

CITY OF GREENE, IOWA

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

JUNE 30, 2010

- Prepared By -

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

CITY OF GREENE, IOWA

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CITY OF GREENE, IOWA

OFFICIALS

(Before January 2010)

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
William Christensen	Mayor	January 2010
Marilyn Folkers	Mayor Pro Tem	January 2012
Ben Backer	Council Member	January 2010
Scott Watkins	Council Member	January 2010
Allan Zweck	Council Member	January 2010
Shirley Fesenmeyer	Council Member	January 2012
Jayne Knapp	Clerk/Treasurer	Indefinite
Carter Stevens	Attorney	Indefinite

(After January 2010)

William Christensen	Mayor	January 2012
Marilyn Folkers	Mayor Pro Tem	January 2012
Shirley Fesenmeyer	Council Member	January 2012
Darin Klunder	Council Member	January 2014
Scott Watkins	Council Member	January 2014
Allan Zweck	Council Member	January 2014
Jayne Knapp	Clerk/Treasurer	Indefinite
Carter Stevens	Attorney	Indefinite



Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616

E-mail: rlp@fiai.net

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

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Greene, 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 Greene'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 Greene 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 November 3, 2010 on my consideration of the City of Greene's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 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 Greene'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 of 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, 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".

November 3, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Greene 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 12.2%, or approximately \$263,000, from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities decreased approximately \$260,000 to \$1,590,312 and the assets of the business type activities decreased approximately \$3,000.

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. 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 and Tax Increment Financing, 3) the Debt Service Fund, 4) the Capital Projects Funds and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Rental 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 from a year ago, decreasing from \$1,850,324 to \$1,590,312. 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	\$ 263
Operating grants, contributions and restricted interest	144
Capital grants, contributions and restricted interest	633
General receipts:	
Property tax	482
Local option sales tax	75
Unrestricted interest on investments	36
Other general receipts	65
Total receipts	<u>\$1,698</u>
 Disbursements:	
Public safety	\$ 454
Public works	398
Health and social services	4
Culture and recreation	306
Community and economic development	477
General government	87
Debt service	184
Capital projects	48
Total disbursements	<u>\$1,958</u>
 Change in cash basis net assets	\$ (260)
Cash basis net assets beginning of year	<u>1,850</u>
 Cash basis net assets end of year	<u>\$1,590</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	\$ 152
Sewer rental	134
Other	2
Total receipts	<u>\$ 288</u>
 Disbursements:	
Water	\$ 186
Sewer rental	103
Other	2
Total disbursements	<u>\$ 291</u>
 Change in cash basis net assets	\$ (3)
Cash basis net assets beginning of year	<u>309</u>
 Cash basis net assets end of year	<u>\$ 306</u>

The City's cash balance for the business type activities decreased from a year ago, decreasing from \$308,583 to \$305,875.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Greene completed the year, its governmental funds reported a combined fund balance of \$1,590,312, a decrease of approximately \$260,000 below last year's total of \$1,850,324. 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 \$158,627 from the prior year to \$163,719.

The Special Revenue, Library Trust Fund cash balance decreased by \$7,354 to \$570,036 during the fiscal year.

The Special Revenue, Ambulance Fund cash balance decreased by \$48,503 to \$290,252 due primarily to several equipment purchases during the fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Fund cash balance decreased \$33,488 from the prior year to \$46,122, due primarily to debt service payments.

The Enterprise, Sewer Rental Fund cash balance increased by \$30,480 to \$255,538, due primarily to an increase in operating receipts.

BUDGETARY HIGHLIGHTS

Over the course of the year the City amended its budget one time. The amendment was approved on May 10, 2010 and resulted in an increase in operating disbursements of approximately \$735,000 due mainly to buy-out and FEMA project expenses. The City received federal and state grant monies to cover these expenses.

The City exceeded the amounts budgeted in the public works, culture and recreation, community and economic development and the debt service functions for the year ended June 30, 2010.

DEBT ADMINISTRATION

At June 30, 2010, the City had approximately \$833,000 in bonds and other long-term debt outstanding, compared to approximately \$1,014,000 last year, as shown below:

Outstanding Debt at Year-End
(Expressed in Thousands)

	June 30,
	<u>2010</u>
General obligation bonds	\$ 407
Urban renewal tax increment financing revenue bonds	116
Revenue bonds	219
REC loan	<u>91</u>
Total	<u>\$ 833</u>

The City did not incur any new debt during fiscal year 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 and tax increment financing debt of \$613,877 is significantly below its constitutional debt limit of \$2,223,105.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Greene'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 Jayne Knapp, City Clerk, 123 North 2nd Street, Greene, Iowa 50636.

