

CITY OF RAYMOND, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
& SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS

June 30, 2010

TABLE OF CONTENTS

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-9
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Activities and Net Assets – Cash Basis	A	10
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	11
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	12
Notes to Financial Statements		13-18
Required Supplementary Information:		
Budgetary Comparison of Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		19
Notes to Required Supplementary Information – Budgetary Reporting		20
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Non-major Governmental Funds	1	21
Schedule of Indebtedness	2	22
Bond and Note Maturities	3	23
Schedule of Receipts by Sources and Disbursements by Function-All Governmental Funds	4	24
Schedule of Expenditures of Federal Awards	5	25
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 <u>Government Auditing Standards</u>		26-27
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		28-29
Schedule of Findings		30-40

City of Raymond, Iowa

Officials

<u>Name</u>	<u>Title</u> (Before January 2010)	<u>Term Expires</u>
Karen Paulsen	Mayor	Jan 2010
Monte Johnson	Mayor Pro tem	Jan 2010
Tim McGowan	Council Member	Jan 2012
Eric Morgan	Council Member	Jan 2013
Lori Seals *	Council Member	Jan 2011
Rick Bishop	Council Member	Jan 2011
Duane Briggeman	Council Member	Jan 2011
Nancy Miebach	City Clerk	Indefinite
Janan Weber	Treasurer	Indefinite
Carter Stevens	Attorney	Indefinite
(After January 2010)		
Monte Johnson	Mayor	Jan 2013
Duane Briggeman	Mayor Pro tem	Jan 2011
Martin Winters	Council Member	Jan 2013
Tim McGowan	Council Member	Jan 2012
Eric Morgan	Council Member	Jan 2013
Rick Bishop	Council Member	Jan 2011
Nancy Miebach	City Clerk	Indefinite
Janan Weber	Treasurer	Indefinite
Carter Stevens	Attorney	Indefinite

*Resigned

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 Raymond, 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 Raymond'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 and provisions 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.

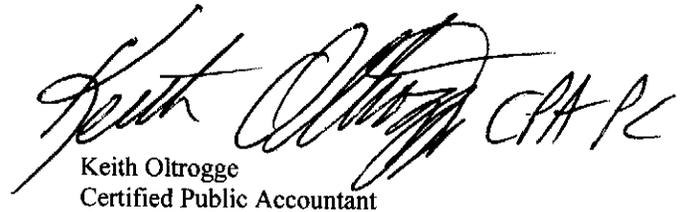
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2009.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to verify the distribution by fund of the total fund balance at July 1, 2009, as discussed in the preceding paragraph, 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 Raymond 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 June 20, 2012 on my consideration of the City of Raymond'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 the 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 19 through 20 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I applied 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 Raymond's basic financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, 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, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to verify the distribution by fund of the total fund balance at July 1, 2009, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge
Certified Public Accountant

June 20, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Raymond 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 38.6% or approximately \$450,000 from fiscal 2009 to fiscal 2010. Property tax increased approximately \$10,000 and federal grants increased approximately \$500,000.
- Disbursements of the City's governmental activities increased 46%, or approximately \$1,200,000, in fiscal 2010 from fiscal 2009. Debt service, capital projects and general government disbursements increased approximately \$1,130,000, \$303,000 and \$22,000 respectively.
- The City's total cash basis net assets decreased 31%, or approximately \$216,000 from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities decreased approximately \$233,000 and the assets of the business type activities increased by approximately \$16,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

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, 3) the Debt Service Fund, and 4) the Capital Projects 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 two Enterprise Funds to provide separate information for the Water and Sewer Funds considered to be major funds of the City.

The required financial statements for proprietary funds include 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 sharply from a year ago, decreasing from approximately \$540,000 to approximately \$307,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	Year Ended June 30,	
	2010	2009
	(unaudited)	
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 52,210	\$ 45,704
Operating grants, contributions and restricted interest	-	-
Capital grants, contributions and restricted interest	636,420	152,206
General receipts:		
Property tax	126,704	117,095
Local option sales tax	63,187	62,198
Tax increment financing	91,803	65,461
Unrestricted investment earnings	3,555	5,602
Bond proceeds	830,000	-
Other general receipts	766,184	1,347,166
Total receipts	<u>\$ 2,570,063</u>	<u>\$ 1,795,432</u>
Disbursements:		
Public safety	\$ 63,633	\$ 216,145
Public works	94,667	110,331
Health and social services	-	-
Culture and recreation	39,802	18,793
Community and economic development	7,217	38,411
General government	82,508	60,573
Debt service	1,137,635	-
Capital projects	1,377,380	1,074,170
Total disbursements	<u>\$ 2,802,842</u>	<u>\$ 1,518,423</u>
Change in cash basis net assets before transfers	-232,779	277,009
Transfers, net	\$ -	\$ -
Change in cash basis net assets	\$ -232,779	\$ 277,009
Cash basis net assets beginning of year	<u>540,556</u>	<u>263,547</u>
Cash basis net assets end of year	<u>\$ 307,777</u>	<u>\$ 540,556</u>

The City's total receipts for governmental activities increased 30%, or approximately \$775,000. The total cost of all programs and services increased approximately \$1,300,000, or 46%, with no new programs added this year. The significant increase in receipts was primarily the result of federal highway grant funds received.

The cost of all governmental activities this year was approximately \$2.8 million compared to approximately \$1.5 million last year. However, as shown in the Statement of Activities and Net Assets on Page 10, the amount taxpayers ultimately financed for these activities was only \$2.1 million because some of the cost was paid by those directly benefited from these programs (\$52,000) or by other governments and organizations which subsidized certain programs with grants, contributions, and restricted interest (\$636,000). Overall, the City's governmental activities receipts, including governmental aid and fees for service, increased in fiscal year 2010 from approximately \$200,000 to approximately \$690,000, principally due to receiving federal highway grant funds. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$1,881,000 with taxes (some of which could only be used for certain programs) and other receipts, such as interest and general receipts.

