

## NEWS RELEASE

FOR RELEASE \_\_\_\_\_

Cline, DeVries & Allen, LLP today released an audit report on the City of Story City, Iowa.

The City's receipts totaled \$4,243,204 for the year ended June 30, 2011, a less than one percent decrease from 2010. The receipts included \$1,077,724 in property tax, \$751,639 from tax increment financing collections, \$996,823 from charges for service, \$520,217 from operating grants, contributions and restricted interest, \$290,489 from capital grants, contributions, and restricted interest, \$376,539 from local option sales tax, \$16,050 from unrestricted investment earnings, and \$213,723 from other general receipts.

Disbursements for the year totaled \$6,938,668 a forty-four percent increase from the prior year, and included \$1,819,362 for capital projects, \$567,266 for culture and recreation, and \$2,052,479 for debt service. Also, disbursements for business type activities totaled \$753,850.

A copy of the audit report is available for review in the City Clerk's office.



**CITY OF STORY CITY**  
**INDEPENDENT AUDITORS' REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2011**



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City of Story City

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Jensen	Mayor	Jan 2014
Dwayne Fiihr	Council Member	Jan 2012
Barbara Frohling	Council Member	Jan 2012
Lynn Cummings	Council Member	Jan 2012
Dave Sporleder	Council Member	Jan 2014
Jeffrey Crisman	Council Member	Jan 2014
Mark Jackson	Administrator	Indefinite
Dena Nichols	Clerk/Treasurer	Jan 2012
Fred A. Larson	Attorney	Jan 2012

**City of Story City**

# CLINE, DEVRIES & ALLEN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Story City, Iowa, as of and for the year ended June 30, 2011, 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 Story City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Story City as of June 30, 2011, 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. However, the primary government financial statements, because they do not include the financial data of the component unit of the City of Story City, do not purport to, and do not, present fairly the results of the cash transactions of the funds of the City of Story City as of and for the year ended June 30, 2011 on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 2, 2011 on our consideration of the City of Story City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or 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 our audit.

The City has not presented management's discussion and analysis which introduces the primary government financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the primary government financial statements.

Budgetary comparison information on pages 25 through 27 is not a required part of the primary government financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Story City's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (none of which are presented herein) and expressed unqualified opinions on those 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 our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

November 2, 2011  
Ames, Iowa

**City of Story City**

## Basic Financial Statements

## City of Story City

## Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2011

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions / Programs:</b>				
<b>Governmental activities:</b>				
Public safety	\$ 462,261	22,191	102,239	-
Public works	389,527	75,176	306,037	-
Health and social services	20,200	-	47,700	-
Culture and recreation	567,266	74,324	40,914	981
Community and economic development	542,351	-	-	-
General government	331,372	44,577	-	-
Debt service	2,052,479	-	-	-
Capital projects	1,819,362	-	23,327	289,508
<b>Total governmental activities</b>	<b>6,184,818</b>	<b>216,268</b>	<b>520,217</b>	<b>290,489</b>
<b>Business type activities:</b>				
Water	358,857	377,709	-	-
Sewer	341,740	356,370	-	-
Stormwater drainage	44,253	46,476	-	-
Golf Course	9,000	-	-	-
<b>Total business type activities</b>	<b>753,850</b>	<b>780,555</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>\$ 6,938,668</b>	<b>996,823</b>	<b>520,217</b>	<b>290,489</b>
<b>General Receipts:</b>				
<b>Property tax levied for:</b>				
General purposes				
Tax increment financing				
Debt service				
Special assessments				
Local option sales tax				
Mobile home tax				
Hotel/motel tax				
Franchise taxes				
Cable television				
Unrestricted interest on investments				
Loan repayments				
Rent				
Net loan proceeds				
Miscellaneous				
Sale of assets				
Transfers				
<b>Total general receipts and transfers</b>				
<b>Change in cash basis net assets</b>				
<b>Cash basis net assets beginning of year</b>				
<b>Cash basis net assets end of year</b>				
<b>Cash Basis Net Assets</b>				
<b>Restricted:</b>				
<b>Nonexpendable:</b>				
Cemetery Perpetual Care				
<b>Expendable:</b>				
Streets				
Urban renewal purposes				
Debt Service				
<b>Unrestricted</b>				
<b>Total cash basis net assets</b>				

See notes to financial statements.

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

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Governmental Activities	Business Type Activities	Total
(337,831)	-	(337,831)
(8,314)	-	(8,314)
27,500	-	27,500
(451,047)	-	(451,047)
(542,351)	-	(542,351)
(286,795)	-	(286,795)
(2,052,479)	-	(2,052,479)
(1,506,527)	-	(1,506,527)
(5,157,844)	-	(5,157,844)
-	18,852	18,852
-	14,630	14,630
-	2,223	2,223
-	(9,000)	(9,000)
-	26,705	26,705
(5,157,844)	26,705	(5,131,139)
791,856	-	791,856
751,639	-	751,639
200,963	-	200,963
84,905	-	84,905
376,539	-	376,539
1,723	-	1,723
88,338	-	88,338
3,078	-	3,078
24,917	-	24,917
10,605	5,445	16,050
44,140	-	44,140
30,731	14,400	45,131
1,868,155	-	1,868,155
1,995	-	1,995
4,401	-	4,401
29,385	(29,385)	-
4,313,370	(9,540)	4,303,830
(844,474)	17,165	(827,309)
3,740,086	871,910	4,611,996
\$ 2,895,612	889,075	3,784,687
\$ 64,836	-	64,836
117,890	-	117,890
118,255	-	118,255
583,661	-	583,661
2,010,970	889,075	2,900,045
\$ 2,895,612	\$ 889,075	\$ 3,784,687

