, notes due on the Capital Loan Note issue of December 15, 1992, are subject to redemption and prepayment in inverse numerical order beginning January 1, 1995, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.

(3) Notes Payable – continued

(b) At the option of the City, notes due on the Capital Loan Note issue of July 1, 2009, are subject to redemption and prepayment in inverse numerical order beginning June 1, 2018, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.

(c) At the option of the City, notes due on the Capital Loan Note issue of June 1, 2010, are subject to redemption and prepayment in any order of maturity beginning June 1, 2016, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.

(d) At the option of the City, notes due on the Capital Loan Note issue of May 1, 2001, are subject to redemption and prepayment in any order of maturity beginning June 1, 2009, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.

(e) At the option of the City, notes due on the Capital Loan Note issue of April 1, 2002, are subject to redemption and prepayment in any order of maturity beginning June 1, 2009, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.

(f) At the option of the City, notes due on Capital Loan Note issue of October 1, 2004, are subject to redemption and prepayment in any order of maturity beginning June 1, 2009, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.

(g) At the option of the City, notes due on the Capital Loan Note issue of August 28, 2008, are subject to redemption and prepayment in any order of maturity beginning June 1, 2014, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.

Urban Renewal Revenue Annual Appropriation Capital Loan Notes

The City issued $950,000 of urban renewal revenue annual appropriation capital loan notes in September 2005 for the purpose of defraying a portion of the costs of the aquatic center project within the urban renewal district. The notes are payable solely from the net revenues of urban renewal project credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City’s urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is $650,728, payable through June 2020. For the current year, principal and interest paid were $40,000 and $24,683, respectively.

(3) Notes Payable - continued

The City issued $950,000 of urban renewal revenue annual appropriation capital loan notes in August 2008 for the purpose of defraying a portion of the costs of the library project within the urban renewal district. The notes are payable solely from the net revenues of urban renewal project credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is $1,102,600, payable through June 2023. For the current year, principal and interest paid were $50,000 and $35,800, respectively.

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

(a) The notes will only be redeemed from the net revenues of the urban renewal projects.

(b) Sufficient monthly transfers shall be made to separate sinking accounts for the purpose of making the note principal and interest payments when due.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay $1,100,000 in water revenue notes issued in July 1976. Proceeds from the notes provided financing for the construction of water main improvement and extensions. The notes are payable solely from water customer net receipts and are payable through 2017. Annual principal and interest payments on the notes are expected to require less than 13 percent of net receipts. The total principal and interest remaining to be paid on the notes is $459,250. For the current year, principal and interest paid and total customer net receipts were $66,250 and $151,391, respectively.

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

a) The notes will only be redeemed from the future earnings of the enterprise activity and bond/note holders hold a lien on the future earnings of the funds.

b) Sufficient monthly transfers shall be made to separate water revenue note sinking accounts within the Enterprise funds for the purpose of making the bond and note principal and interest payments when due.

c) Additional monthly transfers shall be made to water revenue note reserve accounts until the required balances are accumulated. The water revenue bond reserve account is restricted for the purpose of paying for unusual or extraordinary maintenance, repairs, renewals and replacements to the system and when necessary for the purpose of making payments of principal and interest.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, 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 $76,602, $64,592 and $61,063, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 20 active members and 1 retired member 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 benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are $423 for single coverage and $1,299 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed $186,088 and plan members eligible for benefits contributed $26,276 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2010, primarily relating to the General Fund, is $91,669.

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

(7) Leases

The City has entered into a lease purchase agreement with the Wright Medical Foundation. The Foundation is an organization that is exempt from federal income tax as an organization described in Section 501 (c)(3) of the Internal Revenue Code, and is audited by other auditors.

(7) Leases - continued

The Foundation originally issued $3,050,000 in notes to contract the Meadows Facility which is a housing/hospital project. The notes do not constitute general obligations of the City or change the general credit or taxing powers of the City.

The City is leasing the facility from the Foundation. The City is not expecting to incur costs from this lease as the Foundation will remit funds to the City in amounts sufficient to cover the lease payments. However, during the year, the principal and interest payments of $146,275 and $93,477, respectively, were paid directly by the Foundation. The City's obligations under this lease purchase agreement are not general obligations of the City.

