

CITY OF ALLISON, IOWA

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

JUNE 30, 2010

- Prepared By -

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CITY OF ALLISON, IOWA

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CITY OF ALLISON, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
(Before January 2010)		
Scot Henrichs	Mayor	January 2010
David Smith	Mayor Pro tem	January 2010
Marvin Cooper	Council Member	January 2010
Janis Cramer	Council Member	January 2012
Jerry Platter	Council Member	January 2012
William Groen	Council Member	Resigned
Sandy Harms	Clerk/Treasurer	Indefinite
Martin Petersen	Attorney	Indefinite
(After January 2010)		
Scot Henrichs	Mayor	January 2012
David Smith	Mayor Pro tem	January 2014
James Blockhus	Council Member	January 2012
Janis Cramer	Council Member	January 2012
Jerry Platter	Council Member	January 2012
Tim Junker	Council Member	January 2014
Sandy Harms	Clerk/Treasurer	Indefinite
Martin Petersen	Attorney	Indefinite



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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 Allison, 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 Allison'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. 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 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 Allison 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 December 27, 2010 on my consideration of the City of Allison'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 8 and 24 through 26 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 Allison's basic financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in 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.

A handwritten signature in cursive script that reads "Larry Pump". The signature is written in black ink and is positioned above the date.

December 27, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Allison 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

The City's total cash basis net assets decreased 3.6%, or approximately \$50,000, from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities decreased approximately \$63,000 and the assets of the business type activities increased by approximately \$13,000.

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 and debt service. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks, the sanitary sewer system and garbage disposal. 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, and 4) 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 to provide separate information for the Water, Sewer Rental and Garbage Funds, considered to be major funds of the City.

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 slightly from a year ago, decreasing from \$996,585 to \$933,512. 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
Receipts:	
Program receipts:	
Charges for service	\$ 104
Operating grants, contributions and restricted interest	177
General receipts:	
Property tax	498
Local option sales tax	68
Unrestricted interest on investments	10
Note proceeds, net	377
Other general receipts	144
Total receipts	<u>\$1,378</u>
Disbursements:	
Public safety	\$ 135
Public works	238
Health and social services	5
Culture and recreation	257
Community and economic development	80
General government	174
Debt service	532
Total disbursements	<u>\$1,421</u>
Change in cash basis net assets before transfers	\$ (43)
Transfers, net	<u>(20)</u>
Change in cash basis net assets	\$ (63)
Cash basis net assets beginning of year	<u>997</u>
Cash basis net assets end of year	<u>\$ 934</u>

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

	Year ended June 30, 2010
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 75
Sewer Rental	106
Garbage	96
Other	1
General receipts:	
Unrestricted interest on investments	3
Total receipts	<u>\$ 281</u>
Disbursements:	
Water	\$ 58
Sewer Rental	127
Garbage	102
Other	1
Total disbursements	<u>\$ 288</u>
Change in cash basis net assets before transfers	\$ (7)
Transfers, net	<u>20</u>
Change in cash basis net assets	\$ 13
Cash basis net assets beginning of year	<u>393</u>
Cash basis net assets end of year	<u>\$ 406</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Allison completed the year, its governmental funds reported a combined fund balance of \$933,512, a decrease of \$63,073 from last year's total of \$996,585. 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 \$71,124 from the prior year to \$532,122. This decrease was due mainly to operating transfers out.

The Special Revenue, Tax Increment Financing Fund cash balance increased \$84,816 from the previous year to \$197,404.

The Special Revenue, Capital Improvements Fund cash balance decreased by \$79,755 to \$143,497 during the fiscal year. This decrease was attributable to a transfer out for capital disbursements.

The Debt Service Fund cash balance increased by \$3,562 to (\$275) due primarily to increased property taxes.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Fund cash balance increased by \$20,006 to \$115,699, due primarily to a decrease in operating expenses.

The Enterprise, Sewer Rental Fund cash balance decreased by \$1,502 to \$177,852, due primarily to an increase in operating expenses.

The Enterprise, Garbage Fund cash balance decreased by \$6,483 to \$13,865, due primarily to increased operating expenses.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once on May 17, 2010. This resulted in an increase in operating disbursements related to general government of \$254,000. The City had sufficient cash balances to absorb these additional costs.

The City exceeded the amounts budgeted in the community and economic development and business type activities functions for the year ended June 30, 2010.