CITY OF GREENE, 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	\$ 453,874	\$ 85,949	\$ 16,117	\$ -
Public works	398,063	111,685	101,945	-
Health and social services	4,045	3,336	-	-
Culture and recreation	306,235	60,121	12,815	71,595
Community and economic development	476,764	-	-	491,326
General government	86,940	1,595	12,673	69,978
Debt service	183,649	-	-	-
Capital projects	48,200	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities	<u>\$1,957,770</u>	<u>\$ 262,686</u>	<u>\$ 143,550</u>	<u>\$ 632,899</u>
Business type activities:				
Water	\$ 185,622	\$ 152,111	\$ -	\$ -
Sewer rental	103,312	133,642	-	-
Other	2,100	2,400	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total business type activities	<u>\$ 291,034</u>	<u>\$ 288,153</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$2,248,804</u>	<u>\$ 550,839</u>	<u>\$ 143,550</u>	<u>\$ 632,899</u>

(Continued)

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (351,808)	\$ -	\$ (351,808)
(184,433)	-	(184,433)
(709)	-	(709)
(161,704)	-	(161,704)
14,562	-	14,562
(2,694)	-	(2,694)
(183,649)	-	(183,649)
<u>(48,200)</u>	<u>-</u>	<u>(48,200)</u>
\$ (918,635)	\$ -	\$ (918,635)
\$ -	\$ (33,511)	\$ (33,511)
-	30,330	30,330
<u>-</u>	<u>300</u>	<u>300</u>
\$ -	\$ (2,881)	\$ (2,881)
\$ (918,635)	\$ (2,881)	\$ (921,516)

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

General Receipts:

Property and other city tax levied for:
 General purposes
 Debt service
Tax increment financing
Local option sales tax
Unrestricted interest on investments
Miscellaneous

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:

 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>
\$ 299,533	\$ -	\$ 299,533
129,693	-	129,693
53,173	-	53,173
75,331	-	75,331
36,015	158	36,173
64,878	15	64,893
<u>\$ 658,623</u>	<u>\$ 173</u>	<u>\$ 658,796</u>
\$ (260,012)	\$ (2,708)	\$ (262,720)
<u>1,850,324</u>	<u>308,583</u>	<u>2,158,907</u>
<u>\$ 1,590,312</u>	<u>\$ 305,875</u>	<u>\$ 1,896,187</u>
\$ 82,200	\$ -	\$ 82,200
29,935	-	29,935
69,559	-	69,559
1,244,899	4,215	1,249,114
163,719	301,660	465,379
<u>\$ 1,590,312</u>	<u>\$ 305,875</u>	<u>\$ 1,896,187</u>

CITY OF GREENE, 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>Library Trust</u>	<u>Ambulance</u>
RECEIPTS:			
Property tax	\$ 203,637	\$ -	\$ -
Tax increment financing	-	-	-
Other city tax	7,446	-	-
Licenses and permits	1,595	-	-
Use of money and property	7,217	19,883	6,172
Intergovernmental	504,994	12,815	5,100
Charges for service	155,465	-	85,056
Special assessments	-	-	-
Miscellaneous	38,013	13,369	20,111
Total receipts	<u>\$ 918,367</u>	<u>\$ 46,067</u>	<u>\$ 116,439</u>
DISBURSEMENTS:			
Operating:			
Public safety	\$ 262,550	\$ -	\$ 164,942
Public works	290,128	-	-
Health and social services	4,045	-	-
Culture and recreation	176,213	94,543	-
Community and economic development	347,116	-	-
General government	78,628	-	-
Debt service	-	-	-
Capital projects	48,200	-	-
Total disbursements	<u>\$1,206,880</u>	<u>\$ 94,543</u>	<u>\$ 164,942</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (288,513)</u>	<u>\$ (48,476)</u>	<u>\$ (48,503)</u>
Other financing sources (uses):			
Operating transfers in	\$ 165,754	\$ 41,122	\$ -
Operating transfers out	(35,868)	-	-
Total other financing sources (uses)	<u>\$ 129,886</u>	<u>\$ 41,122</u>	<u>\$ -</u>
Net change in cash balances	\$ (158,627)	\$ (7,354)	\$ (48,503)
Cash balances beginning of year	<u>322,346</u>	<u>577,390</u>	<u>338,755</u>
Cash balances end of year	<u>\$ 163,719</u>	<u>\$ 570,036</u>	<u>\$ 290,252</u>
Cash Basis Fund Balances:			
Unreserved:			
General fund	\$ 163,719	\$ -	\$ -
Special revenue funds	-	570,036	290,252
Capital project funds	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	<u>\$ 163,719</u>	<u>\$ 570,036</u>	<u>\$ 290,252</u>