The future minimum lease payments under the capital lease are as follow:

Year Ending June 30,	Principal	Interest	Total
2011	$ 156,072	$ 83,680	$ 239,752
2012	166,524	73,228	239,752
2013	177,677	62,075	239,752
2014	189,576	50,176	239,752
2015	202,272	37,480	239,752
2016	215,819	23,933	239,752
2017	230,273	9,479	239,752
2018	19,871	108	19,979
Total	$1,358,084	$ 340,159	$1,698,243

(8) Deficit Balances

The Road Use Tax Fund had a deficit balance of $9,578 at June 30, 2010. The deficit balance was a result of transferring $20,000 to the Debt Service Fund. The deficit will be eliminated upon future receipts.

The Employee Benefit Fund had a deficit balance at June 30, 2010, of $2,359.

The Debt Service Fund had a deficit balance of $285,066 at June 30, 2010. The deficit balance was a result of early debt retirement. The deficit will be eliminated upon future receipts.

At June 30, 2010, the Library Building Project Fund had a deficit balance of $194,598.

The Airport Projects Fund had a deficit balance of $87,427 at June 30, 2010. This deficit will be eliminated upon future receipts.

(9) Wright County Landfill Authority

The City, in conjunction with twelve other municipalities, has created the Wright County Landfill Authority. The Authority was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. On dissolution of the corporation, the net assets of the Authority will be prorated among municipalities. The Authority is governed by a board composed of an elected representative of the governing body of each participating governmental jurisdiction.

(9) Wright County Landfill Authority - continued

The Authority is not accumulating sufficient financial resources and the participating governments are obligated for a proportionate share of the debt, therefore, the City of Clarion has an ongoing financial responsibility. The City is also obligated to remit a share of the operating and administration costs. During the year ended June 30, 2010, the City of Clarion paid the Authority $74,200 for its share of the costs. Completed financial statements for the Authority can be obtained from the Wright County Landfill.

(10) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	$ 27,855
	Capital Projects:	
	Swimming Pool Project	53,900
		$ 81,755
Special Revenue:		
Employee Benefits	Special Revenue:	
	Local Option Sales Tax	$ 40,000
Tax Increment Financing Debt	Tax Increment Financing	90,845
		$ 130,845
Debt Service	Special Revenue:	
	Road Use Tax	$ 20,000
	Emergency Levy	15,047
	Local Option Sales Tax	51,000
		$ 86,047
Capital Projects:		
CDBG	Special Revenue:	
	Local Option Sales Tax	$ 120
Library Building Project	Library Improvement	25,000
Police/Ambulance Building Project	Tax Increment Financing	29,555
Fire Station Project	Local Option Sales Tax	2,826
		$ 57,501
Enterprise:		
Storm Sewer Permits	Special Revenue:	
	Local Option Sales Tax	$ 23,223
	Tax Increment Financing	53,471
	Enterprise:	
	Sewer Rental	8,229
		$ 84,923
Water Debt Service	Enterprise:	
	Water	$ 135,717
Sewer Rental	Enterprise:	
	Water	$ 22,618
Total		$ 599,406

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

(11) Risk Management

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

(12) Commitment

At June 30, 2010, the following construction commitment had been made:

Project	Total Contract	Costs Incurred to Date
Police/Ambulance Building	$ 740,692	$ 703,655

(13) Industrial Development Revenue Bonds

The City has issued a total of $4,307,008 of industrial revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which $4,175,149 is outstanding at June 30, 2010. The bonds and related interest are payable solely from the revenues generated by the manufacturing company, and the bond principal and interest do not constitute liabilities of the City.

(14) Subsequent Events

On July 6, 2010 the City awarded the contract to Godbersen-Smith Construction Company in the amount of $338,152 for the construction of the Rehabilitate Taxi Lanes AIP Grant Project at the Clarion Municipal Airport.

On July 19, 2010 the City approved the purchase of a Dri-Prime Pump in the amount of $29,165.