Changes in Cash Basis Net Assets of Business Type Activities

	Year Ended June 30,	
	2010	2009
	(unaudited)	
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 15,732	\$ 29,060
Sewer	79,793	63,221
Capital grants, contributions and restricted interest	-	-
General receipts:		
Unrestricted interest on investments	1,687	2,211
Other general receipts		939
Total receipts	<u>\$ 97,212</u>	<u>\$ 95,431</u>
Disbursements:		
Water	\$ 416	\$ 922
Sewer	80,431	55,334
Total disbursements	<u>\$ 80,847</u>	<u>\$ 56,256</u>
Change in cash basis net assets before transfers	\$ 16,365	\$ 39,175
Transfers, net	-	-
Change in cash basis net assets	\$ 16,365	\$ 39,175
Cash basis net assets beginning of year	<u>156,678</u>	<u>117,503</u>
Cash basis net assets end of year	<u>\$ 173,043</u>	<u>\$ 156,678</u>

Total business type activities receipts for the fiscal year were approximately \$97,000 compared to approximately \$95,000 last year. This increase was due primarily to an increase in the use of services. The cash balance increased approximately \$16,000 from the prior year. Total disbursements for the fiscal year increased by 30% to approximately \$81,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Raymond completed the year, its governmental funds reported a combined fund balance of \$480,820, a decrease of more than \$216,000 below last year's total of \$697,234. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$36,320 from the prior year to \$33,020. This decrease was due to increased Parks and Recreational Fund expenditures for salaries and Repairs and Maintenance.
- The Capital Projects Fund cash balance decreased by \$206,845 to \$6,263 during the fiscal year. This decrease was attributable to a federal highway improvement project.
- The Debt Service Fund cash balance increased \$10,001 to \$12,557 during the fiscal year. This increase was due to an increase in transfers. Bond principal and interest payments increased \$1,146,698 in fiscal year 2010.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$16,262 to \$106,389 due primarily to an increase in a sale of water.
- The Enterprise, Sewer Fund cash balance increased \$103 to \$66,654, due primarily to an increase in the usage.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 16, 2010, and resulted in an increase in operating disbursements related to debt service and capital projects of approximately \$1.95 million and an increase in revenues of approximately \$1.76 million.

The City's receipts were \$671,874 less than budgeted. This was primarily due to the City receiving less in intergovernmental funds than anticipated, even after the amendments.

Total disbursements were \$97,357 less than the amended budget. However, actual disbursements for the public safety, public works and capital projects functions were \$878, \$10,167 and 107,380 respectively, more than the amended budget.

The City exceeded the amounts budgeted in the public safety, public works and capital projects functions for the year ended June 30, 2010 due to higher costs for City Hall maintenance projects and road construction engineering costs not budgeted.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$868,859 in bonds and other long-term debt outstanding, compared to \$1,074,270 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2010	2009
General obligation notes	\$ 830,000	\$ 1,074,270 (unaudited)
Bank loan	38,859	-
Total	\$ 868,859	\$ 1,074,270

Debt decreased a result of issuing general obligation bonds for a street construction project and receiving federal highway funds.

The City continues to carry a general obligation bond rating of A3 assigned by national rating agencies to the City's debt since 1995. 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 \$830,000 is significantly below its constitutional debt limit of approximately \$2.2 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Raymond'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.

Several indicators were taken into account when adopting the budget for fiscal year 2011. Amounts available for appropriation in the operating budget are approximately \$628,000, a decrease of 66% from the final fiscal year 2010 budget. The decrease is due to recurring federal highway improvement funds during fiscal year 2010. Budgeted disbursements are expected to decrease approximately \$2.25 million and Capital Projects street construction represents the largest decreases. The City has added no major new programs or initiatives to the fiscal year 2011 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$105,000 by the close of fiscal year 2011.

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 Nancy Miebach, City Clerk, Raymond, Iowa.

Basic Financial Statements

City of Raymond, 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, & Restricted Interest	Capital Grants Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 63,633	\$ -	\$ -	\$ -
Public works	94,667	47,620	-	2,345
Health and social services	-	-	-	-
Culture and recreation	39,802	4,590	-	-
Community and economic development	7,217	-	-	-
General government	82,508	-	-	-
Debt service	1,137,635	-	-	-
Capital projects	1,377,380	-	-	634,075
Total governmental activities	\$ 2,802,842	\$ 52,210	\$ -	\$ 636,420
Business type activities:				
Water	\$ 416	\$ 15,732	\$ -	\$ -
Sewer	80,431	79,793	-	-
Total business type activities	\$ 80,847	\$ 95,525	\$ -	\$ -
Total	\$ 2,883,689	\$ 147,735	\$ -	\$ 636,420
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investments				
Bond proceeds				
Miscellaneous				
Other short-term debt				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Expendable:				
Streets				
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 Types Activities		Total
\$	-63,633	\$	-	\$ -63,633
	-44,702		-	-44,702
	-		-	-
	-35,212		-	-35,212
	-7,217		-	-7,217
	-82,508		-	-82,508
	-1,137,635		-	-1,137,635
	-743,305		-	-743,305
\$	-2,114,212	\$	-	\$ -2,114,212
<hr/>				
\$	-	\$	15,316	\$ 15,316
	-		-638	-638
\$	-	\$	14,678	\$ 14,678
<hr/>				
\$	-2,114,212	\$	14,678	\$ -2,099,534
<hr/>				
\$	126,704	\$	-	\$ 126,704
	-		-	-
	91,803		-	91,803
	63,187		-	63,187
	-		-	-
	3,555	1,687	-	5,242
	830,000		-	830,000
	103,584		-	103,584
	662,600		-	662,600
\$	1,881,433	\$	1,687	\$ 1,883,120
<hr/>				
\$	-232,779	\$	16,365	\$ -216,414
	540,556		156,678	697,234
\$	307,777	\$	173,043	\$ 480,820
<hr/>				
\$	10,588	\$	-	\$ 10,588
	164,863		-	164,863
	12,557		-	12,557
	86,749		-	86,749
	33,020	173,043	-	206,063
\$	307,777	\$	173,043	\$ 480,820