See Notes to Financial Statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 218,143	\$ 421,780
53,173	53,173
75,331	82,777
-	1,595
2,869	36,141
253,539	776,448
-	240,521
6,656	6,656
7,174	78,667
<u>\$ 616,885</u>	<u>\$ 1,697,758</u>
\$ 26,382	\$ 453,874
107,935	398,063
-	4,045
35,479	306,235
129,648	476,764
8,312	86,940
183,649	183,649
-	48,200
<u>\$ 491,405</u>	<u>\$ 1,957,770</u>
<u>\$ 125,480</u>	<u>\$ (260,012)</u>
\$ 29,345	\$ 236,221
(200,353)	(236,221)
<u>\$ (171,008)</u>	<u>\$ -</u>
\$ (45,528)	\$ (260,012)
<u>611,833</u>	<u>1,850,324</u>
<u>\$ 566,305</u>	<u>\$ 1,590,312</u>
\$ -	\$ 163,719
383,939	1,244,227
100,166	100,166
82,200	82,200
<u>\$ 566,305</u>	<u>\$ 1,590,312</u>

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

	Enterprise	
	Water	Sewer Rental
Operating receipts:		
Charges for service	\$ 152,111	\$ 133,642
Operating disbursements:		
Business type activities	149,592	103,312
Excess of operating receipts over operating disbursements	\$ 2,519	\$ 30,330
Non-operating receipts (disbursements):		
Interest on investments	\$ 8	\$ 150
Miscellaneous	15	-
Debt service	(36,030)	-
Net non-operating receipts (disbursements)	\$ (36,007)	\$ 150
Net change in cash balances	\$ (33,488)	\$ 30,480
Cash balances beginning of year	79,610	225,058
Cash balances end of year	\$ 46,122	\$ 255,538
Cash Basis Fund Balances		
Reserved for other	\$ -	\$ -
Unreserved	46,122	255,538
Total cash basis fund balances	\$ 46,122	\$ 255,538

See Notes to Financial Statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 2,400	\$ 288,153
<u>2,100</u>	<u>255,004</u>
\$ 300	\$ 33,149
\$ -	\$ 158
-	15
-	(36,030)
<u>\$ -</u>	<u>\$ (35,857)</u>
\$ 300	\$ (2,708)
<u>3,915</u>	<u>308,583</u>
<u>\$ 4,215</u>	<u>\$ 305,875</u>
\$ 4,215	\$ 4,215
<u>-</u>	<u>301,660</u>
<u>\$ 4,215</u>	<u>\$ 305,875</u>

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

(1) Summary of Significant Accounting Policies

The City of Greene is a political subdivision of the State of Iowa located in Butler County. It was first incorporated in 1879 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 Greene 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: Butler County Assessor's Conference Board, Iowa Northland Regional Council of Governments, Butler County Emergency Management Commission and Butler County Joint E911 Service Board.

B. Basis of Presentation

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

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 GREENE, 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 categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Library Trust Fund is used to account for library operations and maintenance.

The Ambulance Fund is used to account for ambulance funds.

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 GREENE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public works, culture and recreation, community and economic development and the debt service functions.

(2) **Cash and Pooled Investments**

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

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

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

<u>Investment</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Common Stock	\$181,674	\$181,674
U.S. Treasury Securities	60,529	60,000
Total	<u>\$242,203</u>	<u>\$241,674</u>

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

(2) **Cash and Pooled Investments** - continued

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.

(3) **Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligations bonds and notes, urban renewal tax increment financing revenue bonds and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bond and Notes		Urban Renewal Tax Increment Financing Revenue Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$121,000	\$ 16,698	\$ 19,375	\$ 5,599	\$ 29,000	\$ 6,570	\$ 169,375	\$ 28,867
2012	121,000	12,022	19,375	4,678	30,000	5,700	170,375	22,400
2013	105,000	7,005	19,375	3,732	30,000	4,800	154,375	15,537
2014	60,000	2,520	19,375	2,799	31,000	3,900	110,375	9,219
2015	-	-	19,375	1,866	32,000	2,970	51,375	4,836
2016-2017	-	-	19,375	936	67,000	3,030	86,375	3,966
Total	<u>\$407,000</u>	<u>\$ 38,245</u>	<u>\$116,250</u>	<u>\$ 19,610</u>	<u>\$219,000</u>	<u>\$ 26,970</u>	<u>\$ 742,250</u>	<u>\$ 84,825</u>

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

At the option of the City, the essential corporate purpose notes issues are subject to redemption and prepayment on any date, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot, at a price of par plus accrued interest to call date, by giving proper notice.