Required Supplementary Information

CITY OF CLARION, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required To Be Budgeted
RECEIPTS:			
Property tax	$ 1,010,658	$ -	$ -
Tax increment financing	542,614	-	-
Other city tax	223,491	-	-
Licenses and permits	6,477	-	-
Use of money and property	55,711	-	-
Intergovernmental	841,055	-	-
Charges for service	530,686	889,838	-
Special assessments	44,402	-	-
Miscellaneous	304,276	19,162	-
Total receipts	$ 3,559,370	$ 909,000	$ -
DISBURSEMENTS:			
Public safety	$ 885,732	$ -	$ -
Public works	765,537	-	-
Health and social services	7,350	-	-
Culture and recreation	366,925	-	-
Community and economic development	261,555	-	-
General government	342,671	-	-
Debt service	2,105,164	141,358	-
Capital projects	1,581,002	134,923	-
Business type activities	-	834,880	-
Total disbursements	$ 6,315,936	$1,111,161	$ -
Excess (deficiency) of receipts over (under) disbursements	$(2,756,566)	$ (202,161)	$ -
Other financing sources, net	2,353,639	126,694	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	$ (402,927)	$ (75,467)	$ -
Balances beginning of year	1,179,201	780,076	-
Balances end of year	**$ 776,274**	**$ 704,609**	**$ -**

See Accompanying Independent Auditor's Report.

Total	Budgeted Amounts Original	Budgeted Amounts Final	Final to Total Variance
$ 1,010,658	$ 979,983	$ 979,983	$ 30,675
542,614	550,821	550,821	(8,207)
223,491	280,909	280,909	(57,418)
6,477	21,200	21,200	(14,723)
55,711	89,380	89,380	(33,669)
841,055	277,600	277,600	563,455
1,420,524	66,466,192	66,466,192	(65,045,668)
44,402	48,132	48,132	(3,730)
323,438	271,331	271,331	52,107
$ 4,468,370	$68,985,548	$ 68,985,548	$(64,517,178)
$ 885,732	$ 954,541	$ 1,337,041	$ 451,309
765,537	511,165	956,165	190,628
7,350	7,500	7,500	150
366,925	367,649	367,649	724
261,555	451,405	471,405	209,850
342,671	270,261	342,761	90
2,246,522	299,400	319,400	(1,927,122)
1,715,925	36,000	1,881,000	165,075
834,880	65,979,505	87,029,505	86,194,625
$ 7,427,097	$68,877,426	$ 92,712,426	$ 85,285,329
$(2,958,727)	$ 108,122	$(23,726,878)	$ 20,768,151
2,480,333	-	23,835,000	(21,354,667)
$ (478,394)	$ 108,122	$ 108,122	$ (586,516)
1,959,277	2,179,351	2,179,351	(220,074)
$ 1,480,883	**$ 2,287,473**	**$ 2,287,473**	**$ (806,590)**

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 Governmental Fund.

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by $23,835,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the debt service function.

Other Supplementary Information

CITY OF CLARION, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue				
	Road Use Tax	I-Jobs	Employee Benefit	Emergency Levy	Tax Increment Financing Debt
RECEIPTS:					
Property tax	$ -	$ -	$ 245,170	$ 15,040	$ -
Use of money and property	-	-	-	-	-
Intergovernmental	262,354	12,963	-	-	-
Miscellaneous	675	-	15,906	-	-
Total receipts	$263,029	$ 12,963	$ 261,076	$ 15,040	$ -
DISBURSEMENTS:					
Operating:					
Public safety	$ -	$ -	$ 206,503	$ -	$ -
Public works	292,431	-	46,967	-	-
Health and social services	7,350	-	-	-	-
Culture and recreation	-	-	61,216	-	-
Community and economic development	-	-	-	-	74,112
General government	-	-	12,897	-	-
Capital projects	-	-	-	-	-
Total disbursements	$299,781	$ -	$ 327,583	$ -	$ 74,112
Excess (deficiency) of receipts over (under) disbursements	$(36,752)	$ 12,963	$ (66,507)	$ 15,040	$ (74,112)
Other financing sources (uses):					
Operating transfers in	$ -	$ -	$ 40,000	$ -	$ 90,845
Operating transfers out	(20,000)	-	-	(15,047)	-
Total other financing sources (uses)	$(20,000)	$ -	$ 40,000	$(15,047)	$ 90,845
Net change in cash balances	$(56,752)	$ 12,963	$ (26,507)	$ (7)	$ 16,733
Cash balances beginning of year	47,174	-	24,148	6,400	-
Cash balances end of year	**$ (9,578)**	**$ 12,963**	**$ (2,359)**	**$ 6,393**	**$ 16,733**
Cash Basis Fund Balances:					
Unreserved:					
Special revenue funds	$ (9,578)	$ 12,963	$ (2,359)	$ 6,393	$ 16,733
Capital projects funds	-	-	-	-	-
Permanent fund	-	-	-	-	-
Total cash basis fund balances	**$ (9,578)**	**$ 12,963**	**$ (2,359)**	**$ 6,393**	**$ 16,733**