City of Raymond, Iowa

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

As of and for the year ended June 30, 2010

	General	Capital Projects
Receipts:		
Property tax	\$ 126,704	\$ -
Tax increment financing	-	-
Other city tax	-	-
Licenses and permits	4,485	-
	4,755	11
Intergovernmental	9,479	634,075
Charges for service	41,984	-
Special assessments	1,541	40,547
Miscellaneous	3,371	-
Total receipts	<u>\$ 192,319</u>	<u>\$ 674,633</u>
Disbursements:		
Operating:		
Public safety	\$ 63,633	\$ -
Public works	49,321	-
Health and social services	-	-
Culture and recreation	39,802	-
Community and economic development	7,217	-
General government	82,508	-
Capital projects	-	1,377,380
Total disbursements	<u>\$ 242,481</u>	<u>\$ 1,377,380</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ -50,162</u>	<u>\$ -702,747</u>
Other financing sources (uses):		
Bond proceeds	\$ -	\$ 830,000
Other short term debt	-	662,600
Operating transfers in	13,842	-
Operating transfers out	-	-996,698
Total other financing sources (uses)	<u>\$ 13,842</u>	<u>\$ 495,902</u>
Net change in cash balance	<u>\$ -36,320</u>	<u>\$ -206,845</u>
Cash balances beginning of year	<u>69,340</u>	<u>213,108</u>
Cash balances end of year	<u>\$ 33,020</u>	<u>\$ 6,263</u>
Cash Basis Fund Balances		
Reserved for debt service	\$ -	\$ -
Unreserved:		
General fund	33,020	-
Special revenue fund	-	-
Capital projects fund	-	6,263
Total cash basis fund balances	<u>\$ 33,020</u>	<u>\$ 6,263</u>

See notes to financial statements.

Debt Service	Nonmajor	Total
\$ -	\$ -	\$ 126,704
-	91,803	91,803
-	63,187	63,187
-	-	4,485
911	2,051	7,728
-	52,082	695,636
-	-	41,984
-	-	42,088
27	450	3,848
<u>\$ 938</u>	<u>\$ 209,573</u>	<u>\$ 1,077,463</u>
\$ -	\$ -	\$ 63,633
-	45,346	94,667
-	-	-
-	-	39,802
-	-	7,217
-	-	82,508
1,137,635	-	1,137,635
-	-	1,377,380
<u>\$ 1,137,635</u>	<u>\$ 45,346</u>	<u>\$ 2,802,842</u>
\$ -1,136,697	\$ 164,227	\$ -1,725,379
\$ -	\$ -	\$ 830,000
-	-	662,600
1,146,698	-	1,160,540
-	-163,842	-1,160,540
<u>\$ 1,146,698</u>	<u>\$ -163,842</u>	<u>\$ 1,492,600</u>
\$ 10,001	\$ 385	\$ -232,779
2,556	255,552	540,556
<u>\$ 12,557</u>	<u>\$ 255,937</u>	<u>\$ 307,777</u>
\$ 12,557	\$ -	\$ 12,557
-	-	33,020
-	255,937	255,937
-	-	6,263
<u>\$ 12,557</u>	<u>\$ 255,937</u>	<u>\$ 307,777</u>

City of Raymond, Iowa

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

As of and for the year ended June 30, 2010

	Enterprise Funds		
	Water	Sewer Utility	Total
Operating receipts:			
Charges for service	\$ 15,732	\$ 79,793	\$ 95,525
Operating disbursements:			
Business type activities	\$ 416	\$ 80,431	\$ 80,847
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 15,316	\$ -638	\$ 14,678
Non-operating receipts (disbursements):			
Interest on investments	\$ 946	\$ 741	\$ 1,687
Excess of receipts over disbursements	\$ 16,262	\$ 103	\$ 16,365
Cash balances beginning of year	90,127	66,551	156,678
Cash balances end of year	\$ 106,389	\$ 66,654	\$ 173,043
Cash Basis Fund Balances			
Unreserved	\$ 106,389	\$ 66,654	\$ 173,043
Total cash basis fund balances	106,389	66,654	173,043

City of Raymond, Iowa

Notes to Financial Statements

June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Raymond is a political subdivision of the State of Iowa located in Black Hawk County. It was first incorporated in 1867 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.

A. Reporting Entity

For financial reporting purposes, the City of Raymond has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Raymond has no component units which meet the Governmental Accounting Standards Board criteria.

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: Black Hawk County Assessor's Conference Board, Black Hawk County Emergency Management Commission, and Black Hawk County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund 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 non-fiduciary net assets. Net assets are reported in two categories:

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts 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.

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

The Capital Projects fund is utilized to account for the construction and acquisition of capital assets.

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

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amount budgeted in the public service, public works and capital projects functions.

NOTE 2 – CASH AND POOLED INVESTMENTS

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

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

At June 30, 2011, the City had the following investments:

Certificates of Deposit	Carrying Amount	Fair Value	Maturity	Interest Rate
Farmers State Bank	\$60,000	\$60,000	10-26-10	1.744%
Farmers State Bank	61,063	61,063	12-23-10	0.853%
	<u>\$121,063</u>	<u>\$121,063</u>		

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

NOTE 3 – LONG-TERM DEBT

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of year	Additions	Reductions	Balance End of year	Due within One year
2008 GO Street Improvement	\$1,074,270	\$-	\$1,074,270	\$-	\$-
2009 GO Street Improvement	-	830,000	-	830,000	50,000
Bank Note	-	662,600	623,741	38,859	38,859
	<u>\$1,074,270</u>	<u>\$1,492,600</u>	<u>\$1,698,011</u>	<u>\$868,859</u>	<u>\$88,859</u>

Bank Note – The City entered into a bank note on November 10, 2009 for \$750,000 at 4.06%. The note matures on March 15, 2010.

During the year ended June 30, 2010, the City issued \$830,000 of street improvement general obligation bonds.