## City of Story City

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

As of and for the year ended June 30, 2011

	Special Revenue		
	General	Tax Increment Financing	Hospital Trust
<b>Receipts:</b>			
Property tax	\$ 760,019	-	-
Tax increment financing collections	-	751,639	-
Other city tax	493,017	-	-
Licenses and permits	8,991	-	-
Use of money and property	33,806	3,099	5,240
Intergovernmental	39,511	-	-
Charges for service	146,104	-	-
Special assessments	-	-	-
Miscellaneous	59,349	-	40,000
Total receipts	<u>1,540,797</u>	<u>754,738</u>	<u>45,240</u>
<b>Disbursements:</b>			
Operating:			
Public safety	462,261	-	-
Public works	120,261	-	-
Health and social services	20,200	-	-
Culture and recreation	554,521	-	-
Community and economic development	38,230	424,121	80,000
General government	326,878	-	-
Debt service	-	-	-
Capital projects	-	-	-
Business Type activities	-	-	-
Total disbursements	<u>1,522,351</u>	<u>424,121</u>	<u>80,000</u>
Excess (deficiency) of receipts over (under) disbursements	<u>18,446</u>	<u>330,617</u>	<u>(34,760)</u>
<b>Other financing sources (uses):</b>			
Bond/Note proceeds, net of fees	-	-	-
Sale of fixed assets	5,100	-	-
Operating transfers in	39,050	43,000	50,399
Operating transfers out	(59,285)	(662,768)	(2,500)
Total other financing sources (uses)	<u>(15,135)</u>	<u>(619,768)</u>	<u>47,899</u>
Net change in cash balances	3,311	(289,151)	13,139
Cash balances beginning of year	558,529	407,406	697,535
Cash balances end of year	<u>\$ 561,840</u>	<u>118,255</u>	<u>710,674</u>
<b>Cash Basis Fund Balances</b>			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Urban renewal purposes	-	118,255	-
Debt service	-	-	-
Streets	-	-	-
Other purposes	-	-	-
Unassigned	561,840	-	710,674
Total cash basis fund balances	<u>\$ 561,840</u>	<u>118,255</u>	<u>710,674</u>

See notes to financial statements.

Debt Service		Capital Project	Other Nonmajor	
General Obligation Bonds	TIF Reserve	Street Improvements	Governmental Funds	Total
200,963	-	-	32,383	993,365
-	-	-	-	751,639
822	-	-	756	494,595
-	-	-	-	8,991
1,496	651	2,135	40,030	86,457
-	-	-	692,778	732,289
-	-	-	1,275	147,379
-	-	-	84,359	84,359
100	-	-	34,780	134,229
<b>203,381</b>	<b>651</b>	<b>2,135</b>	<b>886,361</b>	<b>3,433,303</b>
-	-	-	-	462,261
-	-	-	269,266	389,527
-	-	-	-	20,200
-	-	-	12,745	567,266
-	-	-	-	542,351
-	-	-	4,494	331,372
2,052,479	-	-	-	2,052,479
-	-	1,114,756	704,606	1,819,362
-	-	-	-	-
<b>2,052,479</b>	<b>-</b>	<b>1,114,756</b>	<b>991,111</b>	<b>6,184,818</b>
<b>(1,849,098)</b>	<b>651</b>	<b>(1,112,621)</b>	<b>(104,750)</b>	<b>(2,751,515)</b>
1,517,665	-	315,490	35,000	1,868,155
-	-	-	4,401	9,501
305,914	307,000	-	368,476	1,113,839
-	-	(316,356)	(43,545)	(1,084,454)
<b>1,823,579</b>	<b>307,000</b>	<b>(866)</b>	<b>364,332</b>	<b>1,907,041</b>
(25,519)	307,651	(1,113,487)	259,582	(844,474)
<b>214,608</b>	<b>-</b>	<b>1,222,682</b>	<b>639,326</b>	<b>3,740,086</b>
<b>189,089</b>	<b>307,651</b>	<b>109,195</b>	<b>898,908</b>	<b>2,895,612</b>
-	-	-	64,836	64,836
-	-	-	-	118,255
189,089	307,651	-	86,921	583,661
-	-	-	117,890	117,890
-	-	-	-	-
-	-	109,195	629,261	2,010,970
<b>189,089</b>	<b>307,651</b>	<b>109,195</b>	<b>898,908</b>	<b>2,895,612</b>