See Accompanying Independent Auditor's Report.

	Capital Projects			Permanent	
Library Improvement	CDBG	Swimming Pool Project	Airport Projects	Cemetery Perpetual Care	Total
$ -	$ -	$ -	$ -	$ -	$ 260,210
125	-	-	-	-	125
5,406	-	-	-	-	280,723
18,404	-	17,900	-	975	53,860
$ 23,935	$ -	$ 17,900	$ -	$ 975	$ 594,918
$ -	$ -	$ -	$ -	$ -	$ 206,503
-	-	-	-	-	339,398
-	-	-	-	-	7,350
18,905	-	-	-	-	80,121
-	-	-	-	-	74,112
-	-	-	-	-	12,897
-	120	-	87,427	-	87,547
$ 18,905	$ 120	$ -	$ 87,427	$ -	$ 807,928
$ 5,030	$ (120)	$ 17,900	$(87,427)	$ 975	$(213,010)
$ -	$ 120	$ -	$ -	$ -	$ 130,965
(25,000)	-	(53,900)	-	-	(113,947)
$ (25,000)	$ 120	$ (53,900)	$ -	$ -	$ 17,018
$ (19,970)	$ -	$ (36,000)	$(87,427)	$ 975	$(195,992)
58,827	-	36,000	-	56,671	229,220
$ 38,857	**$ -**	**$ -**	**$(87,427)**	**$ 57,646**	**$ 33,228**
$ 38,857	$ -	$ -	$ -	$ -	$ 63,009
-	-	-	(87,427)	-	(87,427)
-	-	-	-	57,646	57,646
$ 38,857	**$ -**	**$ -**	**$(87,427)**	**$ 57,646**	**$ 33,228**

CITY OF CLARION, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
NONMAJOR PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise		
	Sewer Rental	Storm Sewer Permits	Total
Operating receipts:			
Charges for service	$ 281,532	$ -	$ 281,532
Miscellaneous	3,487	-	3,487
Total operating receipts	$ 285,019	$ -	$ 285,019
Operating disbursements:			
Business type activities	353,515	-	353,515
Deficiency of operating receipts under operating disbursements	$ (68,496)	$ -	$ (68,496)
Non-operating disbursements:			
Capital projects	-	(134,923)	(134,923)
Deficiency of receipts under disbursements	$ (68,496)	$ (134,923)	$ (203,419)
Other financing sources (uses):			
Note proceeds	$ -	$ 50,000	$ 50,000
Operating transfers in	22,618	84,923	107,541
Operating transfers out	(8,229)	-	(8,229)
Total other financing sources (uses)	$ 14,389	$ 134,923	$ 149,312
Net change in cash balances	$ (54,107)	$ -	$ (54,107)
Cash balances beginning of year	88,148	-	88,148
Cash balances end of year	**$ 34,041**	**$ -**	**$ 34,041**
Cash Basis Fund Balances:			
Unreserved	**$ 34,041**	**$ -**	**$ 34,041**

See Accompanying Independent Auditor's Report.

