

CITY OF GREENE, IOWA

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

JUNE 30, 2012

- Prepared By -

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CITY OF GREENE, IOWA

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CITY OF GREENE, IOWA

OFFICIALS

(Before January 2012)

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
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

(After January 2012)

William Christensen	Mayor	January 2014
Allan Zweck	Mayor Pro Tem	January 2014
Darin Klunder	Council Member	January 2014
Scott Watkins	Council Member	January 2014
Pat Bouillon	Council Member	January 2016
Marilyn Folkers	Council Member	January 2016
Jayne Knapp	Clerk/Treasurer	Indefinite
Carter Stevens	Attorney	Indefinite



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Greene, Iowa, as of and for the year ended June 30, 2012, 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, 2011.

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, 2011, 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, 2012, 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 January 3, 2013 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

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. The supplementary information included in Schedules 1 through 4, 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in my audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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. Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 8 and 25 through 27 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

A handwritten signature in black ink, appearing to read "Larry Pump". The signature is written in a cursive, flowing style.

January 3, 2013

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, 2012. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

The City's total cash basis net assets increased 5.4%, or approximately \$105,000, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased approximately \$131,000 to \$1,787,115 and the assets of the business type activities decreased approximately \$26,000 to \$266,150.

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 financial 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.

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

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

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax 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 increased from a year ago, increasing from \$1,655,777 to \$1,787,115. 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, 2012
Receipts:	
Program receipts:	
Charges for service	\$ 267
Operating grants, contributions and restricted interest	1,714
General receipts:	
Property tax	538
Local option sales tax	67
Unrestricted interest on investments	20
Line of credit, net	459
Other general receipts	156
Total receipts	<u>\$ 3,221</u>
 Disbursements:	
Public safety	\$ 300
Public works	253
Health and social services	4
Culture and recreation	354
Community and economic development	10
General government	87
Debt service	226
Capital projects	1,855
Total disbursements	<u>\$ 3,089</u>
 Change in cash basis net assets	\$ 132
Cash basis net assets beginning of year	<u>1,655</u>
 Cash basis net assets end of year	<u>\$ 1,787</u>

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

	Year ended June 30, 2012
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 165
Sewer rental	146
Other	2
Total receipts	<u>\$ 313</u>
 Disbursements:	
Water	\$ 193
Sewer rental	144
Other	2
Total disbursements	<u>\$ 339</u>
 Change in cash basis net assets	\$ (26)
Cash basis net assets beginning of year	<u>292</u>
 Cash basis net assets end of year	<u>\$ 266</u>

The City's cash balance for the business type activities decreased from a year ago, decreasing from \$292,332 to \$266,150.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Greene completed the year, its governmental funds reported a combined fund balance of \$1,787,115, an increase of \$131,338 over last year's total of \$1,655,777. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$17,385 from the prior year to \$691,706.

The Special Revenue, Library Trust Fund cash balance increased by \$57,463 to \$599,770 during the fiscal year.

The Capital Projects, Community Center Fund cash balance decreased by \$9,935 during the fiscal year due to construction costs.

The Capital Projects, Community Center Safe Room Fund cash balance decreased by \$2,359 to \$20,405.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Fund cash balance decreased \$28,537 from the prior year to \$21,597, due primarily to debt service payments.

The Enterprise, Sewer Rental Fund cash balance increased by \$2,205 to \$239,538, 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 14, 2012 and resulted in an increase in operating disbursements of approximately \$3,550,000 due mainly to community center project expenses. The City received federal and state grant monies to cover these expenses.

The City exceeded the amounts budgeted in the culture and recreation, debt service and business type activities functions for the year ended June 30, 2012.

DEBT ADMINISTRATION

At June 30, 2012, the City had approximately \$881,000 in bonds and other long-term debt outstanding, as shown below:

Outstanding Debt at Year-End	
(Expressed in Thousands)	
	June 30,
	<u>2012</u>
General obligation bonds	\$ 165
Urban renewal tax increment financing revenue bonds	78
Revenue bonds	160
REC loan	64
Bank loan	<u>414</u>
Total	<u>\$ 881</u>

Debt increased from the prior year as a result of interim bank financing. 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 \$242,500 is significantly below its constitutional debt limit of \$2,304,314.