Urban Renewal Tax Increment Financing – The City entered into development agreements including rebates of property taxes paid by other parties to the agreements. Most agreements include a set percentage of taxes paid for a specified number of years. Since payment years and amounts are unknown, they are not included in the schedule of maturities of debt. Obligations under the agreement are subject to annual appropriation by the City Council.

The agreements are not a general obligation of the City. However, the amounts payable in the succeeding years are subject to the constitutional debt limitation of the City.

The City has three TIF districts, Royal Ridge Subdivision, Rolling Hills Phase I and Rolling Hills Phase II.

During the year ended June 30, 2010, the City paid no rebates of incremental tax to the developers.

NOTE 3 – LONG-TERM DEBT (continued)

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

Year Ending June 30,	General Obligation Bonds		Bank Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$50,000	\$28,562	\$38,859	\$909	\$88,859	\$29,471
2012	50,000	27,463	-	-	50,000	27,463
2013	50,000	26,362	-	-	50,000	26,362
2014	50,000	25,263	-	-	50,000	25,263
2015	55,000	23,762	-	-	55,000	23,762
2016	55,000	22,113	-	-	55,000	22,113
2017	55,000	20,462	-	-	55,000	20,462
2018	60,000	18,483	-	-	60,000	18,483
2019	60,000	16,322	-	-	60,000	16,322
2020	65,000	14,163	-	-	65,000	14,163
2021	65,000	11,562	-	-	65,000	11,562
2022	70,000	8,963	-	-	70,000	8,963
2023	70,000	6,162	-	-	70,000	6,162
2024	75,000	3,187	-	-	75,000	3,187
Total	\$830,000	\$252,829	\$38,859	\$909	\$868,859	\$253,738

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

During the year ended June 30, 2010, the City made principal and interest payments of \$1,757,963.

NOTE 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.

Plan members are required to contribute 4.3% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2010 was \$3,999, equal to the required contribution for the year.

NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City does not provide medical/prescription drug benefits for employees or retirees and their spouses.

NOTE 6 – INTER-FUND TRANSFERS

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

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 13,842
Debt Service	Special Revenue: Local Option Sales Tax Capital Projects	\$ 150,000 996,698
		<u>\$ 1,146,698</u>
Total		<u>\$ 1,160,540</u>

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

NOTE 7 – 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 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 sufficient, 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 \$8,585.

The City also carries commercial insurance purchased from other insurers for coverage associated with Iowa Municipalities Worker's Compensation Association (IMWCA). 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.

NOTE 8 – COMMITMENTS

The City entered into a contract for \$2,750 for a hand railing to be installed at the City Hall building.

NOTE 9 – SUBSEQUENT EVENTS

In June 2011, the City received a \$23,224 EMA grant to update the outdoor warning sirens. In March 2012, the City entered into a construction contract for \$23,789 to add a bathroom to the City Hall building.

The City Treasurer, Janan Weber, resigned effective June 30, 2011. Karen Paulsen, the former mayor, has been appointed to the position effective July 1, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

City of Raymond, 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	\$ 126,704	\$ -	\$ -
Tax increment financing	91,803	-	-
Other city tax	63,187	-	-
Licenses and permits	4,485	-	-
Use of money and property	3,528	1,687	-
Intergovernmental	695,636	-	-
Charges for service	46,184	95,525	-
Special assessments	42,088	-	-
Miscellaneous	3,848	-	-
Total receipts	\$ 1,077,463	\$ 97,212	\$ -
Disbursements:			
Public safety	\$ 63,633	\$ -	\$ -
Public works	94,667	-	-
Health and social services	-	-	-
Culture and recreation	39,802	-	-
Community and economic development	7,217	-	-
General government	82,508	-	-
Debt service	1,137,635	-	-
Capital projects	1,377,380	-	-
Business type activities	-	80,847	-
Total disbursements	\$ 2,802,842	\$ 80,847	\$ -
Excess (deficiency) of receipts over (under) disbursements	\$ -1,725,379	\$ 16,365	\$ -
Other financing sources, net	1,492,600	-	-
Excess (deficiency) of receipt and other financing sources over (under) disbursements and other financing uses	\$ -232,779	\$ 16,365	\$ -
Balances beginning of year	540,556	156,678	-
Balances end of year	\$ 307,777	\$ 173,043	\$ -

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$ 126,704	\$ 125,168	\$ 125,168	\$ 1,536
91,803	93,343	93,343	-1,540
63,187	62,391	62,391	796
4,485	5,390	5,390	-905
5,215	8,800	8,800	-3,585
695,636	798,200	1,374,294	-678,658
141,709	134,370	139,370	2,339
42,088	-	34,143	7,945
3,848	3,650	3,650	198
<u>\$ 1,174,675</u>	<u>\$ 1,231,312</u>	<u>\$ 1,846,549</u>	<u>\$ -671,874</u>
\$ 63,633	\$ 62,755	\$ 62,755	\$ -878
94,667	84,500	84,500	-10,167
-	-	-	-
39,802	16,700	40,000	198
7,217	104,793	104,793	97,576
82,508	69,250	140,000	57,492
1,137,635	-	1,193,998	56,363
1,377,380	750,000	1,270,000	-107,380
80,847	72,943	85,000	4,153
<u>\$ 2,883,689</u>	<u>\$ 1,160,941</u>	<u>\$ 2,981,046</u>	<u>\$ 97,357</u>
\$ -1,709,014	\$ 70,371	\$ -1,134,497	\$ -574,517
1,492,600	-	1,015,064	477,536
\$ -216,414	\$ 70,371	\$ -119,433	\$ -96,981
697,234	396,150	396,150	301,084
<u>\$ 480,820</u>	<u>\$ 466,521</u>	<u>\$ 276,717</u>	<u>\$ 204,103</u>

City of Raymond, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,953,947 and revenues by \$1,764,143. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amount budgeted in the Public Safety, Public Works and Capital Projects.