CITY OF CLARION, IOWA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Notes:			
Capital Loan Notes	12-15-92	5.90%	$ 295,000
Capital Loan Notes	08-01-09	1.30 – 3.00	1,295,000
Capital Loan Notes	07-01-09	3.00 – 6.00	925,000
Capital Loan Notes	06-01-10	2.90 – 4.00	301,000
Capital Loan Notes	05-01-01	4.10 – 5.00	540,000
Capital Loan Notes	04-01-02	3.00 – 5.00	470,000
Capital Loan Notes	10-01-04	2.50 - 4.20	990,000
Capital Loan Notes	08-28-08	2.85 – 4.30	1,335,000
Special Assessment Notes:			
Street Improvement	02-01-00	5.10 – 6.00%	$ 71,000
Street Improvement	05-01-00	5.10 – 6.00	285,000
Street Improvement	10-01-04	2.80 – 4.85	130,000
Urban Renewal Revenue Annual Appropriation Capital Loan Notes:			
Aquatic Center	09-01-05	4.45%	$ 950,000
Library	08-25-08	4.00	950,000
Revenue Notes:			
Water	07-01-76	5.00%	$1,100,000
Water Capital Loan Notes	04-01-99	4.15 – 5.35	850,000
Rural Economic Development Loan Agreement	11-21-05	0.00%	$ 250,000
Subtotal - City’s share			
Capital Lease:			
Meadows Facility	12-01-92	5.50 – 8.00%	$3,050,000
Total indebtedness			

See Accompanying Independent Auditor's Report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
$ 77,927	$ -	$ 30,945	$ 46,982	$ 3,687	$ -
-	1,295,000	165,000	1,130,000	24,317	-
-	925,000	35,000	890,000	43,484	-
-	301,000	-	301,000	-	-
190,000	-	190,000	-	1,837	-
165,000	-	165,000	-	1,596	-
900,000	-	900,000	-	7,118	-
1,190,000	-	255,000	935,000	44,415	-
$2,522,927	$2,521,000	$1,740,945	$3,302,982	$ 126,454	$ -
$ 10,000	$ -	$ 10,000	$ -	$ 600	$ -
30,000	-	30,000	-	900	-
90,000	-	15,000	75,000	4,005	-
$ 130,000	$ -	$ 55,000	$ 75,000	$ 5,505	$ -
$ 555,000	$ -	$ 40,000	$ 515,000	$ 24,683	$ -
895,000	-	50,000	845,000	35,800	-
$1,450,000	$ -	$ 90,000	$1,360,000	$ 60,483	$ -
$ 425,000	$ -	$ 45,000	$ 380,000	$ 21,250	$ -
485,000	-	50,000	435,000	24,808	-
$ 910,000	$ -	$ 95,000	$ 815,000	$ 46,058	$ -
$ 175,000	$ -	$ 25,000	$ 150,000	$ -	$ -
$5,187,927	$2,521,000	$2,005,945	$5,702,982	$ 238,500	$ -
$1,504,359	$ -	$ 146,275	$1,358,084	$ 93,477	$ -
$6,692,286	**$2,521,000**	**$2,152,220**	**$7,061,066**	**$ 331,977**	**$ -**

CITY OF CLARION, IOWA
NOTE MATURITIES
JUNE 30, 2010

	GENERAL OBLIGATION					
	Capital Loan Notes					
Year	Issued December 15, 1992		Issued August 28, 2008		Issued July 1, 2009	
Ending	Interest		Interest		Interest	
June 30,	Rates	Amount	Rates	Amount	Rates	Amount
2011	5.90%	$ 33,111	3.30%	$ 100,000		$ -
2012	5.90	13,871	3.50	105,000	2.90%	26,000
2013		-	3.70	110,000	2.90	27,000
2014		-	3.90	115,000	2.90	28,000
2015		-	4.00	120,000	2.90	28,000
2016		-	4.10	125,000	2.90	29,000
2017		-	4.20	125,000	4.00	30,000
2018		-	4.30	135,000	4.00	31,000
2019		-		-	4.00	33,000
2020		-		-	4.00	34,000
2021		-		-	4.00	35,000
2022		-		-		-
2023		-		-		-
2024		-		-		-
2025		-		-		-
2026		-		-		-
2027		-		-		-
2028		-		-		-
Total		**$ 46,982**		**$ 935,000**		**$ 301,000**