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 2013 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, 2012

	<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	\$ 299,570	\$ 60,222	\$ 30,175	\$ -
Public works	252,586	120,343	107,182	-
Health and social services	4,245	-	-	-
Culture and recreation	354,487	87,220	69,483	-
Community and economic development	10,103	-	-	-
General government	86,573	-	-	-
Debt service	226,156	-	-	-
Capital projects	<u>1,855,151</u>	<u>-</u>	<u>1,507,123</u>	<u>-</u>
Total governmental activities	<u>\$3,088,871</u>	<u>\$ 267,785</u>	<u>\$1,713,963</u>	<u>\$ -</u>
Business type activities:				
Water	\$ 193,305	\$ 164,732	\$ -	\$ -
Sewer rental	143,486	145,569	-	-
Other	<u>2,250</u>	<u>2,400</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$ 339,041</u>	<u>\$ 312,701</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$3,427,912</u>	<u>\$ 580,486</u>	<u>\$1,713,963</u>	<u>\$ -</u>

(Continued)

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

<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
\$ (209,173)	\$ -	\$ (209,173)
(25,061)	-	(25,061)
(4,245)	-	(4,245)
(197,784)	-	(197,784)
(10,103)	-	(10,103)
(86,573)	-	(86,573)
(226,156)	-	(226,156)
<u>(348,028)</u>	<u>-</u>	<u>(348,028)</u>
<u>\$ (1,107,123)</u>	<u>\$ -</u>	<u>\$ (1,107,123)</u>
\$ -	\$ (28,573)	\$ (28,573)
-	2,083	2,083
<u>-</u>	<u>150</u>	<u>150</u>
<u>\$ -</u>	<u>\$ (26,340)</u>	<u>\$ (26,340)</u>
<u>\$ (1,107,123)</u>	<u>\$ (26,340)</u>	<u>\$ (1,133,463)</u>

CITY OF GREENE, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

General Receipts:

- Property and other city tax levied for:
 - General purposes
 - Debt service
 - Tax increment financing
 - Local option sales tax
 - Unrestricted interest on investments
 - Line of credit, net
 - 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

Committed for various

Assigned for various

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>
\$ 301,213	\$ -	\$ 301,213
162,252	-	162,252
73,390	-	73,390
66,618	-	66,618
20,004	128	20,132
458,820	-	458,820
<u>156,164</u>	<u>30</u>	<u>156,194</u>
<u>\$ 1,238,461</u>	<u>\$ 158</u>	<u>\$ 1,238,619</u>
\$ 131,338	\$ (26,182)	\$ 105,156
<u>1,655,777</u>	<u>292,332</u>	<u>1,948,109</u>
<u>\$ 1,787,115</u>	<u>\$ 266,150</u>	<u>\$ 2,053,265</u>
\$ 84,760	\$ -	\$ 84,760
47,310	-	47,310
110,049	-	110,049
139,182	-	139,182
20,405	5,015	25,420
1,210,572	-	1,210,572
<u>174,837</u>	<u>261,135</u>	<u>435,972</u>
<u>\$ 1,787,115</u>	<u>\$ 266,150</u>	<u>\$ 2,053,265</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, 2012

	<u>General</u>	<u>Special Revenue Library Trust</u>
RECEIPTS:		
Property tax	\$ 218,537	\$ -
Tax increment financing	-	-
Other city tax	-	-
Licenses and permits	1,994	-
Use of money and property	9,789	9,716
Intergovernmental	163,037	9,180
Charges for service	267,625	-
Special assessments	-	-
Miscellaneous	40,093	100,229
Total receipts	<u>\$ 701,075</u>	<u>\$ 119,125</u>
DISBURSEMENTS:		
Operating:		
Public safety	\$ 297,712	\$ -
Public works	150,186	-
Health and social services	4,245	-
Culture and recreation	162,262	103,781
Community and economic development	3,725	-
General government	76,723	-
Debt service	-	-
Capital projects	-	-
Total disbursements	<u>\$ 694,853</u>	<u>\$ 103,781</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 6,222</u>	<u>\$ 15,344</u>
Other financing sources (uses):		
Operating transfers in	\$ 71,575	\$ 42,119
Operating transfers out	(60,412)	-
Line of credit proceeds	-	-
Line of credit payments	-	-
Total other financing sources (uses)	<u>\$ 11,163</u>	<u>\$ 42,119</u>
Net change in cash balances	\$ 17,385	\$ 57,463
Cash balances beginning of year	<u>674,321</u>	<u>542,307</u>
Cash balances end of year	<u>\$ 691,706</u>	<u>\$ 599,770</u>
Cash Basis Fund Balances:		
Nonexpendable - Cemetery perpetual care	\$ -	\$ -
Restricted for:		
Urban renewal purposes	-	-
Streets	-	-
Other purposes	-	-
Committed for capital projects	-	-
Assigned for various	500,006	599,770
Unassigned	<u>191,700</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 691,706</u>	<u>\$ 599,770</u>

See Notes to Financial Statements.