Urban Renewal Tax Increment Financing Revenue Bonds

The City issued \$155,000 of urban renewal tax increment financing (TIF) revenue bonds in July 2008 for the purpose of defraying a portion of the costs of various construction and refurbishing projects within the urban renewal district. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Tax Increment Financing Industrial Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$135,860, payable through June 2016. For the current year, principal and interest paid and total TIF receipts were \$25,907 and \$64,584, respectively.

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

(3) Bonds and Notes Payable - continued

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$300,000 of water revenue bonds issued in March 2007. Proceeds from the bonds provided financing for the construction of water main extensions. The bonds are payable solely from water customer net receipts and are payable through 2017. Annual principal and interest payments on the bonds are expected to require less than 80 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$245,970. For the current year, principal and interest paid and total customer net receipts were \$35,413 and \$2,519, respectively.

The resolution providing for the issuance of the revenue bonds includes the following provisions:

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

The City has also entered into the following loan agreement with Butler County Rural Electric Cooperative:

<u>Date of Loan</u>	10-26-06
Original amount	\$138,560
Interest rate	2.00-4.00%
Payment dates	Monthly
Payment amount	\$ 1,353
Maturity date	10-15-16

At June 30, 2010:

Number of payments remaining	76
Outstanding balance	\$ 90,628

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2010, was \$14,533, equal to the required contribution for the year.

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

(5) **Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 6 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 premiums for the City and plan members are \$549 for single coverage and \$1,373 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$84,162 and plan members eligible for benefits contributed nothing to the plan.

(6) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2010, primarily relating to the General Fund, is \$8,693.

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

(7) **Risk Management**

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

(8) **Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Special Assessments	\$ 1,315
	Emergency Levy	5,939
	Local Option Sales Tax	136,500
	Street Improvements	22,000
		<u>\$165,754</u>

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

(8) Interfund Transfers - continued

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Tax Increment Financing Residential	General	\$ 1,668
Street Improvements	Special Revenue: Special Assessments	\$ 5,341
Library Trust	General Special Revenue: Employee Benefits	\$ 33,600 7,522 <u>\$ 41,122</u>
Debt Service	General Special Revenue: Local Option Sales Tax	\$ 600 16,236 <u>\$ 16,836</u>
Capital Projects: CDBG Housing Rehab	Special Revenue: Tax Increment Financing Residential	\$ 5,500
Total		<u>\$236,221</u>

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

(9) Deficit Balance

The Capital Projects, CDBG Housing Rehab Fund had a deficit balance of \$6,966 at June 30, 2010. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of state grants.

(10) Commitments

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

<u>Project</u>	<u>Total Contract</u>	<u>Costs Incurred To Date</u>
High Street Water Improvement	\$ 35,776	\$ 33,978
Pool bath house floors	4,500	-
	<u>\$ 40,276</u>	<u>\$ 33,978</u>

(11) Subsequent Event

On September 13, 2010 the council approved a flood buyout demolition bid in the amount of \$68,715.

Required Supplementary Information

CITY OF GREENE, 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 <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds Not Required to be Budgeted
RECEIPTS:			
Property tax	\$ 421,780	\$ -	\$ -
Tax increment financing	53,173	-	-
Other city tax	82,777	-	-
Licenses and permits	1,595	-	-
Use of money and property	36,141	158	-
Intergovernmental	776,448	-	-
Charges for service	240,521	288,153	-
Special assessments	6,656	-	-
Miscellaneous	78,667	15	-
Total receipts	<u>\$ 1,697,758</u>	<u>\$ 288,326</u>	<u>\$ -</u>
DISBURSEMENTS:			
Public safety	\$ 453,874	\$ -	\$ -
Public works	398,063	-	-
Health and social services	4,045	-	-
Culture and recreation	306,235	-	-
Community and economic development	476,764	-	-
General government	86,940	-	-
Debt service	183,649	36,030	-
Capital projects	48,200	-	-
Business type activities	-	255,004	-
Total disbursements	<u>\$ 1,957,770</u>	<u>\$ 291,034</u>	<u>\$ -</u>
Deficiency of receipts under disbursements	\$ (260,012)	\$ (2,708)	\$ -
Balances beginning of year	<u>1,850,324</u>	<u>308,583</u>	<u>-</u>
Balances end of year	<u>\$ 1,590,312</u>	<u>\$ 305,875</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>	
\$ 421,780	\$ 412,300	\$ 412,300	\$ 9,480
53,173	63,829	63,829	(10,656)
82,777	71,122	71,122	11,655
1,595	1,325	1,325	270
36,299	48,600	48,600	(12,301)
776,448	214,300	949,300	(172,852)
528,674	490,500	490,500	38,174
6,656	8,500	8,500	(1,844)
78,682	17,260	17,260	61,422
<u>\$1,986,084</u>	<u>\$1,327,736</u>	<u>\$ 2,062,736</u>	<u>\$ (76,652)</u>
\$ 453,874	\$ 314,161	\$ 984,161	\$ 530,287
398,063	308,887	308,887	(89,176)
4,045	7,595	7,595	3,550
306,235	241,293	241,293	(64,942)
476,764	51,653	51,653	(425,111)
86,940	102,127	102,127	15,187
219,679	148,044	148,044	(71,635)
48,200	83,300	148,300	100,100
255,004	298,310	298,310	43,306
<u>\$2,248,804</u>	<u>\$1,555,370</u>	<u>\$ 2,290,370</u>	<u>\$ 41,566</u>
\$ (262,720)	\$ (227,634)	\$ (227,634)	\$ (35,086)
<u>2,158,907</u>	<u>2,013,905</u>	<u>2,013,905</u>	<u>145,002</u>
<u>\$1,896,187</u>	<u>\$1,786,271</u>	<u>\$ 1,786,271</u>	<u>\$ 109,916</u>