	REVENUE NOTES				
	Water		Water Capital Loan Note		
Year	Issued July 1, 1976		Issued April 1, 1999		
Ending	Interest		Interest		
June 30	Rates	Amount	Rates	Amount	Total
2011	5.00%	$ 45,000	4.90%	$ 55,000	$ 100,000
2012	5.00	50,000	5.00	55,000	105,000
2013	5.00	55,000	5.10	55,000	110,000
2014	5.00	55,000	5.15	60,000	115,000
2015	5.00	55,000	5.20	65,000	120,000
2016	5.00	60,000	5.25	70,000	130,000
2017	5.00	60,000	5.35	75,000	135,000
Total		**$380,000**		**$435,000**	**$ 815,000**

(continued)

N O T E S

Issued August 1, 2009		Issued June 1, 2010		
Interest Rates	Amount	Interest Rates	Amount	Total
1.70%	$ 225,000	3.00%	$ 35,000	$ 393,111
2.15	250,000	3.00	35,000	429,871
2.45	210,000	4.25	35,000	382,000
2.70	220,000	4.25	40,000	403,000
3.00	225,000	4.25	45,000	418,000
	-	5.00	45,000	199,000
	-	5.00	45,000	200,000
	-	5.00	45,000	211,000
	-	5.30	50,000	83,000
	-	5.30	50,000	84,000
	-	5.30	50,000	85,000
	-	5.75	55,000	55,000
	-	5.75	55,000	55,000
	-	5.75	55,000	55,000
	-	6.00	60,000	60,000
	-	6.00	60,000	60,000
	-	6.00	65,000	65,000
	-	6.00	65,000	65,000
	$1,130,000		$890,000	$3,302,982

SPECIAL ASSESSMENT NOTES

Street Improvements	
Issued October 1, 2004	
Interest Rates	Amount
4.20%	$ 15,000
4.40	15,000
4.55	15,000
4.70	15,000
4.85	15,000
	-
	-
	$ 75,000

CITY OF CLARION, IOWA
NOTE MATURITIES
JUNE 30, 2010

	Urban Renewal Revenue Annual Appropriation Capital Loan Notes				
	Issued September 1, 2005		Issued August 25, 2008		
Year Ending June 30	Interest Rates	Amount	Interest Rates	Amount	Total
2011	4.45%	$ 40,000	4.00%	$ 50,000	$ 90,000
2012	4.45	45,000	4.00	50,000	95,000
2013	4.45	45,000	4.00	55,000	100,000
2014	4.45	45,000	4.00	55,000	100,000
2015	4.45	50,000	4.00	60,000	110,000
2016	4.45	50,000	4.00	60,000	110,000
2017	4.45	55,000	4.00	65,000	120,000
2018	4.45	60,000	4.00	65,000	125,000
2019	4.45	60,000	4.00	70,000	130,000
2020	4.45	65,000	4.00	75,000	140,000
2021		-	4.00	75,000	75,000
2022		-	4.00	80,000	80,000
2023		-	4.00	85,000	85,000
Total		$515,000		$845,000	$1,360,000

	Rural Economic Development Loan Agreement Issued November 21, 2005	
Year Ending June 30	Interest Rates	Amount
2011	- %	$ 25,000
2012	-	25,000
2013	-	25,000
2014	-	25,000
2015	-	25,000
2016		25,000
2017		-
2018		-
2019		-
2020		-
Total		$150,000

See Accompanying Independent Auditor's Report.