DEBT ADMINISTRATION

At June 30, 2010, the City had approximately \$956,000 in notes and other long-term debt outstanding, compared to approximately \$1,073,000 last year, as follows:

Outstanding Debt at Year-End
(Expressed in Thousands)

	June 30,	
	2010	2009
General obligation notes	\$ 930	\$1,035
Capital lease	26	38
Total	<u>\$ 956</u>	<u>\$1,073</u>

The City issued \$380,000 of refunding notes during 2010. Principal and interest payments were made as scheduled. 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 \$930,000 is significantly below its constitutional debt limit of \$1,904,200.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Allison'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.

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 Sandy Harms, City Clerk, PO Box 647, Allison, Iowa 50602.

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

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 134,546	\$ 58,396	\$ -	\$ -
Public works	237,638	-	88,924	-
Health and social services	5,465	-	-	-
Culture and recreation	257,340	45,245	-	-
Community and economic development	79,486	-	88,230	-
General government	174,092	-	-	-
Debt service	<u>532,162</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$1,420,729</u>	<u>\$ 103,641</u>	<u>\$ 177,154</u>	<u>\$ -</u>
Business type activities:				
Water	\$ 57,610	\$ 74,684	\$ -	\$ -
Sewer rental	127,124	105,787	-	-
Garbage	102,689	96,206	-	-
Other	<u>750</u>	<u>1,450</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$ 288,173</u>	<u>\$ 278,127</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$1,708,902</u>	<u>\$ 381,768</u>	<u>\$ 177,154</u>	<u>\$ -</u>

(Continued)

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (76,150)	\$ -	\$ (76,150)
(148,714)	-	(148,714)
(5,465)	-	(5,465)
(212,095)	-	(212,095)
8,744	-	8,744
(174,092)	-	(174,092)
<u>(532,162)</u>	<u>-</u>	<u>(532,162)</u>
<u>\$ (1,139,934)</u>	<u>\$ -</u>	<u>\$ (1,139,934)</u>
\$ -	\$ 17,074	\$ 17,074
-	(21,337)	(21,337)
-	(6,483)	(6,483)
<u>-</u>	<u>700</u>	<u>700</u>
<u>\$ -</u>	<u>\$ (10,046)</u>	<u>\$ (10,046)</u>
<u>\$ (1,139,934)</u>	<u>\$ (10,046)</u>	<u>\$ (1,149,980)</u>

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

General Receipts and Transfers:

- 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:
 - Streets
 - Urban renewal purposes
 - Other purposes
- Unrestricted

Total cash basis net assets

See Notes to Financial Statements.

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 253,601	\$ -	\$ 253,601
194,323	-	194,323
49,067	-	49,067
68,219	-	68,219
377,150	-	377,150
10,447	2,580	13,027
144,241	-	144,241
<u>(20,187)</u>	<u>20,187</u>	<u>-</u>
<u>\$ 1,076,861</u>	<u>\$ 22,767</u>	<u>\$ 1,099,628</u>
\$ (63,073)	\$ 12,721	\$ (50,352)
<u>996,585</u>	<u>392,964</u>	<u>1,389,549</u>
<u>\$ 933,512</u>	<u>\$ 405,685</u>	<u>\$ 1,339,197</u>
\$ 25,067	\$ -	\$ 25,067
35,846	-	35,846
197,404	-	197,404
143,497	-	143,497
<u>531,698</u>	<u>405,685</u>	<u>937,383</u>
<u>\$ 933,512</u>	<u>\$ 405,685</u>	<u>\$ 1,339,197</u>