## City of Story City

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

As of and for the year ended June 30, 2011

	Enterprise Funds				Total
	Water	Sewer	Stormwater Drainage	Golf Course	
<b>Operating receipts:</b>					
Use of money and property	\$ 14,400	-	-	-	14,400
Charges for service	377,709	356,370	46,476	-	780,555
<b>Total operating receipts</b>	<b>392,109</b>	<b>356,370</b>	<b>46,476</b>	<b>-</b>	<b>794,955</b>
<b>Operating disbursements:</b>					
Business type activities	358,857	341,740	44,253	9,000	753,850
<b>Total operating disbursements</b>	<b>358,857</b>	<b>341,740</b>	<b>44,253</b>	<b>9,000</b>	<b>753,850</b>
Excess (deficiency) of operating receipts over (under) operating disbursements	33,252	14,630	2,223	(9,000)	41,105
<b>Other financing sources (uses):</b>					
Interest on investments	2,222	3,205	15	3	5,445
Debt service	-	-	-	-	-
Operating transfers in	-	-	-	8,245	8,245
Operating transfers out	(18,790)	(18,840)	-	-	(37,630)
<b>Total other financing sources (uses)</b>	<b>(16,568)</b>	<b>(15,635)</b>	<b>15</b>	<b>8,248</b>	<b>(23,940)</b>
Net change in cash balances	16,684	(1,005)	2,238	(752)	17,165
Cash balances beginning of year	301,483	589,468	(20,793)	1,752	871,910
Cash balances end of year	\$ 318,167	588,463	(18,555)	1,000	889,075
<b>Cash Basis Fund Balances</b>					
Restricted for debt service	\$ -	-	-	-	-
Unrestricted	318,167	588,463	(18,555)	1,000	889,075
<b>Total cash basis fund balances</b>	<b>\$ 318,167</b>	<b>588,463</b>	<b>(18,555)</b>	<b>1,000</b>	<b>889,075</b>

See notes to financial statements.

City of Story City

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

The City of Story City is a political subdivision of the State of Iowa located in Story 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 Story City has included all funds, organizations, agencies, boards, commissions and authorities, except for its component unit, the Story City Municipal Electric Utility. 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 primary government financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These primary government financial statements present the City of Story City (the primary government) and exclude the component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. It has not been included in these primary government financial statements which present the primary government only. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its administrative office.

Component Unit

The Story City Municipal Electric Utility is a component unit of the City of Story City and is not presented in these primary government financial statements. They are legally separate from the City, but are financially accountable to the City. The Story City Municipal Electric Utility (Utility) was established to operate the City's electric facilities. The Utility is governed by a three member Board of Trustees appointed by the Mayor and approved by the City Council. Title to all property of the Utility is held in the name of the City. A financial benefit/burden relationship exists between the City and the Utility in that the

City is authorized by statute to issue general obligation debt for a city utility, and may certify taxes for the payment of the debt.

#### 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: Story City Chamber of Commerce Board/Story City Main Street Program, Trees Forever Board, E911 Service Board and Story County Mayors Group.

#### **B. Basis of Presentation**

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

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

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

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

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

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

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement

to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**Special Revenue:**

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

The Hospital Trust Fund is used for internal loan purposes. To date, it has been used for TIF related projects.

**Debt Service:**

The General Obligation Bonds Fund is used to account for the City's general obligation long term debt.

The TIF Reserve is a fund set aside to provide for payment of principal and interest on the Urban Renewal Tax Increment Bonds if there is insufficient money in the TIF Revenue Fund.

**Capital Projects:**

The Street Improvements Fund is used to account for the reconstruction of streets near the golf course.

**The City reports the following major proprietary funds:**

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

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

The Stormwater Drainage fund accounts for the operation and maintenance of the City's stormwater drainage system.

The Golf Course Fund accounts for maintenance of the golf course, which is being leased to a private company.

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

The City of Story City maintains its financial records on the basis of cash receipts and disbursements and the primary government 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 primary government 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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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. Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

#### **E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the public works, community and economic development and capital projects functions.

#### **(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2011 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 in instruments that mature within 397 days. Operating funds are defined as those funds which are reasonably expected to be expended during a current budget year or within fifteen months of receipt. 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 of Story City.

**(3) Notes Payable**

Annual debt service requirements to maturity for general obligation and urban renewal tax increment financing project notes are as follows:

Year Ending June 30,	General Obligation		Urban Renewal Tax Increment Financing	
	Notes		Project Notes	
	Principal	Interest	Principal	Interest
2012	\$ 325,000	144,512	\$ 320,000	104,295
2013	340,000	134,868	335,000	90,730
2014	330,000	123,565	350,000	75,391
2015	345,000	112,110	360,000	62,828
2016	355,000	99,202	375,000	48,478
2017-2021	1,415,000	274,448	800,000	50,597
2022-2025	550,000	57,880	-	-
<b>Total</b>	<b>\$ 3,660,000</b>	<b>\$ 946,585</b>	<b>\$ 2,540,000</b>	<b>\$ 432,319</b>

The Urban Renewal Tax Increment Financing Bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Special Revenue, Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City’s urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

The provisions providing for the issuance of the Urban Renewal Tax Increment Financing Bonds, Series 2007B, require a separate Bond Reserve Fund to be created. There shall be set aside and paid into the Reserve Fund from TIF Revenues and other legally available TIF funds of the City on each June 1 and December 1, beginning December 1, 2008, and continuing through June 1, 2011, a sum equal to \$41,667 until there has been accumulated in the Reserve Fund a total amount equal to \$250,000.