<u>Capital Projects</u>			
<u>Community Center</u>	<u>Communtiy Center Safe Room</u>	<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ -	\$ 244,928	\$ 463,465
-	-	73,390	73,390
-	-	66,618	66,618
-	-	-	1,994
-	-	4,873	24,378
1,177,936	206,101	107,182	1,663,436
-	-	-	267,625
-	-	32,230	32,230
-	-	27,931	168,253
<u>\$1,177,936</u>	<u>\$ 206,101</u>	<u>\$ 557,152</u>	<u>\$ 2,761,389</u>
\$ -	\$ -	\$ 1,858	\$ 299,570
-	-	102,400	252,586
-	-	-	4,245
-	-	88,444	354,487
-	-	6,378	10,103
-	-	9,850	86,573
-	-	226,156	226,156
1,611,312	243,839	-	1,855,151
<u>\$1,611,312</u>	<u>\$ 243,839</u>	<u>\$ 435,086</u>	<u>\$ 3,088,871</u>
<u>\$ (433,376)</u>	<u>\$ (37,738)</u>	<u>\$ 122,066</u>	<u>\$ (327,482)</u>
\$ -	\$ -	\$ 18,048	\$ 131,742
-	-	(71,330)	(131,742)
1,588,299	241,480	-	1,829,779
(1,164,858)	(206,101)	-	(1,370,959)
<u>\$ 423,441</u>	<u>\$ 35,379</u>	<u>\$ (53,282)</u>	<u>\$ 458,820</u>
\$ (9,935)	\$ (2,359)	\$ 68,784	\$ 131,338
-	22,764	416,385	1,655,777
<u>\$ (9,935)</u>	<u>\$ 20,405</u>	<u>\$ 485,169</u>	<u>\$ 1,787,115</u>
\$ -	\$ -	\$ 84,760	\$ 84,760
-	-	110,049	110,049
-	-	47,310	47,310
-	-	139,182	139,182
-	20,405	-	20,405
-	-	110,796	1,210,572
(9,935)	-	(6,928)	174,837
<u>\$ (9,935)</u>	<u>\$ 20,405</u>	<u>\$ 485,169</u>	<u>\$ 1,787,115</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, 2012

	Enterprise	
	Water	Sewer Rental
Operating receipts:		
Charges for service	\$ 164,732	\$ 145,569
Operating disbursements:		
Business type activities	157,130	143,486
Excess of operating receipts over operating disbursements	\$ 7,602	\$ 2,083
Non-operating receipts (disbursements):		
Interest on investments	\$ 6	\$ 122
Miscellaneous	30	-
Debt service	(36,175)	-
Net non-operating receipts (disbursements)	\$ (36,139)	\$ 122
Net change in cash balances	\$ (28,537)	\$ 2,205
Cash balances beginning of year	50,134	237,333
Cash balances end of year	\$ 21,597	\$ 239,538
Cash Basis Fund Balances:		
Committed for customer deposits	\$ -	\$ -
Unrestricted	21,597	239,538
Total cash basis fund balances	\$ 21,597	\$ 239,538

See Notes to Financial Statements.

<u>Nonmajor Meter Deposits</u>	<u>Total</u>
\$ 2,400	\$ 312,701
<u>2,250</u>	<u>302,866</u>
<u>\$ 150</u>	<u>\$ 9,835</u>
\$ -	\$ 128
-	30
-	(36,175)
<u>\$ -</u>	<u>\$ (36,017)</u>
\$ 150	\$ (26,182)
<u>4,865</u>	<u>292,332</u>
<u>\$ 5,015</u>	<u>\$ 266,150</u>
\$ 5,015	\$ 5,015
-	261,135
<u>\$ 5,015</u>	<u>\$ 266,150</u>

CITY OF GREENE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(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, 2012

(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 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 not paid from other funds.

Special Revenue:

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

Capital Projects:

The Community Center Fund is used to account for grant receipts used for the construction of the new community center.

The Community Center Safe Room Fund is used to account for grant receipts used to construct a safe room in the new community center.

CITY OF GREENE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(1) Summary of Significant Accounting Policies - continued

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.

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.

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 City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

CITY OF GREENE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the culture and recreation, debt service and business type activities functions.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2012 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, 2012, the City had the following investments:

<u>Investment</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Common Stock	\$241,910	\$241,910
U.S. Treasury Securities	10,363	10,000
Total	<u>\$252,273</u>	<u>\$251,910</u>

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

(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	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	-	-	19,375	936	33,000	2,010	52,375	2,946
2017	-	-	-	-	34,000	1,020	34,000	1,020
Total	<u>\$ 165,000</u>	<u>\$ 9,525</u>	<u>\$ 77,500</u>	<u>\$ 9,333</u>	<u>\$160,000</u>	<u>\$ 14,700</u>	<u>\$ 402,500</u>	<u>\$ 33,558</u>

CITY OF GREENE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(3) Bonds and Notes Payable - continued

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 \$86,833, payable through June 2016. For the current year, principal and interest paid and total TIF receipts were \$24,053 and \$73,390, respectively.