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

	<u>General</u>	<u>Special Revenue</u>	
		<u>Tax Increment Financing</u>	<u>Capital Improvements</u>
RECEIPTS:			
Property tax	\$ 253,601	\$ -	\$ -
Tax increment financing	-	194,323	-
Other city tax	68,219	-	-
Licenses and permits	1,248	-	-
Use of money and property	49,832	-	245
Intergovernmental	172,276	-	-
Charges for service	82,041	-	-
Miscellaneous	40,602	-	-
Total receipts	<u>\$ 667,819</u>	<u>\$ 194,323</u>	<u>\$ 245</u>
DISBURSEMENTS:			
Operating:			
Public safety	\$ 134,546	\$ -	\$ -
Public works	147,976	-	-
Health and social services	5,465	-	-
Culture and recreation	257,340	-	-
Community and economic development	79,486	-	-
General government	174,092	-	-
Debt service	-	-	-
Total disbursements	<u>\$ 798,905</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (131,086)</u>	<u>\$ 194,323</u>	<u>\$ 245</u>
Other financing sources (uses):			
Note proceeds	\$ 380,000	\$ -	\$ -
Note issue costs	(2,850)	-	-
Operating transfers in	124,597	-	-
Operating transfers out	(441,785)	(109,507)	(80,000)
Total other financing sources (uses)	<u>\$ 59,962</u>	<u>\$ (109,507)</u>	<u>\$ (80,000)</u>
Net change in cash balances	\$ (71,124)	\$ 84,816	\$ (79,755)
Cash balances beginning of year	<u>603,246</u>	<u>112,588</u>	<u>223,252</u>
Cash balances end of year	<u>\$ 532,122</u>	<u>\$ 197,404</u>	<u>\$ 143,497</u>
Cash Basis Fund Balances:			
Unreserved:			
General fund	\$ 532,122	\$ -	\$ -
Special revenue funds	-	197,404	143,497
Debt service fund	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	<u>\$ 532,122</u>	<u>\$ 197,404</u>	<u>\$ 143,497</u>

See Notes to Financial Statements.

<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 49,067	\$ -	\$ 302,668
-	-	194,323
-	-	68,219
-	-	1,248
-	-	50,077
-	88,924	261,200
-	-	82,041
-	315	40,917
<u>\$ 49,067</u>	<u>\$ 89,239</u>	<u>\$ 1,000,693</u>
\$ -	\$ -	\$ 134,546
-	89,662	237,638
-	-	5,465
-	-	257,340
-	-	79,486
-	-	174,092
532,162	-	532,162
<u>\$ 532,162</u>	<u>\$ 89,662</u>	<u>\$ 1,420,729</u>
<u>\$ (483,095)</u>	<u>\$ (423)</u>	<u>\$ (420,036)</u>
\$ -	\$ -	\$ 380,000
-	-	(2,850)
486,657	64,635	675,889
-	(64,784)	(696,076)
<u>\$ 486,657</u>	<u>\$ (149)</u>	<u>\$ 356,963</u>
\$ 3,562	\$ (572)	\$ (63,073)
<u>(3,837)</u>	<u>61,336</u>	<u>996,585</u>
<u>\$ (275)</u>	<u>\$ 60,764</u>	<u>\$ 933,512</u>
\$ -	\$ -	\$ 532,122
-	35,697	376,598
(275)	-	(275)
-	25,067	25,067
<u>\$ (275)</u>	<u>\$ 60,764</u>	<u>\$ 933,512</u>

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

	<u>Enterprise</u>		
	<u>Water</u>	<u>Sewer Rental</u>	<u>Garbage</u>
Operating receipts:			
Charges for service	\$ 74,684	\$ 105,787	\$ 96,206
Operating disbursements:			
Business type activities	<u>57,610</u>	<u>127,124</u>	<u>102,689</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 17,074	\$ (21,337)	\$ (6,483)
Non-operating receipts:			
Interest on investments	<u>1,513</u>	<u>1,067</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 18,587	\$ (20,270)	\$ (6,483)
Operating transfers in	<u>1,419</u>	<u>18,768</u>	<u>-</u>
Net change in cash balances	\$ 20,006	\$ (1,502)	\$ (6,483)
Cash balances beginning of year	<u>95,693</u>	<u>179,354</u>	<u>20,348</u>
Cash balances end of year	<u>\$ 115,699</u>	<u>\$ 177,852</u>	<u>\$ 13,865</u>
Cash Basis Fund Balances			
Reserved for other	\$ -	\$ -	\$ -
Unreserved	<u>115,699</u>	<u>177,852</u>	<u>13,865</u>
Total cash basis fund balances	<u>\$ 115,699</u>	<u>\$ 177,852</u>	<u>\$ 13,865</u>

See Notes to Financial Statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 1,450	\$ 278,127
<u>750</u>	<u>288,173</u>
\$ 700	\$ (10,046)
<u>-</u>	<u>2,580</u>
\$ 700	\$ (7,466)
<u>-</u>	<u>20,187</u>
\$ 700	\$ 12,721
<u>97,569</u>	<u>392,964</u>
<u>\$ 98,269</u>	<u>\$ 405,685</u>
\$ 98,269	\$ 98,269
<u>-</u>	<u>307,416</u>
<u>\$ 98,269</u>	<u>\$ 405,685</u>

CITY OF ALLISON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(1) Summary of Significant Accounting Policies

The City of Allison is a political subdivision of the State of Iowa located in Butler 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 Allison 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 has no component units which meet the Governmental Accounting Standards Board criteria.