The provisions of the Urban Renewal Tax Increment Financing Bonds, Series 2010, require that each June 1 and December 1, there shall be a deposit into the same Reserve Fund above equal to \$14,250 until there has been accumulated in the Reserve Fund the amount of \$57,000 for a total Reserve Fund balance of \$307,000 which includes the balance for the Series 2007B Bonds.

As of June 30, 2011, the Reserve Fund has been established.

(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 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years end June 30, 2011, 2010, and 2009 were \$72,624, \$65,864 and \$62,217, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. City employees also accumulate a limited amount of earned but unused sick leave hours for subsequent use. A portion of sick leave is payable upon termination of employment if the employee quits or retires after at least ten years of continuous service. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 42,533
Sick leave	<u>57,369</u>
Total	<u>\$ 99,902</u>

This liability has been computed based on rates of pay in effect at June 30, 2011.

(6) Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Hospital Trust	\$ 2,500
	Enterprise: Water	18,250
	Sewer	<u>18,300</u>
		<u>39,050</u>
Special Revenue: Hospital Trust	Debt Service: Special Assessments	399
Hospital Trust	Special Revenue: Urban Renewal Tax Increment	50,000
Insurance	General	2,540
Insurance	Enterprise: Water	540
Insurance	Sewer	540
Tax Increment Financing	Capital Project: Capital Improvements	23,000
Tax Increment Financing	Recreation Center	20,000
Equipment Replacement	General	<u>45,000</u>
		<u>142,019</u>
Debt Service: General Obligations	Special Revenue: Urban Renewal Tax Increment	305,768
TIF Reserve	Urban Renewal Tax Increment	307,000
General Obligations	Debt Service: Special Assessments	<u>146</u>
		<u>612,914</u>
Capital Projects: Trees Forever	General	<u>3,500</u>
I Jobs	Capital Projects: Street Improvements	<u>316,356</u>
Enterprise: Sewer Improvement and Replacement	Enterprise: Sewer	20,000
Golf Course	Special Revenue: Golf course Trust	-
Golf Course	General	<u>8,245</u>
		<u>28,245</u>
Total		<u>\$ 1,142,084</u>

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

(7) Notes Receivable/Economic Development

During the year ended June 30, 2007, the City entered into a loan for \$36,000 with Record Printing. Original terms of the agreement required monthly payments of principal and interest of \$665 every month starting October 1, 2006 until September 1, 2011. These terms were modified in January of 2009 and only interest was required monthly for January 6, 2009 thru December 6, 2009. Principal and interest payments started again on January 6, 2010 in the amount of \$616 per month. The interest rate is 4.125% and the balance of the loan on June 30, 2011 was \$10,516.

During the 2004-2005 fiscal year, the City loaned \$50,000 to MH Eby, Inc. The original terms of the agreement state that interest of \$115 is due monthly starting May 1, 2009 thru March 1, 2010. Principal payments of \$25,000 each are due on April 1, 2010 and April 1, 2011. The loan has an interest rate of 2.75%. In April of 2009, the terms of the original agreement were modified. New terms require monthly interest payments of \$57 starting May 1, 2010 thru March 1, 2011. The balance of the loan was fully repaid during the 2010-2011 fiscal year.

During the year ended June 30, 2009, the City entered into a loan agreement with Precision Machine and Manufacturing Co. The loan is a \$40,000 loan with no interest. The loan was repaid during the 2010-2011 fiscal year from the sale proceeds of the vacant commercial building that the Company owns.

During the fiscal year ended June 30, 2009, the City entered into a loan agreement with MH Eby, Inc. Monthly interest of \$52 is due and payable starting October 5, 2008 thru August 5, 2012. Principal plus interest of \$12,552 is due and payable on September 5, 2012. Thereafter, monthly interest of \$26 shall be due and payable starting September 5, 2012 and continuing thru August 5, 2013. Principal plus interest in the amount of \$12,526 shall be due and payable on September 5, 2013. The balance on the loan at June 30, 2011 was \$25,104.

During the year ended June 30, 2010, the City entered into a loan agreement with Lafayette Township to purchase a fire truck for \$85,000. The Township paid \$20,500 down and the City furnished the remaining \$64,500. The township will repay the City in 4 equal installments of \$5,500 each, with simple interest at a rate of 2.7% per year. These four payments, with accumulated interest are due on December 1, 2010, May 1, 2011, December 1, 2011 and May 1, 2012. The balance on the loan at June 30, 2011 was \$5,500.

The City also entered into an agreement with LaFayette Township to purchase a first responder vehicle. The City will advance the purchase price of the vehicle and the cost of equipping it. The Township will repay the City for the Township's 30% share of the cost on or before December 1, 2012 with an interest rate of 2.7%.

**(8) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$3,219 during the year ended June 30, 2011.

**(9) Risk Management**

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

**(10) Landfill**

The City has contracted with the City of Ames for solid waste disposal for all households or residences within the City. The contract began April 1, 1994 and will terminate June 30, 2014. The cost is computed for each calendar year. On or before February 15th of each year, the City of Ames will notify the City of Story City of its proportionate share of the net costs of the system for the prior calendar year. The City of Story City will pay the City of Ames one-half of its share on July 15th and one-half on or before December 15th of each

year. The annual rate of the contract is determined by multiplying the net per capita cost of the Ames solid waste disposal system by the population of the City of Story City.