Other Supplementary Information

City of Raymond, Iowa

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

Year ended June 30, 2010

	Special Revenue			Total
	Road Use Tax	Tax Increment Financing	Local Option Sales Tax	
Receipts:				
Tax increment financing	\$ -	\$ 91,803	\$ -	\$ 91,803
Other city tax	-	-	63,187	63,187
Use of money and property	37	1,046	968	2,051
Intergovernmental	52,022	60	-	52,082
Miscellaneous	450	-	-	450
Total receipts	\$ 52,509	\$ 92,909	\$ 64,155	209,573
Disbursements:				
Operating	\$ 45,346	\$ -	\$ -	\$ 45,346
Excess (deficiency) of receipts over (under) disbursements	\$ 7,163	\$ 92,909	\$ 64,155	\$ 164,227
Other financing uses:				
Operating transfers out	-	-	-163,842	-163,842
Net change in cash balances	\$ 7,163	\$ 92,909	\$ -99,687	\$ 385
Cash balances beginning of year	3,425	71,954	180,173	255,552
Cash balances end of year	\$ 10,588	\$ 164,863	\$ 80,486	\$ 255,937
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ 10,588	\$ 164,863	\$ 80,486	\$ 255,937
Total cash basis fund balances	\$ 10,588	\$ 164,863	\$ 80,486	\$ 255,937

See accompanying independent auditor's report.

City of Raymond, Iowa

Schedule of Indebtedness

Year ended June 30, 2010

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds:			
Street improvements	8-27-08	4.06%	\$1,074,270
Street improvements	10-1-09	2.20-4.25%	830,000
Bank loan	11-10-09	4.06%	<u>750,000</u>
Total indebtedness			<u><u>\$2,654,270</u></u>

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
\$1,074,270	\$-	\$1,074,270	\$-	\$37,834	\$-
-	830,000	-	830,000	19,042	-
-	662,600	623,741	38,859	3,076	-
<u>\$1,074,270</u>	<u>\$1,492,600</u>	<u>\$1,698,011</u>	<u>\$868,859</u>	<u>\$59,952</u>	<u>\$-</u>

City of Raymond, Iowa

Bond and Note Maturities

June 30, 2010

General Obligation Bonds

Year Ending June 30,	Street Improvements		Bank Loan		Total
	Issued October 1, 2009		Issued November 10, 2009		
	Interest Rate	Amount	Interest Rate	Amount	
2011	2.20%	\$50,000	4.06%	\$38,859	\$88,859
2012	2.20%	50,000	-	-	50,000
2013	2.20%	50,000	-	-	50,000
2014	3.00%	50,000	-	-	50,000
2015	3.00%	55,000	-	-	55,000
2016	3.00%	55,000	-	-	55,000
2017	3.60%	55,000	-	-	55,000
2018	3.60%	60,000	-	-	60,000
2019	3.60%	60,000	-	-	60,000
2020	4.00%	65,000	-	-	65,000
2021	4.00%	65,000	-	-	65,000
2022	4.00%	70,000	-	-	70,000
2023	4.25%	70,000	-	-	70,000
2024	4.25%	75,000	-	-	75,000
Total		<u>\$830,000</u>		<u>\$38,859</u>	<u>\$868,859</u>

See accompanying independent auditor's report.

City of Raymond, Iowa

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

For the Last Three Years

	2010 (Audited)	2009 (Unaudited)	2008 (Audited)
Receipts:			
Property tax	\$ 126,704	\$ 117,095	\$ 110,592
Tax increment financing collection	91,803	65,461	31,475
Other city tax	63,187	62,198	62,480
Licenses and permits	4,485	1,577	10,085
Use of money and property	7,728	9,928	13,986
Intergovernmental	695,636	204,112	59,417
Charges for service	41,984	39,801	40,333
Special assessments	42,088	206,735	325
Miscellaneous	3,848	14,351	16,047
Total	\$ 1,077,463	\$ 721,258	\$ 344,740
Disbursements:			
Operating:			
Public safety	\$ 63,633	\$ 216,145	\$ 54,790
Public works	94,667	110,331	126,072
Health and social services	-	-	-
Culture and recreation	39,802	18,793	20,141
Community and economic development	7,217	38,411	8,106
General government	82,508	60,669	56,417
Debt service	1,137,635	-	-
Capital projects	1,377,380	1,074,170	83,251
Total	\$ 2,802,842	\$ 1,518,519	\$ 348,777

City of Raymond, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
Federal Highway Administration:			
Iowa Department of Transportation:			
ARRA – Highway Planning and Construction	20.205	ESL-6342(600)-7S-07	\$ <u>634,075</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Raymond and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**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**

**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 Raymond, 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 June 20, 2012. My report expresses a qualified opinion on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. 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 Raymond'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 Raymond's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Raymond'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 the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A 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 Raymond's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in Part II of the accompanying Schedule of Findings as items II-A-10, II-C-10, II-D-10, II-F-10, II-G-10, II-H-10, II-L-10, and II-O-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. I consider the deficiencies described in Part II of the accompanying Schedule of Findings as items II-B-10, II-E-10, II-I-10, II-J-10, II-K-10, II-M-10 and II-N-10 to be significant deficiencies.

Compliance and Other Matters

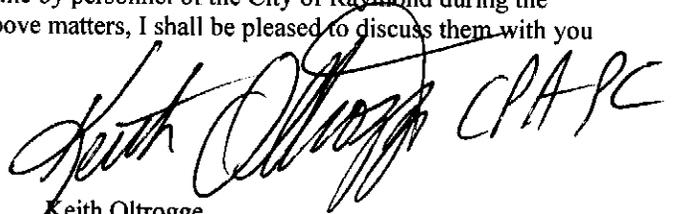
As part of obtaining reasonable assurance about whether the City of Raymond's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of non-compliance or other matters that are required to be reported under Government Auditing Standards, which is described in Part II of the accompanying Schedule of Findings as item II-P-10. I also noted certain immaterial instances of non-compliance or other matters which are described in Part IV 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 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 Raymond'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 Raymond'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 Raymond and other parties to whom the City of Raymond may report, including federal awarding agencies 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 me by personnel of the City of Raymond 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.