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 following boards and commissions: Iowa Northland Regional Council of Governments, Butler County Assessor's Conference Board and Butler County Emergency Management Commission.

B. Basis of Presentation

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

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

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

CITY OF ALLISON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(1) Summary of Significant Accounting Policies - continued

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 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.

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

The Capital Improvement Fund is used to account for capital improvement disbursements.

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

The City reports the following major proprietary funds:

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

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

CITY OF ALLISON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(1) Summary of Significant Accounting Policies - continued

The Enterprise, Garbage Fund is used to account for the operation and maintenance of the City's garbage pickup.

C. Measurement Focus and Basis of Accounting

The City of Allison 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 community and economic development and business type activities functions.

(2) Cash and Pooled Investments

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

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

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.

CITY OF ALLISON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(3) Notes Payable

Annual debt service requirements to maturity for general obligations notes are as follows:

Year Ending June 30,	General Obligation Notes	
	<u>Principal</u>	<u>Interest</u>
2011	\$125,000	\$ 32,065
2012	130,000	27,138
2013	130,000	24,032
2014	95,000	20,470
2015	100,000	17,430
2016-2019	<u>350,000</u>	<u>33,170</u>
Total	<u>\$930,000</u>	<u>\$154,305</u>

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

- a) At the option of the City, notes maturing on or after June 1, 2016, on the Essential Corporate Purpose Note issue of September 1, 2008, are subject to redemption and prepayment in whole or in part, on said date or any date thereafter upon the City giving proper notice, not less than thirty days prior to the date fixed for prepayment, at a price of par plus accrued interest.

(4) Capital Lease

The City leases street sweeper equipment on a capital lease basis. The following is a schedule, by years, of future payments required under the lease:

<u>Year ended June 30,</u>	<u>Amount</u>
2011	\$ 14,039
2012	<u>14,039</u>
Total minimum lease payments	\$ 28,078
Amounts representing interest	<u>(2,114)</u>
Present value of net minimum lease payments	<u>\$ 25,964</u>

(5) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2010, was \$10,988, equal to the required contribution for the year.

CITY OF ALLISON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 2 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug 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 premium for the City and plan members is \$1,560 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$30,143 and plan members eligible for benefits made no contributions to the plan.

(7) **Law Enforcement Contract**

The City of Allison entered into an agreement with the Butler County Sheriff's Department for the purpose of providing the City with law enforcement services. The amount paid on the contract by the City for the year ended June 30, 2010 amounted to \$34,450.

(8) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, comp time and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's policy is to not pay employees for accumulated vacation, comp time or sick leave upon separation of employment. The City therefore has no liability for compensated absences at June 30, 2010.

(9) **Related Party Transactions**

The City had business transactions between the City and City officials totaling \$977 during the year ended June 30, 2010.

(10) **Operating Lease**

The City leases a building on an operating lease basis. The lease calls for lease payments as described below. The City subleases the building to a local business and has received lease receipts of \$2,900 this year. In addition, the City is responsible for property taxes on the building. Total net lease expense for the year ended June 30, 2010 was \$2,205.

The following is a schedule, by years, of future minimum rental payments required under the operating lease:

<u>Year ended June 30,</u>	
2011	<u>\$ 3,000</u>

CITY OF ALLISON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(11) Risk Management

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

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

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2010 were \$20,542.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

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

CITY OF ALLISON, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

(11) Risk Management - continued

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

The City also carries commercial insurance purchased from other insurers for coverage associated with public employee dishonesty coverage and workers compensation coverage. 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 during the fiscal year ended June 30, 2010.

(12) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	\$ 44,597
	Capital Improvements	80,000
		<u>\$124,597</u>
Special Revenue:	General	
Employee Benefits		<u>\$ 64,635</u>
Debt Service	General	\$377,150
	Special Revenue:	
	Tax Increment Financing	109,507
		<u>\$486,657</u>
Enterprise:	Special Revenue:	
Water	Employee Benefits	\$ 1,419
Sewer Rental	Employee Benefits	18,768
		<u>\$ 20,187</u>
Total		<u>\$696,076</u>

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

(13) Deficit Balances

The Special Revenue, Employee Benefits Fund had a deficit balance of \$149 at June 30, 2010. The deficit will be eliminated upon transferring funds.