(11) Construction Commitments

The City had the following commitments with respect to unfinished capital projects at June 30, 2011:

<u>Project</u>	<u>Remaining Commitment</u>
Story City Recreation Trail	\$ 31,516
Storm Sewer/I-Jobs Project	28,444
Street Project	11,950
Street Resurfacing	46,807

(12) Golf Course Lease

On January 1, 2009, the City entered into a lease with River Bend Golf Course LTD which states that River Bend is going to manage and operate the City owned golf course. The lease is a 10 year lease with automatic renewal upon expiration. Starting in January 2012, River Bend will pay the City \$7,500 or 5% of gross revenues for the year, whichever is less. This fee will be paid by January 31<sup>st</sup> of the following year. No fees will be charged by the City for the first 3 years of operation. In years in which the golf course suffers losses due to flooding, these fees may be waived.

(13) Forgivable Loans

The City received two forgivable loans (\$115,000 and \$300,000) from the Iowa Department of Economic Development (IDED) during the fiscal year ended June 30, 2010. These loans were passed thru to Generation Repair and Service, LLC. Generation Repair and Service, LLC is required to meet certain terms, including fulfillment of job obligations. If the terms of the funding agreements are met, then the IDED will forgive the loans to the City.

(14) Deficit Balances

The Capital Project Fund, Water Treatment Plant and the Business Type Fund, Storm Water Drainage fund, had deficit balances of \$52,400 and \$18,555, respectively at June 30, 2011.

**(14) Health Insurance**

The City entered into an agreement to partially self-fund employee deductibles and out of pocket maximum payments under their health insurance plan. The deductible for an employee under a single plan is \$500 and for a family plan is \$1,000.

The maximum out of pocket costs for an employee under a single plan is \$1,000 and for a family plan is \$2,000.

The maximum liability to the City is \$1,000 for a single plan and \$2,000 for a family plan.

**(15) Subsequent Event**

In February 2011, the City approved an economic development agreement between the City, Iowa Department of Economic Development, and Indoshell Precision Technologies. Indoshell will receive state funding in the amount of \$450,000 and the City is providing a local match of \$90,000. This local match was paid out in July of 2011.

**Required Supplementary Information**

City of Story City  
**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, 2011**

	Governmental Funds Actual	Proprietary Funds Actual
<b>Receipts:</b>		
Property tax	\$ 993,365	-
Tax increment financing collections	751,639	-
Other city tax	494,595	-
Licenses and permits	8,991	-
Use of money and property	86,457	19,845
Intergovernmental	732,289	-
Charges for service	147,379	780,555
Special assessments	84,359	-
Miscellaneous	134,229	-
Total receipts	3,433,303	800,400
<b>Disbursements:</b>		
Public safety	462,261	-
Public works	389,527	-
Health and social services	20,200	-
Culture and recreation	567,266	-
Community and economic development	542,351	-
General government	331,372	-
Debt service	2,052,479	-
Capital projects	1,819,362	-
Business type activities	-	753,850
Total disbursements	6,184,818	753,850
Excess (deficiency) of receipts over (under) disbursements	(2,751,515)	46,550
Other financing sources (uses), net	1,907,041	(29,385)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(844,474)	17,165
Balances beginning of year	3,740,086	871,910
Balances end of year	\$ 2,895,612	889,075

See accompanying independent auditors' report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
993,365	976,128	976,128	17,237
751,639	740,309	740,309	11,330
494,595	487,567	487,567	7,028
8,991	8,500	8,500	491
106,302	107,000	107,000	(698)
732,289	855,390	855,390	(123,101)
927,934	831,200	831,200	96,734
84,359	2,200	2,200	82,159
134,229	129,850	129,850	4,379
<b>4,233,703</b>	<b>4,138,144</b>	<b>4,138,144</b>	<b>95,559</b>
462,261	510,710	510,710	48,449
389,527	358,300	358,300	(31,227)
20,200	20,500	20,500	300
567,266	524,715	574,715	7,449
542,351	36,000	216,000	(326,351)
331,372	347,970	347,970	16,598
2,052,479	938,509	2,490,948	438,469
1,819,362	2,489,660	1,800,000	(19,362)
753,850	639,550	769,550	15,700
<b>6,938,668</b>	<b>5,865,914</b>	<b>7,088,693</b>	<b>150,025</b>
(2,704,965)	(1,727,770)	(2,950,549)	245,584
<b>1,877,656</b>	<b>1,930,680</b>	<b>1,930,680</b>	<b>(53,024)</b>
(827,309)	202,910	(1,019,869)	192,560
<b>4,611,996</b>	<b>3,173,206</b>	<b>4,611,754</b>	<b>242</b>
<b>3,784,687</b>	<b>3,376,116</b>	<b>3,591,885</b>	<b>192,802</b>

City of Story City

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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 or fund type. 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, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$1,222,779. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the public works, community and economic development and capital projects functions.