CITY OF GREENE, 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. 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 \$735,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public works, culture and recreation, community and economic development and the debt service functions.

Other Supplementary Information

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

	Special			
	Special Assessments	Road Use Tax	I-Jobs	Employee Benefits
RECEIPTS:				
Property tax	\$ -	\$ -	\$ -	\$ 82,511
Tax increment financing	-	-	-	-
Other city tax	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	97,145	4,800	-
Special assessments	6,656	-	-	-
Miscellaneous	-	-	-	-
Total receipts	\$ 6,656	\$ 97,145	\$ 4,800	\$ 82,511
DISBURSEMENTS:				
Operating:				
Public safety	\$ -	\$ -	\$ -	\$ 26,382
Public works	-	88,795	-	19,140
Culture and recreation	-	-	-	35,479
Community and economic development	-	-	-	-
General government	-	-	-	8,312
Debt service	-	-	-	-
Total disbursements	\$ -	\$ 88,795	\$ -	\$ 89,313
Excess (deficiency) of receipts over (under) disbursements	\$ 6,656	\$ 8,350	\$ 4,800	\$ (6,802)
Other financing sources (uses):				
Operating transfers in	\$ -	\$ -	\$ -	\$ -
Operating transfers out	(6,656)	-	-	(7,522)
Total other financing sources (uses)	\$ (6,656)	\$ -	\$ -	\$ (7,522)
Net change in cash balances	\$ -	\$ 8,350	\$ 4,800	\$ (14,324)
Cash balances beginning of year	-	4,899	-	25,306
Cash balances end of year	\$ -	\$ 13,249	\$ 4,800	\$ 10,982
Cash Basis Fund Balances:				
Unreserved:				
Special revenue funds	\$ -	\$ 13,249	\$ 4,800	\$ 10,982
Capital project funds	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ -	\$ 13,249	\$ 4,800	\$ 10,982

(Continued)

Revenue						
Emergency Levy	Local Option Sales Tax	Tax Increment Financing Industrial	Tax Increment Financing Residential	Fire Improvements	Pool Improvements	Street Improvements
\$ 5,939	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	19,384	33,789	-	-	-
-	75,331	-	-	-	-	-
-	-	-	-	501	396	-
-	-	45,200	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 5,939</u>	<u>\$ 75,331</u>	<u>\$ 64,584</u>	<u>\$ 33,789</u>	<u>\$ 501</u>	<u>\$ 396</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	1,211	12,364	-	-	-
-	-	-	-	-	-	-
-	-	25,907	10,253	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,118</u>	<u>\$ 22,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,939	\$ 75,331	\$ 37,466	\$ 11,172	\$ 501	\$ 396	\$ -
\$ -	\$ -	\$ -	\$ 1,668	\$ -	\$ -	\$ 5,341
<u>(5,939)</u>	<u>(152,736)</u>	<u>-</u>	<u>(5,500)</u>	<u>-</u>	<u>-</u>	<u>(22,000)</u>
\$ (5,939)	\$ (152,736)	\$ -	\$ (3,832)	\$ -	\$ -	\$ (16,659)
\$ -	\$ (77,405)	\$ 37,466	\$ 7,340	\$ 501	\$ 396	\$ (16,659)
-	153,643	(34,847)	59,600	26,532	28,361	28,545
<u>\$ -</u>	<u>\$ 76,238</u>	<u>\$ 2,619</u>	<u>\$ 66,940</u>	<u>\$ 27,033</u>	<u>\$ 28,757</u>	<u>\$ 11,886</u>
\$ -	\$ 76,238	\$ 2,619	\$ 66,940	\$ 27,033	\$ 28,757	\$ 11,886
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 76,238</u>	<u>\$ 2,619</u>	<u>\$ 66,940</u>	<u>\$ 27,033</u>	<u>\$ 28,757</u>	<u>\$ 11,886</u>