The Debt Service Fund had a deficit balance of \$275 at June 30, 2010. The deficit will be eliminated upon transferring funds.

Required Supplementary Information

CITY OF ALLISON, 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

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Less Funds Not Required to be Budgeted</u>
RECEIPTS:			
Property tax	\$ 302,668	\$ -	\$ -
Tax increment financing	194,323	-	-
Other city tax	68,219	-	-
Licenses and permits	1,248	-	-
Use of money and property	50,077	2,580	-
Intergovernmental	261,200	-	-
Charges for service	82,041	278,127	-
Special assessments	-	-	-
Miscellaneous	40,917	-	-
Total receipts	<u>\$ 1,000,693</u>	<u>\$ 280,707</u>	<u>\$ -</u>
DISBURSEMENTS:			
Public safety	\$ 134,546	\$ -	\$ -
Public works	237,638	-	-
Health and social services	5,465	-	-
Culture and recreation	257,340	-	-
Community and economic development	79,486	-	-
General government	174,092	-	-
Debt service	532,162	-	-
Business type activities	-	288,173	-
Total disbursements	<u>\$ 1,420,729</u>	<u>\$ 288,173</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (420,036)	\$ (7,466)	\$ -
Other financing sources, net	<u>356,963</u>	<u>20,187</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ (63,073)	\$ 12,721	\$ -
Balances beginning of year	<u>996,585</u>	<u>392,964</u>	<u>-</u>
Balances end of year	<u>\$ 933,512</u>	<u>\$ 405,685</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report.

<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 302,668	\$ 297,047	\$ 297,047	\$ 5,621
194,323	146,000	146,000	48,323
68,219	67,212	67,212	1,007
1,248	2,240	2,240	(992)
52,657	57,160	57,160	(4,503)
261,200	116,000	116,000	145,200
360,168	317,375	317,375	42,793
-	300,000	-	-
40,917	3,000	3,000	37,917
<u>\$1,281,400</u>	<u>\$1,306,034</u>	<u>\$ 1,006,034</u>	<u>\$ 275,366</u>
\$ 134,546	\$ 95,050	\$ 145,050	\$ 10,504
237,638	892,550	592,550	354,912
5,465	9,400	9,400	3,935
257,340	178,447	257,447	107
79,486	61,700	61,700	(17,786)
174,092	155,020	203,020	28,928
532,162	161,113	538,113	5,951
288,173	206,730	206,730	(81,443)
<u>\$1,708,902</u>	<u>\$1,760,010</u>	<u>\$ 2,014,010</u>	<u>\$ 305,108</u>
\$ (427,502)	\$ (453,976)	\$ (1,007,976)	\$ 580,474
<u>377,150</u>	<u>450,000</u>	<u>902,000</u>	<u>(524,850)</u>
\$ (50,352)	\$ (3,976)	\$ (105,976)	\$ 55,624
<u>1,389,549</u>	<u>1,045,795</u>	<u>1,045,795</u>	<u>343,754</u>
<u>\$1,339,197</u>	<u>\$1,041,819</u>	<u>\$ 939,819</u>	<u>\$ 399,378</u>

CITY OF ALLISON, 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 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 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 \$254,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the community and economic development and business type activities functions.

Other Supplementary Information

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

	<u>Special Revenue</u>		<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
	<u>Road Use Tax</u>	<u>Employee Benefits</u>		
RECEIPTS:				
Intergovernmental	\$ 88,924	\$ -	\$ -	\$ 88,924
Miscellaneous	-	-	315	315
Total receipts	<u>\$ 88,924</u>	<u>\$ -</u>	<u>\$ 315</u>	<u>\$ 89,239</u>
DISBURSEMENTS:				
Operating:				
Public works	<u>89,662</u>	<u>-</u>	<u>-</u>	<u>89,662</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (738)</u>	<u>\$ -</u>	<u>\$ 315</u>	<u>\$ (423)</u>
Other financing sources (uses):				
Operating transfers in	\$ -	\$ 64,635	\$ -	\$ 64,635
Operating transfers out	<u>-</u>	<u>(64,784)</u>	<u>-</u>	<u>(64,784)</u>
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (149)</u>	<u>\$ -</u>	<u>\$ (149)</u>
Net change in cash balances	\$ (738)	\$ (149)	\$ 315	\$ (572)
Cash balances beginning of year	<u>36,584</u>	<u>-</u>	<u>24,752</u>	<u>61,336</u>
Cash balances end of year	<u>\$ 35,846</u>	<u>\$ (149)</u>	<u>\$ 25,067</u>	<u>\$ 60,764</u>
Cash Basis Fund Balances:				
Unreserved:				
Special revenue funds	\$ 35,846	\$ (149)	\$ -	\$ 35,697
Permanent fund	<u>-</u>	<u>-</u>	<u>25,067</u>	<u>25,067</u>
Total cash basis fund balances	<u>\$ 35,846</u>	<u>\$ (149)</u>	<u>\$ 25,067</u>	<u>\$ 60,764</u>