## Other Supplementary Information

City of Story City

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

As of and for the year ended June 30, 2011

	Special Revenue						
	Economic						
	Development Revolving Loan	Police Forfeitures	Road Use Tax	Library Trust	Equipment Replacement	Insurance	Golf Course Trust
Receipts:							
Property tax	\$ -	-	-	-	-	-	-
Other city tax	-	-	-	-	-	-	-
Use of money and property	34,581	2	-	3,444	134	-	-
Intergovernmental	-	-	301,031	-	102,239	-	-
Special assessments	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Miscellaneous	-	-	-	887	1,600	-	100
Total receipts	34,581	2	301,031	4,331	103,973	-	100
Disbursements:							
Operating:							
Public safety	-	-	-	-	-	-	-
Public works	-	-	269,266	-	-	-	-
Culture and recreation	-	-	-	12,745	-	-	-
Community and economic development	-	-	-	-	-	-	-
General government	-	-	-	-	-	4,494	-
Debt service	-	-	-	-	-	-	-
Capital projects	-	-	-	-	120,342	-	-
Business type activities	-	-	-	-	-	-	-
Total disbursements	-	-	269,266	12,745	120,342	4,494	-
Excess (deficiency) of receipts over (under) disbursements	34,581	2	31,765	(8,414)	(16,369)	(4,494)	100
Other financing sources (uses):							
Bond/Note proceeds, net of fees	-	-	-	-	35,000	-	-
Sale of fixed assets	-	-	-	-	4,401	-	-
Operating transfers in	-	-	-	-	45,000	3,620	-
Operating transfers out	-	-	-	-	-	-	-
Total other financing sources (uses):	-	-	-	-	84,401	3,620	-
Net change in cash balances	34,581	2	31,765	(8,414)	68,032	(874)	100
Cash balances beginning of year	102,350	453	86,125	246,629	34,643	981	-
Cash balances end of year	\$ 136,931	455	117,890	238,215	102,675	107	100
Cash Basis Fund Balances							
Nonspendable - Cemetery perpetual care	\$ -	-	-	-	-	-	-
Restricted for debt service	-	-	-	-	-	-	-
Restricted for streets	-	-	117,890	-	-	-	-
Restricted for other purposes	-	-	-	-	-	-	-
Unassigned	136,931	455	-	238,215	102,675	107	100
Total cash basis fund balances	\$ 136,931	455	117,890	238,215	102,675	107	100

See accompanying independent auditors' report.

**Schedule 1**

Debt Service	Capital Projects										Permanent Cemetery Perpetual Care	Total
Special Assessments	Trees Forever	Clubhouse/ Trail	Downtown Improvements	I-35 Development	I-Jobs Storm Sewer	Recreation Center	Water Treatment Plant	Capital Improvements	Housing Assistance			
546	-	-	-	-	-	-	-	31,837	-	-	-	32,383
-	-	-	-	-	-	-	-	756	-	-	-	756
91	3	223	16	262	-	217	-	25	51	981	-	40,030
-	-	-	-	-	289,508	-	-	-	-	-	-	692,778
84,359	-	-	-	-	-	-	-	-	-	-	-	84,359
-	-	-	-	-	-	-	-	-	-	1,275	-	1,275
-	3,743	-	-	-	750	20,000	-	-	7,700	-	-	34,780
84,996	3,746	223	16	262	290,258	20,217	-	32,618	7,751	2,256	-	886,361
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	269,266
-	-	-	-	-	-	-	-	-	-	-	-	12,745
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	4,494
-	7,901	27,650	-	8,469	480,152	1,692	52,400	6,000	-	-	-	704,606
-	-	-	-	-	-	-	-	-	-	-	-	-
-	7,901	27,650	-	8,469	480,152	1,692	52,400	6,000	-	-	-	991,111
84,996	(4,155)	(27,427)	16	(8,207)	(189,894)	18,525	(52,400)	26,618	7,751	2,256	-	(104,750)
-	-	-	-	-	-	-	-	-	-	-	-	35,000
-	-	-	-	-	-	-	-	-	-	-	-	4,401
-	3,500	-	-	-	316,356	-	-	-	-	-	-	368,476
(545)	-	-	-	-	-	(20,000)	-	(23,000)	-	-	-	(43,545)
(545)	3,500	-	-	-	316,356	(20,000)	-	(23,000)	-	-	-	364,332
84,451	(655)	(27,427)	16	(8,207)	126,462	(1,475)	(52,400)	3,618	7,751	2,256	-	259,582
2,470	1,111	72,449	4,780	80,495	(126,462)	62,668	-	(2,199)	10,253	62,580	-	639,326
86,921	456	45,022	4,796	72,288	-	61,193	(52,400)	1,419	18,004	64,836	-	898,908
-	-	-	-	-	-	-	-	-	-	64,836	-	64,836
86,921	-	-	-	-	-	-	-	-	-	-	-	86,921
-	-	-	-	-	-	-	-	-	-	-	-	117,890
-	-	-	-	-	-	-	-	-	-	-	-	-
-	456	45,022	4,796	72,288	-	61,193	(52,400)	1,419	18,004	-	-	629,261
86,921	456	45,022	4,796	72,288	-	61,193	(52,400)	1,419	18,004	64,836	-	898,908