Keith Oltrogge
Certified Public Accountant

June 20, 2012

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133

To the Board of Education of
City of Raymond:

Compliance

I have audited the compliance of City of Raymond with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2010. The City of Raymond's major federal program is identified in Part I of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of City of Raymond's management. My responsibility is to express an opinion on City of Raymond's compliance based on my audit.

I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Raymond's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on City of Raymond's compliance with those requirements.

In my opinion, City of Raymond complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2010. However, the results of my auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and is described as item III-A-10 in the accompanying Schedule of Findings.

Internal Control Over Compliance

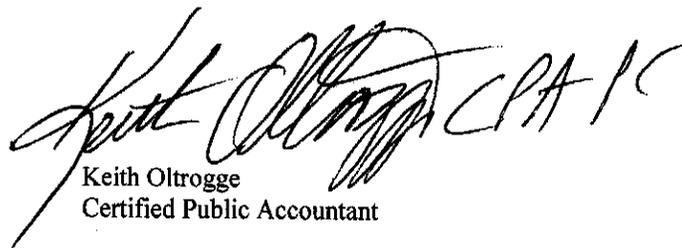
The management of City of Raymond is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing my audit, I considered City of Raymond's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of City of Raymond's internal control over compliance.

My consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 discussed below, I identified deficiencies in internal control over compliance I consider to be material weaknesses.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as items III-B-10, III-C-10 and III-D-10 to be material weaknesses.

The City of Raymond'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 Raymond'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 Raymond and other parties to whom the City of Raymond may report, including federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Keith Oltrogge
Certified Public Accountant

June 20, 2012

City of Raymond, Iowa

Schedule of Findings

Year ended June 30, 2010

Part I – Summary of the Independent Auditor’s Results:

- a) A qualified opinion was issued on the financial statements, which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit disclosed noncompliance which is material to the financial statements.
- d) Material weaknesses in internal control over the major program were disclosed by the audit of the financial statements.
- e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f) The audit disclosed one audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) The major program was CFDA Number 20.205 – Highway Construction and Planning – Recovery Act.
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) The City of Raymond did not qualify as a low-risk auditee.

City of Raymond, Iowa

Schedule of Findings

Year ended June 30, 2010

Part II – Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-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. I noted that the following functions are not entirely segregated: cash receipts, general ledger posting, reconciliations and investment control and custody.

Recommendation – I realize that with limited number office employees, segregation of duties is difficult. However, the City should continue to monitor its control procedures to obtain the maximum internal control possible under the circumstances. The City could segregate duties to the extent possible with existing personnel and utilize Council personnel to provide additional control through review of financial transactions and reports.

Response and Planned Corrective Action – The Treasurer will provide the Mayor with the original bank statement and a reconciled packet of outstanding checks and balances monthly for the Mayor's approval and signature. The Mayor signs all checks and scrutinizes supporting documentation and employee time cards. We will implement additional controls where possible. The City will ensure an independent person performs a periodic review of the accounting and bank records of the separately maintained accounts.

Ambulance Service – We will have the President review all items and initial them.

Volunteer Fire Department – The Fire Chief will initial and compare the treasurer's report to bank statements monthly and will look at all checks written and supporting documents.

Conclusion – Response accepted.

II-B-10 Separately Maintained Records – The City of Raymond Volunteer Fire Department and Ambulance Service maintain separate checking accounts for donations, grants and fund raising activities. These accounts are separate from the City's accounts, allowing transactions to go unrecorded. Accordingly, certain donations and expenditures from these accounts are not being appropriately included on the City's financial statements. The expenditures may not meet the requirements of public purpose and may not be appropriately included within the budget as required by the Code of Iowa.

Recommendation – 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". For better accountability, and financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the Council on a monthly basis.

Response and Planned Corrective Action – The City, the Volunteer Fire Department and Ambulance Service will ensure that procedures are in place to document all receipts and expenditures in accordance with the Code of Iowa.

Conclusion – Response accepted.

City of Raymond, Iowa

Schedule of Findings

Year ended June 30, 2010

Part II: Other Findings Related to Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES (continued):

II-C-10 Financial Accounting and Reporting – An internal control system that does not prevent or detect material misstatements identified by the auditor is considered a control deficiency. I proposed numerous adjusting entries as a result of my audit which were subsequently made by the City. The errors included incorrect bond proceeds recorded net of expenses; functional classifications of revenues and expenses; and coding of transactions in the incorrect funds. The adjusting journal entries were deemed material to the City's financial statements. This control deficiency is primarily the result of unfamiliarity with the Code of Iowa and Governmental Accounting on the part of the City's administrative staff.

Recommendation – I recommend the City provide the training necessary to record the transactions properly into the City's books and records.

Response and Planned Corrective Action – The City will provide the required training.

Conclusion – Response accepted.

II-D-10 Credit Cards – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. Additionally, supporting documentation required to substantiate charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response and Planned Corrective Action – Although we have not established a formal written policy detailing specifics on the use of City credit cards we have unwritten guidelines. We will review procedures and guidelines and establish a written policy.

Conclusion – Response accepted.

II-E-10 Lack of Written Policies and Procedures – The City currently does not have an accounting policies and procedures manual.

Recommendation – The City should develop an accounting policies and procedures manual to provide the following benefits:

- 1) Aid in training additional and replacement personnel.
- 2) Help achieve uniformity in accounting and in the application of policies and procedures.
- 3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

Response and Planned Corrective Action – The City will prepare an accounting policies and procedures manual.

Conclusion – Response accepted.

City of Raymond, Iowa

Schedule of Findings

Year ended June 30, 2010

Part II: Other Findings Related to Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES (continued):

II-F-10 Fund Balance – The City records receipts and disbursements for each fund on a manual ledger book and some Excel spreadsheets. However, the City does not use the computer system software to track fund balances. Monthly reports are prepared using a hand-written spreadsheet which summarizes each fund's total receipts, total disbursements, total transfers in/out and reconciles the beginning fund balance with the ending fund balance.