See Accompanying Independent Auditor's Report.

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

	<u>Enterprise</u>			
	<u>Water Reserve</u>	<u>Water Depreciation</u>	<u>Sewer Reserve</u>	<u>Sewer Depreciation</u>
Operating receipts:				
Charges for service	\$ -	\$ -	\$ -	\$ -
Operating disbursements:				
Business type activities	-	-	-	-
Net change in cash balances	\$ -	\$ -	\$ -	\$ -
Cash balances beginning of year	<u>33,180</u>	<u>16,080</u>	<u>12,564</u>	<u>19,153</u>
Cash balances end of year	<u>\$ 33,180</u>	<u>\$ 16,080</u>	<u>\$ 12,564</u>	<u>\$ 19,153</u>
Cash Basis Fund Balances:				
Reserved for other	<u>\$ 33,180</u>	<u>\$ 16,080</u>	<u>\$ 12,564</u>	<u>\$ 19,153</u>

See Accompanying Independent Auditor's Report.

<u>Customer Deposits</u>	<u>Total</u>
\$ 1,450	\$ 1,450
<u>750</u>	<u>750</u>
\$ 700	\$ 700
<u>16,592</u>	<u>97,569</u>
<u>\$ 17,292</u>	<u>\$ 98,269</u>
<u>\$ 17,292</u>	<u>\$ 98,269</u>

CITY OF ALLISON, 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 Notes:			
G.O. Capital Loan Note	01-01-01	5.05-5.20%	\$ 340,000
G.O. Capital Loan Note	03-01-02	4.50-5.00	450,000
G.O. Capital Loan Note	09-01-08	3.25-4.40	600,000
G.O. Capital Loan Note	03-02-10	1.50-3.00	380,000
Capital Lease:			
Sweeper	01-08-09	5.25%	\$ 52,000
Total indebtedness			

See Accompanying Independent Auditor's Report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 145,000	\$ -	\$145,000	\$ -	\$ 7,470	\$ -
290,000	-	290,000	-	14,185	-
600,000	-	50,000	550,000	23,558	-
-	380,000	-	380,000	-	-
<u>\$1,035,000</u>	<u>\$380,000</u>	<u>\$485,000</u>	<u>\$930,000</u>	<u>\$ 45,213</u>	<u>\$ -</u>
\$ 37,961	\$ -	\$ 11,997	\$ 25,964	\$ 2,042	\$ -
<u>\$1,072,961</u>	<u>\$380,000</u>	<u>\$496,997</u>	<u>\$955,964</u>	<u>\$ 47,255</u>	<u>\$ -</u>

CITY OF ALLISON, IOWA
 NOTE MATURITIES
 JUNE 30, 2010

Year Ending June 30,	GENERAL OBLIGATION NOTES				Total
	G.O. Capital Loan Note		G.O. Capital Loan Note		
	Issued September 1, 2008		Issued March 2, 2010		
	Interest Rates	Amount	Interest Rates	Amount	
2011	3.40%	\$ 55,000	1.50%	\$ 70,000	\$125,000
2012	3.60	55,000	1.50	75,000	130,000
2013	3.75	55,000	2.00	75,000	130,000
2014	3.90	60,000	2.00	35,000	95,000
2015	4.00	60,000	3.00	40,000	100,000
2016	4.10	60,000	3.00	40,000	100,000
2017	4.20	65,000	3.00	45,000	110,000
2018	4.30	70,000	-	-	70,000
2019	4.40	70,000	-	-	70,000
Total		<u>\$550,000</u>		<u>\$380,000</u>	<u>\$930,000</u>

See Accompanying Independent Auditor's Report.