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

	Special Revenue		
	Park Improvements	Cemetery Decorations and Improvements	Albrecht Trust
RECEIPTS:			
Property tax	\$ -	\$ -	\$ -
Tax increment financing	-	-	-
Other city tax	-	-	-
Use of money and property	-	236	1,336
Intergovernmental	-	-	-
Special assessments	-	-	-
Miscellaneous	-	-	6,614
Total receipts	\$ -	\$ 236	\$ 7,950
DISBURSEMENTS:			
Operating:			
Public safety	\$ -	\$ -	\$ -
Public works	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	-	14
General government	-	-	-
Debt service	-	-	-
Total disbursements	\$ -	\$ -	\$ 14
Excess (deficiency) of receipts over (under) disbursements	\$ -	\$ 236	\$ 7,936
Other financing sources (uses):			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers out	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ -
Net change in cash balances	\$ -	\$ 236	\$ 7,936
Cash balances beginning of year	446	14,424	118,393
Cash balances end of year	\$ 446	\$ 14,660	\$ 126,329
Cash Basis Fund Balances:			
Unreserved:			
Special revenue funds	\$ 446	\$ 14,660	\$ 126,329
Capital project funds	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	\$ 446	\$ 14,660	\$ 126,329

See Accompanying Independent Auditor's Report.

Debt Service	Capital Projects			Permanent	Total
	CDBG American Tool	CDBG Elm Springs	CDBG Housing Rehab	Cemetery Perpetual Care	
\$129,693	\$ -	\$ -	\$ -	\$ -	\$ 218,143
-	-	-	-	-	53,173
-	-	-	-	-	75,331
-	274	126	-	-	2,869
-	-	-	106,394	-	253,539
-	-	-	-	-	6,656
-	-	-	-	560	7,174
<u>\$129,693</u>	<u>\$ 274</u>	<u>\$ 126</u>	<u>\$ 106,394</u>	<u>\$ 560</u>	<u>\$ 616,885</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,382
-	-	-	-	-	107,935
-	-	-	-	-	35,479
-	-	-	116,059	-	129,648
-	-	-	-	-	8,312
147,489	-	-	-	-	183,649
<u>\$147,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,059</u>	<u>\$ -</u>	<u>\$ 491,405</u>
\$ (17,796)	\$ 274	\$ 126	\$ (9,665)	\$ 560	\$ 125,480
\$ 16,836	\$ -	\$ -	\$ 5,500	\$ -	\$ 29,345
-	-	-	-	-	(200,353)
\$ 16,836	\$ -	\$ -	\$ 5,500	\$ -	\$ (171,008)
\$ (960)	\$ 274	\$ 126	\$ (4,165)	\$ 560	\$ (45,528)
960	73,139	33,593	(2,801)	81,640	611,833
<u>\$ -</u>	<u>\$ 73,413</u>	<u>\$ 33,719</u>	<u>\$ (6,966)</u>	<u>\$ 82,200</u>	<u>\$ 566,305</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 383,939
-	73,413	33,719	(6,966)	-	100,166
-	-	-	-	82,200	82,200
<u>\$ -</u>	<u>\$ 73,413</u>	<u>\$ 33,719</u>	<u>\$ (6,966)</u>	<u>\$ 82,200</u>	<u>\$ 566,305</u>

CITY OF GREENE, IOWA
 SCHEUDLE OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN CASH BALANCES
 NONMAJOR PROPRIETARY FUND
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Meter Deposits</u>
Operating Receipts:	
Charges for service	\$ 2,400
Operating Disbursements:	
Business type activities	<u>2,100</u>
Net change in cash balance	\$ 300
Cash balance beginning of year	<u>3,915</u>
Cash balance end of year	<u>\$ 4,215</u>
Cash Basis Fund Balance:	
Reserved for other	<u>\$ 4,215</u>

See Accompanying Independent Auditor's Report.