Adjustments were made to the hand-written spreadsheets which were not documented or recorded on the City's excel spreadsheets. Therefore, the beginning fund balance plus year to date receipts and minus year to date disbursements did not reconcile with the ending fund balance. This matter was resolved for audit purposes.

Recommendation – The City should consider recording all transactions fund balances on actual financial software designed for City financial reporting.

Response and Planned Corrective Action – The City will consider purchasing computer system software.

Conclusion – Response Acknowledged.

II-G-10 General Ledger – The excel spreadsheets maintained by the City for the period of my review had the following conditions.

- 1) The spreadsheets include prior year transactions.
- 2) Receipts that were not posted.
- 3) Because pre-numbered receipts were not issued for collections all of the receipts listed had the same number.
- 4) There were extra entries with partial information for transactions that had not occurred yet.
- 5) Revenue in the summary section of each fund doesn't agree with the details because the summary's total includes the beginning balance.

Recommendation – The City should change its accounting software program and implement procedures to ensure transactions are recorded properly.

Response and Planned Corrective Action – We will consider this.

Conclusion – Response acknowledged.

II-H-10 Bank Reconciliations – Supporting documentation was not available to support bank accounts that were reconciled through the year. The check carbon ledger pages did not indicate which checks had cleared the bank.

Recommendation – Bank reconciliations should be prepared on a monthly basis and procedures should be established to maintain the documentation. The Council or a Council-designated independent person should review the reconciliations and monitor reconciling items.

Response and Planned Corrective Action – These procedures will be implemented as recommended.

Conclusion – Response accepted.

City of Raymond, Iowa

Schedule of Findings

Year ended June 30, 2010

Part II: Other Findings Related to Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES (continued):

II-I-10 Annual Financial Statements – The ability to apply cash basis accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the City’s financial reporting process.

The City does not possess an individual with the appropriate expertise to apply cash basis accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures.

The City has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge.

The internal financial statements prepared by the City are not prepared in accordance with the cash basis of accounting and do not contain the required footnote disclosures.

Recommendation – This is a common control deficiency of most small cities and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the City would like to address.

Response and Planned Corrective Action – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

II-J-10 Record of Investments – A detailed record of investment transactions was not maintained. The value of investments on the Treasurer’s report was incorrect.

Recommendation – A detailed record of investment transactions by fund should be maintained. This record should include investment number, purchase date, redemption date, interest rate and amount of principal and interest received. This should also be reconciled with the Treasurer’s Report each month.

Response and Planned Collective Action – A record of investment transactions will be prepared and updated as needed.

Conclusion – Response accepted.

II-K-10 Cashiers Checks – I identified cashiers checks issued for the payment of a street improvement project in August 2009 through May 2009.

Recommendation – The Council should ensure all City obligations are paid by City check and presented to the Council for approval.

Response and Planned Corrective Action – Recommended procedures will be followed in the future.

Conclusion – Response accepted.

City of Raymond, Iowa

Schedule of Findings

Year ended June 30, 2010

Part II: Other Findings Related to Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES (continued):

II-L-10 Pre-numbered Receipts – Pre-numbered receipts were not issued for amounts collected by the City.

Recommendation – Pre-numbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording all money.

Response and Planned Corrective Action – The City will use pre-numbered receipt books.

Conclusion – Response accepted.

II-M-10 Capital Projects – The Capital Projects Fund includes commingled debt proceeds, ARRA Federal Highway Grant Funds and interest income.

Recommendation – One of the purposes of governmental fund accounting is to facilitate the City demonstrating compliance with the use of designated or restricted revenues by segregating the revenues and related expenditures. The \$830,000 note proceeds for the streets, the bank loan and the federal highway funds should be accounted for in separate capital projects funds to document the note proceeds were used in accordance with the note resolution and the federal highway funds were used in accordance with the terms of the grant agreements and to meet the requirements of Section 1300.103 of the Codification of Governmental Accounting and Financial Reporting Standards.

Response and Planned Corrective Action – The City will ensure procedures are in place for the correct recording of these revenues and expenditures. Also see item II-C-10.

Conclusion – Response accepted.

II-N-10 Payroll Testing – While testing payroll, I noted an error in calculating net pay for one employee. I also noted three employees were paid gas allowance at a flat rate. These payments were not handled through the payroll system as required by the Internal Revenue Service. There was not an annual salary resolution passed.

Recommendation – The City should implement a review process for the calculations for payroll and implement procedures to ensure payroll and related items are prepared in accordance with the Internal Revenue Service.

The Council should review procedures to ensure the required council actions are performed.

Response and Planned Corrective Action – Payroll will be recalculated by an independent person and training will be provided to the Clerk and Treasurer. Also see item II-C-10. The Council will review the annual requirements.

Conclusion – Response accepted.

City of Raymond, Iowa

Schedule of Findings

Year ended June 30, 2010

Part II: Other Findings Related to Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES (continued):

II-O-10 Management Failed To Establish a Proper Control Environment – Internal controls include the process and procedures for planning, organizing, directing, and controlling program operations as well as systems for measuring, reporting and monitoring program performance. Management is responsible for establishing a control environment that sets the tone of an organization. This “tone at the top” affects the integrity and ethics of the City as a whole. Effective internal control is essential to provide reasonable assurance about the achievement of the City’s mission, goals and objectives.

Contrary to these requirements, City management failed to establish formal controls, including written policies and procedures, over its operations.

In addition, the City’s lack of controls put it at substantial risk for fraud, errors, and improper payments.

Recommendation – The City should establish formal controls, including written policies and procedures over its operations.

Response and Planned Corrective Action – These procedures will be implemented. Also see items II-A-10 through II-N-10.

Conclusion – Response accepted.

II-P-10 The City’s Management and Council Failed to Exercise Their Fiduciary Responsibilities – The City’s management and Council failed to establish a control environment designed to provide reasonable assurance about the achievement of its mission, goals and objectives. They failed to enact policies and procedures to ensure the integrity of financial operations and compliance with federal and state requirements.