CITY OF CLARION, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST SEVEN YEARS

	2010	2009	2008
Receipts:			
Property tax	$1,010,658	$ 959,947	$ 910,621
Tax increment financing	542,614	456,344	388,179
Other city tax	223,491	224,715	255,882
Licenses and permits	6,477	5,955	7,263
Use of money and property	55,711	87,005	89,445
Intergovernmental	841,055	462,746	311,185
Charges for service	530,686	488,657	488,216
Special assessments	44,402	85,978	182,667
Miscellaneous	290,394	413,236	236,944
Total	$3,545,488	$3,184,583	$2,870,402
Disbursements:			
Operating:			
Public safety	$ 885,732	$1,056,896	$ 732,866
Public works	765,537	733,152	531,856
Health and social services	7,350	7,022	6,750
Culture and recreation	366,925	375,492	336,437
Community and economic development	261,555	110,772	112,474
General government	342,671	321,126	285,943
Debt Service	2,105,164	2,131,873	651,190
Capital projects	1,581,002	1,295,715	748,517
Total	$6,315,936	$6,032,048	$3,406,033

See Accompanying Independent Auditor's Report.

2007	2006	2005	2004
$ 899,589	$ 922,979	$ 906,335	$ 803,611
362,842	371,856	376,982	312,304
273,021	191,882	265,184	192,088
3,618	6,285	4,617	5,507
79,990	76,866	66,533	56,817
539,300	525,710	479,669	288,939
357,334	530,990	382,081	198,059
113,334	142,873	257,755	250,396
285,292	353,879	177,494	209,806
$2,914,320	$3,123,320	$2,916,650	$2,317,527
$ 678,174	$ 671,442	$ 567,306	$ 536,686
418,022	686,333	610,639	1,259,778
5,600	5,600	-	-
330,504	301,154	299,356	303,255
523,301	185,926	70,848	172,148
203,553	159,698	195,578	197,765
613,441	944,070	597,032	581,359
365,493	1,662,436	538,813	-
$3,138,088	$4,616,659	$2,879,572	$3,050,991

Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616
E-mail: rlp@fiai.net

(641) 257-4222
or (641) 228-2812
Fax (641) 228-1513

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:

I 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 Clarion, 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 my report thereon dated September 20, 2010. My report expressed qualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting because the financial statements did not include the financial transactions of the Wright Medical Center. I conducted my 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 my audit, I considered the City of Clarion's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Clarion's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Clarion's internal control over financial reporting.

My 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, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies I 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 combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Clarion's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying Schedule of Findings as items A, B, C and D 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. There are no deficiencies described in the accompanying Schedule of Findings that I consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Clarion's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations or contracts, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in 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 my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Clarion's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the City's responses, I did not audit the City of Clarion's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Clarion and other parties to whom the City of Clarion may report, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Clarion during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

September 20, 2010

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) 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. I noted that certain accounting functions are not properly segregated.

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

Response - We will review procedures and make changes to improve internal control where possible.

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.

(B) Posting of Financial Transactions – Receipts and disbursements were not always posted to the correct accounts.

Recommendation – More care should be exercised when posting transactions to reduce the incidence of mispostings.

Response – In the future, more care will be exercised when posting transactions.

Conclusion – Response accepted.

(C) Countersignature of Checks – The City requires checks to be signed by two authorized individuals. I noted several checks with only one authorized signature.

Recommendation – Checks should be prepared and signed by one individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature.

Response – We will follow procedures for two signatures on all checks.

Conclusion – Response accepted.

(D) Preparation of Financial Statements – The City does not have an internal control system designed to provide for the preparation of the financial statements in accordance with an other comprehensive basis of accounting, nor has management identified risks related to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements. Therefore, as an auditor, I was requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for a governmental entity similar in population to the City. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Findings Related to the Financial Statements: - continued

Recommendation – I recognize that with a limited number of office employees, preparation of the financial statements is difficult. However, I recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances.

Response – The City will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in preparation of the financial statements.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

(1) Certified Budget - Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

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

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

Conclusion - Response accepted.

(2) Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

(3) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

(4) Business Transactions – No business transactions between the City and City officials or employees were noted.

(5) 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.

(6) Council Minutes – Although minutes of Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Also, on July 6, 2009, the Council approved the contractor for the Police/Ambulance Building, however, the amount was omitted from the minutes.

Other Findings Related to Required Statutory Reporting:- continued

Recommendation – The City should publish minutes as required, including all necessary information regarding the motions made.