CITY OF GREENE, 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 and Notes:			
Swimming Pool Note	09-30-02	2.24-4.50%	\$ 450,000
Street Improvement Note	07-01-04	2.00-4.20	600,000
Essential Corporate Purpose	11-15-01	4.25	160,000
Urban Renewal Tax Increment Financing (TIF) Revenue Bonds			
	07-02-08	4.75%	\$ 155,000
Revenue Bonds:			
Water	03-12-07	3.00%	\$ 300,000
REC Loan	10-26-06	2.00-4.00%	\$ 138,560
 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>
\$ 180,000	\$ -	\$ 45,000	\$135,000	\$ 6,826	\$ -
300,000	-	60,000	240,000	11,640	-
48,000	-	16,000	32,000	2,040	-
<u>\$ 528,000</u>	<u>\$ -</u>	<u>\$121,000</u>	<u>\$407,000</u>	<u>\$ 20,506</u>	<u>\$ -</u>
<u>\$ 135,625</u>	<u>\$ -</u>	<u>\$ 19,375</u>	<u>\$116,250</u>	<u>\$ 6,532</u>	<u>\$ -</u>
<u>\$ 247,000</u>	<u>\$ -</u>	<u>\$ 28,000</u>	<u>\$219,000</u>	<u>\$ 7,413</u>	<u>\$ -</u>
<u>\$ 102,969</u>	<u>\$ -</u>	<u>\$ 12,341</u>	<u>\$ 90,628</u>	<u>\$ 3,895</u>	<u>\$ -</u>
<u><u>\$1,013,594</u></u>	<u><u>\$ -</u></u>	<u><u>\$180,716</u></u>	<u><u>\$832,878</u></u>	<u><u>\$ 38,346</u></u>	<u><u>\$ -</u></u>

CITY OF GREENE, IOWA
BOND AND NOTE MATURITIES
JUNE 30, 2010

Year Ending June 30,	G E N E R A L		O B L I G A T I O N	
	Swimming Pool		Street	
	Note		Improvement Note	
	Issued September 30, 2002		Issued July 1, 2004	
	Interest Rates	Amount	Interest Rates	Amount
2011	4.25%	\$ 45,000	3.70%	\$ 60,000
2012	4.40	45,000	4.00	60,000
2013	4.50	45,000	4.10	60,000
2014		-	4.20	60,000
2015		-		-
2016		-		-
2017		-		-
Total		<u>\$135,000</u>		<u>\$240,000</u>

Year Ending June 30,	Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Revenue Bonds Water	
	Issued April 19, 1999		Issued March 12, 2007	
	Interest Rates	Amount	Interest Rates	Amount
	2011	4.75%	\$ 19,375	3.00%
2012	4.75	19,375	3.00	30,000
2013	4.75	19,375	3.00	30,000
2014	4.75	19,375	3.00	31,000
2015	4.75	19,375	3.00	32,000
2016	4.75	19,375	3.00	33,000
2017		-	3.00	34,000
Total		<u>\$116,250</u>		<u>\$ 219,000</u>

See Accompanying Independent Auditor's Report.

<u>B O N D S & N O T E S</u>		
<u>Essential</u>		
<u>Corporate Purpose</u>		
<u>Issued November 15, 2001</u>		
<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
4.25%	\$ 16,000	\$ 121,000
4.25	16,000	121,000
	-	105,000
	-	60,000
	-	-
	-	-
	-	-
	-	-
	-	-
	<u>\$ 32,000</u>	<u>\$ 407,000</u>

CITY OF GREENE, IOWA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2010

<u>GRANTOR/PROGRAM</u>	<u>CFDA NUMBER</u>	<u>AGENCY PASS-THROUGH NUMBER</u>	<u>PROGRAM EXPENDITURES</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grant			
Program	14.228	07-HSG-091	\$ 113,506
		08-DRMH-026	50,749
			<u>\$ 164,255</u>
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
Safety Belt Performance Grant	20.609	09-406	<u>\$ 1,628</u>
U.S. Department of Homeland Security:			
Iowa Homeland Security and Emergency			
Management Division:			
Disaster Grants - Public Assistance	97.036	10196	\$ 71,595
Hazard Mitigation Grant	97.039	HMGP-DR-1763-	
		0026-01	286,023
			<u>\$ 357,618</u>
Total			<u>\$ 523,501</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Greene 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.

See Accompanying Independent Auditor's Report.



Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616

E-mail: rlp@fiai.net

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

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

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Greene, 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 November 3, 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 Greene'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 Greene's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Greene'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 Greene's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying Schedule of Findings as items II-A-10, II-E-10, II-F-10 and II-G-10 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying Schedule of Findings as items II-B-10, II-C-10 and II-D-10 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Greene'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 Greene'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 Greene'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 Greene and other parties to whom the City of Greene may report, including federal awarding agencies and pass-through entities, 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 Greene 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.