Recommendation – The City should establish formal controls, including written policies and procedures over its operations. The City should provide training so the management and council members have the technical knowledge to properly provide accurate financial reports.

Response and Planned Corrective Action – Training will be provided and these procedures will be implemented. Also see items II-A-10 through II-O-10.

Conclusion – Response accepted.

City of Raymond, Iowa

Schedule of Findings

Year ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

CFDA Number 20.205: Highway Planning and Construction – Recovery Act
Pass-through Agency Number: FWHA No: 89470
Federal Award Year: 2010
US Department of Transportation – Federal Highway Administration
Passed through the Iowa Department of Transportation

III-A-10 Reporting – An audit in accordance with OMB Circular A-133 was not performed within the prescribed time limits.

Recommendation – The City should study and implement the requirements applicable to the federal program when it signs the agreement to participate in the program.

Response and Corrective Action Planned – These procedures will be implemented.

Conclusion – Response accepted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 20.205: Highway Planning and Construction – Recovery Act
Pass-through Agency Number: FWHA No: 89470
Federal Award Year: 2010
US Department of Transportation – Federal Highway Administration
Passed through the Iowa Department of Transportation

III-B-10 Segregation of Duties over Federal Receipts – The City did not properly segregate collection, deposit, expenditures and record keeping, including those related to federal programs. See item II-A-10.

III-C-10 Financial Accounting and Reporting – I proposed numerous adjusting journal entries as a result of my audit procedures which were subsequently made by the City, including those related to federal programs. See item II-C-10.

III-D-10 Management Failed to Establish a Proper Control Environment – Management failed to establish formal controls, including written policies and procedures over its operations, including those related to federal programs. See item II-O-10.

City of Raymond, Iowa

Schedule of Findings

Year ended June 30, 2010

Part IV: Other Findings Related to Statutory Reporting:

IV-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amount budgeted in Public Safety, Public Works and Capital Projects functions. Chapter 384.20 of the Code of Iowa states, in part, that “Public monies may not be expended or encumbered except under an annual or continuing appropriation”.

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.

IV-B-10 Questionable Disbursements – No disbursements, I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted.

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

IV-D-10 Business Transactions – There were no business transactions between City and City officials or employees.

IV-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 ensure that the coverage is adequate for current operations.

IV-F-10 Council Minutes – No transactions were found that I believe should have been approved in the Council minutes but were not. During the subsequent period, the minutes only include a total for disbursements by fund.

The Council went into closed session on several occasions. However, the minutes record did not document the specific information regarding the closed session as required by Chapter 31 of the Code of Iowa, commonly known as the open-meeting law.

Although minutes of Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. The Council minutes for the period July 2008 through July 2009 were not signed.

Recommendation – The Council should ensure the minutes include a list of claims allowed, an explanation of the claims, total disbursements from each fund and a summary of all receipts.

The City should comply with Chapter 21 of the Code of Iowa and should publish minutes as required. All minutes should be signed to authenticate the record.

Response – We will comply with the Code requirements for closed sessions. We will publish minutes and claim listings as required. The current City clerk signs the minutes.

Conclusion – Response accepted.

City of Raymond, Iowa

Schedule of Findings

Year ended June 30, 2010

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-G-10 Deposits and Investments – Except as noted, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.

The City has adopted a bank balance resolution as required by Chapter 12B.10B of the Code of Iowa but it does not include maximum amounts of deposit.

Recommendation – The City should adopt a bank balance resolution which complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Response – City staff will develop a resolution with maximum deposit amounts and forward it to the City Council for consideration.

Conclusion – Response accepted.

IV-H-10 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required. I also noted the City does not obtain any images of deposit slips.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check and deposit slips as required.

Response – The City will obtain and retain images of both the front and back of cancelled checks and deposit slips as required.

Conclusion – Response accepted.

IV-I-10 Low and Moderate Income (LMI) Requirements – The City has entered into urban renewal development agreements, for the construction of housing units. In accordance with these agreements and Chapter 403.22 of the Codes of Iowa, any project related to housing which receives tax increment financing assistance must also generate funds to be used to provide assistance to housing for low and moderate income (LMI) families. The City's agreements provide for a 34.1% set aside percentage for LMI. The City certified the amount of LMI set aside as additional TIF debt and is collecting tax increment financing on it.

Recommendation – The City should consult legal counsel to determine the disposition of this matter. The appropriate LMI amounts required to be set aside pursuant to the City's urban renewal agreements and Chapter 403.22 of the Code of Iowa should be set aside from a portion of the rebate agreement. The City should decertify the debt associated with the LMI set aside. See item IV-J-10.

Response – The City Clerk will consult legal counsel to get this matter resolved.

Conclusion – Response accepted.

City of Raymond, Iowa

Schedule of Findings

Year ended June 30, 2010

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-J-10 Tax Increment Financing (TIF) Indebtedness Certification – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be used to pay the principal of and interest on the certified indebtedness.

For all of the economic development agreements, the City certified the total rebate amount. The agreements state the rebate payment shall be subject to annual appropriation. Until appropriated, the payments do not represent debt and, accordingly, should not have been certified as debt.

The total debt certified to the County Auditor is overstated by \$858,673. \$554,784 is for the development agreements and \$303,889 is for the LMI set aside that was incorrectly certified as debt. See item IV-I-10.

Also, the City is incorrectly withholding payments to the developer for two of the agreements.

Recommendation – The City should immediately decertify \$858,673 as TIF Debt since it is not actual indebtedness. Also, the City has approximately excess cash on hand of \$139,883 and \$23,177 set aside for LMI. The City should pay the developers in accordance with the development agreement.

The City should consult with legal counsel and the County Auditor to resolve these issues.

Response – The City will consult legal counsel and the County Auditor.

Conclusion – Response accepted.

IV-K-10 Compensated Absences – The City did not accrue vacation and sick leaves for employees as required by Chapter 70A of the Code of Iowa.

Recommendation – The City should provide and track the required benefits for its employees.

Response – We will accrue the appropriate amounts in the future as required.

Conclusion – Response accepted.