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INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

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 Allison, 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 December 27, 2010. My report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2009. 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 Allison'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 Allison's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Allison'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 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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Allison's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in of the accompanying Schedule of Findings and as items (A), (C), (D), (E) and (F) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in the accompanying Schedule of Findings as item (B) to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Allison's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and 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 Allison'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 Allison'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 Allison and other parties to whom the City of Allison 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 Allison 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.



December 27, 2010

CITY OF ALLISON, IOWA
Schedule of Findings
Year Ended June 30, 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) Personnel Policy - The City does not have a formal personnel policy.

Recommendation - For a better understanding of the policies the City Council implements, I recommend that the City adopt a formal personnel policy.

Response - We will investigate this, and implement this if it is feasible.

Conclusion - Response accepted.

- (C) Information Systems Controls - The City does not have a written disaster recovery plan. Also, adequate fire protection of computers and files does not exist.

Recommendation - The City should implement the controls necessary to protect the processing of computer information.

Response - We will do this.

Conclusion - Response accepted.

- (D) 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.

CITY OF ALLISON, IOWA
Schedule of Findings
Year Ended June 30, 2010

Findings Related to the Financial Statements: - continued

- (E) Bank Signature Cards - I noted that some of the bank signature cards were not current.

Recommendation - All bank authorized signature cards should be reviewed and updated. Only current City employees, board members or Council members should be authorized signers.

Response - We will review all signature cards and update them per guidelines recommended.

Conclusion - Response accepted.

- (F) 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.

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 community and economic development and business type activities functions. 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 - We will do this in the future.

Conclusion - Response accepted.

**CITY OF ALLISON, IOWA
Schedule of Findings
Year Ended June 30, 2010**

Other Findings Related to Required Statutory Reporting: - continued

- (2) Questionable Disbursements - No disbursements were noted that I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- (3) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jerry Platter, Council Member Owner Star Graphics	Supplies	\$ 977

In accordance with Chapter 362.5(11) of the Code of Iowa, these transactions do not appear to represent conflicts of interest since total transactions were less than \$2,500 during the fiscal year.

- (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 - No transactions were found that I believe should have been approved in the Council minutes but were not.

The official minutes book includes a photocopy of minutes published for two meetings. The City should maintain official minutes for all meetings. Also, some minutes were not authenticated as required by Chapter 380.7(4) of the Code of Iowa during the audit period. The City Clerk should sign all minutes of the Council meetings.

Although minutes of Council proceedings were published, they were not always published within 15 days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation - All minutes should be signed and published as required by the Code of Iowa.

Response - We will sign and 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) Employee Benefit Levy - I noted that the proceeds from the Employee Benefits Levy were recorded in the General Fund.

Recommendation - The City should deposit the funds directly into the Special Revenue, Employee Benefits Fund for better accountability of the tax levy proceeds.

CITY OF ALLISON, IOWA
Schedule of Findings
Year Ended June 30, 2010

Other Findings Related to Required Statutory Reporting: - continued

Response - We will do this.

Conclusion - Response accepted.

- (9) Local Option Sales Tax - Local option sales tax was deposited into the General fund. Chapter 384.4 of the Code of Iowa states, in part, that monies collected for the local option sales tax shall be deposited in the Special Revenue Fund.

Recommendation - The City should establish a Special Revenue, Local Option Sales Tax Fund and deposit all revenue from these taxes in that account.

Response - We will look into this.

Conclusion - Response accepted.

- (10) Financial Condition - The Special Revenue, Employee Benefits Fund and the Debt Service Fund had deficit balances of \$149 and \$275, respectively, at June 30, 2010.

Recommendation - The City should monitor these accounts and investigate alternatives to eliminate the deficits in order to return them to a sound financial condition.

Response - These accounts will be monitored in the future.

Conclusion - Response accepted.

- (11) Utility Billings - The City does not appear to be charging the correct sewer fees to customers paying above the minimum monthly fee as required by the City Code. Also, sales tax on sewer and solid waste services provided to non-residential commercial operations were not assessed.

Recommendation - The City should take necessary steps to comply with the City Code and insure rates are being charged correctly. The City should assess sales tax on sewer and solid waste services provided to non-residential commercial operations in accordance with section 701-26.72 of the Iowa Department of Revenue and Finance Administrative Rules and Regulations.

Response - These items will be corrected.

Conclusion - Response accepted.