November 3, 2010



Larry Pump, CPA
 117 North Jackson Street
 Charles City, IA 50616

E-mail: rlp@fi.ai.net

(641) 257-4222

or (641) 228-2812

Fax (641) 228-1513

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 Honorable Mayor and
 Members of the City Council:

Compliance

I have audited the compliance of the City of Greene, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2010. The City of Greene'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 program is the responsibility of the City of Greene's management. My responsibility is to express an opinion on the City of Greene'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 the City of Greene's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the City of Greene's compliance with those requirements.

In my opinion, the City of Greene complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2010. However, the results of my auditing procedures disclosed an instance of non-compliance 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 the City of Greene 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 the City of Greene'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 the City of Greene's internal control over compliance.

My consideration of 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 a deficiency in internal control over compliance I consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings as item III-A-10 to be a material weakness.

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

Handwritten signature of Lanny Pump in cursive script.

November 3, 2010

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

Part I: Summary of the Independent Auditor's Results:

- (a) Qualified opinions were 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, since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2009.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings which are 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 97.039 - Hazard Mitigation Grant.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Greene did not qualify as a low-risk auditee.

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 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.

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

Part II: Findings Related to the Financial Statements: - continued

II-B-10 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.

II-C-10 Petty Cash - The petty cash accounts for the library and ambulance do not have an established dollar amount. The account is replenished periodically in an amount believed to be sufficient for operations.

Recommendation - To increase accountability, a specific authorized amount should be established. Periodically, the cash on hand plus current petty cash vouchers should be reconciled to the established amount. The account should then be replenished to the established amount.

Response - We will try to implement this.

Conclusion - Response accepted.

II-D-10 Clerk's Monthly Financial Report - The imprest cash funds were not included in the Clerk's balances.

Recommendation - Chapter 384.20 of the Code of Iowa states in part, that "a City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any City purpose." All funds of the City should be included in the Clerk's report to comply with Chapter 384.20 of the Code of Iowa.

Response - We will include all cash funds in the Clerk's report.

Conclusion - Response accepted.

II-E-10 Ambulance and Albrecht Building - Receipts were not issued for all collections.

Recommendation - Control over cash receipts would be strengthened if pre-numbered receipts were issued for all collections.

Response - Receipts will be issued for all collections.

Conclusion - Response accepted.

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

Part II: Findings Related to the Financial Statements: - continued

II-F-10 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.

II-G-10 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 auditors, we were 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.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

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

Part III: Findings and Questioned Costs for Federal Awards: - continued

INTERNAL CONTROL DEFICIENCY:

CFDA Number 97.039: Hazard Mitigation Grant
Pass through Agency Number: HMGP-DR-1763-0026-01
Federal Award Year: 2010
U.S. Department of Homeland Security
Passed through the Iowa Homeland Security and Emergency Management Division

III-A-10 Segregation of Duties - The City did not properly segregate custody, recordkeeping and reconciling functions for receipts and disbursements, including those related to Federal Programs. See audit finding II-A-10.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Official Depositories - A resolution naming official depositories and maximum deposits has been approved by the City, however, the resolution was exceeded during the year.

Recommendation - The Council should approve a resolution in amounts sufficient to cover anticipated balances for all depositories.

Response - We will review our depository and maximum amount.

Conclusion - Response accepted.

IV-B-10 Certified Budget - Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the public works, culture and recreation, community and economic development and the debt service 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.

IV-C-10 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.

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

IV-E-10 Business Transactions - No business transactions between the City and City officials or employees were noted.

IV-F-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 the coverage is adequate for current operations.

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

Part IV: Other Findings Related to Required Statutory Reporting: - continued

IV-G-10 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

IV-H-10 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.

IV-I-10 Financial Condition - The Capital Projects, CDBG Housing Rehab Fund had a deficit balance of \$6,966 at June 30, 2010.

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

Response - This deficit was due to construction costs incurred prior to receipt of a state grant. This deficit will be eliminated upon receipt of the grant.

Conclusion - Response accepted.

IV-J-10 Payment of General Obligation Bonds - I noted that general obligation debt was paid from the Special Revenue Fund - Tax Increment Financing Residential and Industrial Accounts, and not from the Debt Service Fund, as required by Chapter 384.4 of the Code of Iowa.

Recommendation - The City should make general obligation debt payments from the Debt Service Fund as required by the Code.

Response - We will do this.

Conclusion - Response accepted.