City of Story City  
Schedule of Indebtedness  
Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
<b>General obligation notes:</b>			
Corporate purpose	Apr. 1, 2001	4.00-4.80%	775,000
Corporate purpose	Jan. 1, 2003	2.15-4.45%	550,000
Water improvement refunding	Jan. 15, 2007	3.70-4.10%	1,155,000
Annual appropriation development	Mar. 1, 2009	4.00-6.15%	1,115,000
Corporate purpose-interim financing	Jun. 8, 2010	0.75%	1,225,000
Corporate purpose	Jan. 13, 2011	.90-4.25%	1,870,000
<b>Total</b>			
<b>Urban Renewal Tax Increment Financing Bonds:</b>			
Urban Renewal Tax Increment Bonds-Series 07B	May 15, 2007	4.15-4.95%	\$ 2,500,000
Urban Renewal Tax Increment Bonds-Series 2010	Jan. 14, 2010	1.70-3.55%	570,000
<b>Total</b>			
<b>Other:</b>			
Street Department Truck	Feb. 8, 2011	0.00%	\$ 35,000

See accompanying independent auditors' report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 95,000	\$ -	\$ 95,000	\$ -	\$ 2,913	\$ -
190,000	-	190,000	-	5,264	-
1,045,000	-	115,000	930,000	41,118	-
1,115,000	-	90,000	1,025,000	59,650	-
1,225,000	-	1,225,000	-	4,772	-
-	1,870,000	165,000	1,705,000	20,371	-
<b>\$ 3,670,000</b>	<b>\$ 1,870,000</b>	<b>\$ 1,880,000</b>	<b>\$ 3,660,000</b>	<b>\$ 134,088</b>	<b>\$ -</b>
\$ 2,270,000	\$ -	\$ 240,000	\$ 2,030,000	\$ 101,558	\$ -
570,000	-	60,000	510,000	21,588	-
<b>\$ 2,840,000</b>	<b>\$ -</b>	<b>\$ 300,000</b>	<b>\$ 2,540,000</b>	<b>\$ 123,146</b>	<b>\$ -</b>
\$ -	\$ 35,000	\$ 35,000	\$ -	\$ -	\$ -

## City of Story City

## Note Maturities

June 30, 2011

General Obligations							
Year Ending June 30,	Annual Appropriation Issued Mar 1, 2009		Corporate Purpose Issued Jan 13, 2011		Corporate Purpose Issued Jan. 15, 2007		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2012	4.50	90,000	0.90%	115,000	3.80%	120,000	325,000
2013	4.65	100,000	0.02%	115,000	3.85%	125,000	340,000
2014	4.90	100,000	1.60%	105,000	3.90%	125,000	330,000
2015	5.15	105,000	2.15%	110,000	3.95%	130,000	345,000
2016	5.50	110,000	2.15%	110,000	4.00%	135,000	355,000
2017	5.70	120,000	2.90%	115,000	4.05%	145,000	380,000
2018	5.90	125,000	2.90%	115,000	4.10%	150,000	390,000
2019	6.05	135,000	3.50%	120,000			255,000
2020	6.15	140,000	3.50%	125,000			265,000
2021			3.80%	125,000			125,000
2022			3.80%	130,000			130,000
2023			4.10%	135,000			135,000
2024			4.10%	140,000			140,000
2025			4.25%	145,000			145,000
<b>Total</b>		<u>\$ 1,025,000</u>		<u>\$ 1,705,000</u>		<u>\$ 930,000</u>	<u>\$ 3,660,000</u>

Year Ending June 30,	Urban Renewal Tax Increment Financing Bonds Series 2007B Issued May 15, 2007		Urban Renewal Tax Increment Financing Bonds Series 2010 Issued Jan 14, 2010		Total
	Interest Rates	Amount	Interest Rates	Amount	
	2012	4.95	250,000	1.70	
2013	4.85	265,000	2.45	70,000	335,000
2014	4.15	280,000	2.45	70,000	350,000
2015	4.20	290,000	3.10	70,000	360,000
2016	4.25	300,000	3.10	75,000	375,000
2017	4.30	315,000	3.55	75,000	390,000
2018	4.35	330,000	3.55	80,000	410,000
<b>Total</b>		<u>\$ 2,030,000</u>		<u>\$ 510,000</u>	<u>\$ 2,540,000</u>

See accompanying independent auditors' report.

**City of Story City**  
**Schedule of Receipts By Source and Disbursements By Function -**  
**All Governmental Funds**  
**For the Last Eight Years**