Response – We will publish minutes as required.

Conclusion – Response accepted.

(7) Deposits and Investments - 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.

(8) Other Information Required by Bond and Note Resolutions - The following insurance policies were in force at June 30, 2010:

Insurer	Description	Amount	Expiration Date
Employers Mutual Casualty	Commercial property	$6,582,594	April 1, 2011
Employers Mutual Casualty	General liability:		
	General aggregate limit	$2,000,000	April 1, 2011
	Products/complete operation	2,000,000	April 1, 2011
	Personal and/or advertising Injury limit	1,000,000	April 1, 2011
	Each occurrence limit	1,000,000	April 1, 2011
	Fire damage limit	100,000	April 1, 2011
	Medical expense limit	5,000	April 1, 2011
Employers Mutual Casualty	Inland marine:		
	Contractor's equipment	$ 526,800	April 1, 2011
	Valuable papers and records	Various	April 1, 2011
Employers Mutual Casualty	Commercial Automobile:		
	Liability	$1,000,000	April 1, 2011
	Auto medical payments	5,000	April 1, 2011
	Uninsured motorists	50,000	April 1, 2011
	Underinsured motorists	50,000	April 1, 2011
	Comprehensive	Actual cash value or cost of repairs whichever is less minus deductible as shown on schedule for each covered auto	April 1, 2011
	Collision	Actual cash value or cost of repairs whichever is less minus deductible as shown on schedule for each covered auto	April 1, 2011

Other Findings Related to Required Statutory Reporting: - continued

Insurer	Description	Amount	Expiration Date
Employers Mutual Casualty	Commercial Crime – Inside premises	$ 25,000	April 1, 2011
	Commercial Crime – Outside premises	25,000	April 1, 2011
	Public Employee Dishonesty	175,000	April 1, 2011
	Forgery/Alteration	10,000	April 1, 2011
Employers Mutual Casualty	Commercial Umbrella:		
	Occurrence limit	$5,000,000	April 1, 2011
	Aggregate limit	5,000,000	April 1, 2011
Employers Mutual Casualty	Linebacker:		
	Occurrence limit	$1,000,000	April 1, 2011
	Aggregate limit	1,000,000	April 1, 2011
US Specialty Insurance Co.	General Liability: Airport		
	Occurrence limit	$1,000,000	May 8, 2011
	Aggregate limit	2,000,000	
Iowa Municipalities Workers' Compensation Association	Workers' Compensation Self Insurance Retention: Each occurrence	$1,000,000	July 1, 2011

(9) Financial Condition – At June 30, 2010, the Special Revenue, Road Use Tax and Employee Benefit Funds had deficit balances of $9,578 and $2,359, respectively. The Debt Service Fund had a deficit balance of $285,066, while the Capital Projects, Library Building Project and Airport Projects Funds had deficit balances of $194,598 and $87,427, respectively, at June 30, 2010.

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

Response – The deficits will be eliminated.

Conclusion – Response accepted.

(10) Urban Renewal Revenue Notes – The City has not established the Aquatic or Library Urban Renewal Bond Sinking Accounts as required by the bond resolutions.

Recommendation – The City should establish these accounts and make the necessary transfers as required by the resolutions.

Response – We will establish these accounts and make the appropriate transfers.

Conclusion – Response accepted.

Other Findings Related to Required Statutory Reporting: - continued

(11) Debt Service Payments – The City made payments from the Debt Service Fund for expenditures other than interest and principal payments. Chapter 384.4 of the Code of Iowa establishes allowable expenditures from the Debt Service Fund.

Recommendation – The City should only make interest and principal payments from the Debt Service Fund as required by the Code of Iowa.

Response – We will do this.

Conclusion – Response accepted

(12) Health Insurance Plan – The City has a health insurance plan that is partially self-funded. Chapter 509A.15 of the Code of Iowa requires that for this type of plan the City must file a Certificate of Compliance with the Insurance Commissioner of Iowa. I noted that this was not filed.

Recommendation – The Certificate of Compliance should be filed as required by the Code.

Response – We will investigate this.

Conclusion – Response accepted.