	2011	2010	2009	2008	2007	2006	2005	2004
<b>Receipts:</b>								
Property tax	\$ 993,365	\$ 964,559	\$ 910,698	\$ 870,452	\$ 815,902	\$ 737,182	720,335	\$ 667,167
Tax increment financing collections	751,639	759,687	749,438	899,346	998,845	683,605	1,076,649	1,229,827
Other city tax	494,595	487,913	514,764	485,347	473,843	422,805	408,444	408,370
Licenses and permits	8,991	9,095	12,627	8,660	14,935	12,649	14,964	14,042
Use of money and property	86,457	92,850	91,044	132,281	172,571	121,156	86,079	57,274
Intergovernmental	732,289	939,970	490,382	352,661	612,109	419,531	630,206	351,606
Charges for service	147,379	157,575	158,673	137,977	139,641	128,921	115,112	119,356
Special assessments	84,359	-	2,202	7,285	21,603	8,138	43,259	25,132
Miscellaneous	134,229	102,772	109,605	123,273	79,726	224,252	179,499	59,974
<b>Total</b>	<b>\$3,433,303</b>	<b>\$ 3,514,421</b>	<b>\$ 3,039,433</b>	<b>\$ 3,017,282</b>	<b>\$ 3,329,175</b>	<b>\$ 2,758,239</b>	<b>3,274,547</b>	<b>\$ 2,932,748</b>
<b>Disbursements:</b>								
<b>Operating:</b>								
Public safety	\$ 462,261	\$ 462,292	\$ 475,784	\$ 422,697	\$ 423,161	\$ 382,754	369,443	\$ 410,974
Public works	389,527	395,681	448,109	414,110	400,717	370,229	354,287	349,452
Health and social services	20,200	19,900	-	-	20,200	-	1,000	971
Culture and recreation	567,266	503,476	610,499	580,565	396,949	404,715	392,586	353,434
Community and economic development	542,351	380,541	165,509	162,197	242,974	99,198	399,896	265,810
General government	331,372	356,833	323,761	329,277	304,198	315,090	369,192	361,520
Debt service	2,052,479	493,810	802,846	789,916	3,182,355	620,143	1,576,327	521,850
Capital projects	1,819,362	1,466,632	1,947,569	495,292	3,617,145	1,421,835	984,059	813,526
Business type activities	-	-	38,543	-	-	-	-	-
<b>Total</b>	<b>\$6,184,818</b>	<b>\$ 4,079,165</b>	<b>\$ 4,812,620</b>	<b>\$ 3,194,054</b>	<b>\$ 8,587,699</b>	<b>\$ 3,613,964</b>	<b>4,446,790</b>	<b>\$ 3,077,537</b>

See accompanying independent auditors' report.

**City of Story City**

**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Story City, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 2, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Story City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing our opinion on the effectiveness of the City of Story City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Story City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility a material misstatement of the City of Story City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Story City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Story City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Story City's responses and accordingly, we 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 Story City and other parties to whom the City of Story City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

November 2, 2011  
Ames, Iowa

City of Story City

Schedule of Findings

Year ended June 30, 2011

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**Part I: Summary of the Independent Auditors' Results:**

- (a) Unqualified 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.
- (b) 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.

City of Story City  
Schedule of Findings  
Year ended June 30, 2011

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**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

- II-A-11 **Segregation of Duties** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

**Recommendation** - We 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 consider this.

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

- II-B-11 **Dual Signatures** - The City's policies require dual signatures on checks. We noted several checks that only had one signature on them.

**Recommendation** - The City should ensure they follow their dual signature policy.

**Response** - We will do so.

**Conclusion** - Response accepted.

City of Story City

Schedule of Findings

Year ended June 30, 2011

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**Part III: Other Findings Related to Statutory Reporting:**

**III-A-11 Certified Budget** – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the public works, community and economic development and capital projects functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

**Response** – We will do so in the future.

**Conclusion** – Response accepted.

**III-B-11 Questionable Disbursements** – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

**III-C-11 Travel Expense** – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**III-D-11 Business Transactions** – Business transactions between the City and City officials or employees are detailed as follows:

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<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jensen Excavating, owned by son Of Council Member	Services	\$ 3,219

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the above individual appear to represent a conflict of interest since total transactions with the individual exceeded \$1,500 during the fiscal year.

**Recommendation** – The City should consult with legal counsel to determine the disposition of this matter.

**Response** – We will do so.

**Conclusion** – Response accepted.

**III-E-11 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.

**III-F-11 Council Minutes** – No transactions were found that we believe should have been approved in the Council minutes but were not.

City of Story City

Schedule of Findings

Year ended June 30, 2011

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III-G-11 Deposits and Investments - No instances of non-compliance with the City's investment policy were noted.

III-H-11 Financial Condition - The Capital Project Fund, Water Treatment Project account had a deficit balance at June 30, 2011 of \$52,400. The Business Type Fund, Storm Water Drainage account had a deficit balance of \$18,555 at June 30, 2011.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response - The water treatment project is being funded through the State Revolving Fund and disbursements are reimbursed by the State after we spend the funds. The deficit was eliminated when we received our reimbursements in July and August.

Conclusion - Response accepted.

III-I-11 Payroll - The City charges employees an annual fee of \$60 to participate in the flexible spending plan. The City withholds this fee as a tax free deduction from the employee paychecks. It should be subject to tax.

Recommendation - The City should change this fee so it is not being taken out of employee paychecks on a pre-tax basis.

Response - We will do so.

Conclusion - Response accepted.

III-J-11 28E Agreements - The City purchased a fire truck and first responder vehicle with LaFayette Township. According to Chapter 28E of the Code of Iowa, a joint purchase of equipment should be classified as a 28E Agreement and paperwork should be filed with the Secretary of State.

Recommendation - The City should complete the required legal documents to comply with Chapter 28E of the Code of Iowa.

Response - We will do so.

Conclusion - Response accepted.