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 \$174,700. For the current year, principal and interest paid and total customer net receipts were \$35,700 and \$7,602, 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.

CITY OF GREENE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(3) **Bonds and Notes Payable** - continued

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

Date of Loan	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, 2012:

Number of payments remaining	52
Outstanding balance	\$ 64,438

(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 5.38% of their annual covered salary and the City is required to contribute 8.07% 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, 2012, was \$14,049, equal to the required contribution for the year.

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

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 5 active and no retired members in the plan. Retired 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 benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$675 for single coverage and \$1,709 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$76,858 and plan members eligible for benefits did not contribute to the plan.

CITY OF GREENE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(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, 2012, primarily relating to the General Fund, is \$7,080.

This liability has been computed based on rates of pay in effect at June 30, 2012.

(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, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Emergency Levy	\$ 6,345
	Local Option Sales Tax	8,000
	Street Improvements	25,000
		<u>\$ 39,345</u>
Special Revenue:	Special Revenue:	
Street Improvements	Special Assessments	<u>\$ 32,230</u>
Library Trust	General	\$ 33,600
	Special Revenue:	
	Employee Benefits	8,519
		<u>\$ 42,119</u>
Albrecht Trust	General	<u>\$ 1,812</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	<u>\$ 16,236</u>
Total		<u>\$131,742</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 Balances

The Debt Service Fund had a deficit balance of \$6,928 at June 30, 2012. The deficit balance was a result of debt retirement. The deficit will be eliminated upon future receipts.

The Capital Projects, Community Center Fund had a deficit balance of \$9,935 at June 30, 2012. This deficit will be eliminated upon receipt of state grants.

CITY OF GREENE, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

(10) Commitments

At June 30, 2012, the following construction commitments had been made:

<u>Project</u>	<u>Total Contract</u>	<u>Costs Incurred To Date</u>
Community Center	<u>\$ 1,914,812</u>	<u>\$ 1,800,348</u>

(11) Short-Term Note Payable - Line of Credit

The City has a line of credit agreement with a bank which provides it may borrow up to \$1,000,000 at an interest rate of 2.95%. The line of credit is used for the community center projects. It is secured with a security agreement dated July 8, 2011.

Line of Credit activity for the year ended June 30, 2012 is as follows:

	<u>Balance Beginning of year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of year</u>
Bank	<u>\$ -</u>	<u>\$1,829,778</u>	<u>\$1,415,959</u>	<u>\$413,819</u>

(12) Subsequent Event

On August 13, 2012 the City Council approved a sewer lining bid in the amount of \$46,079.

Other 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
 OTHER INFORMATION
 YEAR ENDED JUNE 30, 2012

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds Not Required to be Budgeted
RECEIPTS:			
Property tax	\$ 463,465	\$ -	\$ -
Tax increment financing	73,390	-	-
Other city tax	66,618	-	-
Licenses and permits	1,994	-	-
Use of money and property	24,378	128	-
Intergovernmental	1,663,436	-	-
Charges for service	267,625	312,701	-
Special assessments	32,230	-	-
Miscellaneous	168,253	30	-
Total receipts	<u>\$ 2,761,389</u>	<u>\$ 312,859</u>	<u>\$ -</u>
DISBURSEMENTS:			
Public safety	\$ 299,570	\$ -	\$ -
Public works	252,586	-	-
Health and social services	4,245	-	-
Culture and recreation	354,487	-	-
Community and economic development	10,103	-	-
General government	86,573	-	-
Debt service	226,156	-	-
Capital projects	1,855,151	-	-
Business type activities	-	339,041	-
Total disbursements	<u>\$ 3,088,871</u>	<u>\$ 339,041</u>	<u>\$ -</u>
Deficiency of receipts under disbursements	\$ (327,482)	\$ (26,182)	\$ -
Other financing sources, net	<u>458,820</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 131,338	\$ (26,182)	\$ -
Balances beginning of year	<u>1,655,777</u>	<u>292,332</u>	<u>-</u>
Balances end of year	<u>\$ 1,787,115</u>	<u>\$ 266,150</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>	
\$ 463,465	\$ 448,163	\$ 448,163	\$ 15,302
73,390	63,926	63,926	9,464
66,618	75,459	75,459	(8,841)
1,994	1,400	1,400	594
24,506	25,860	25,860	(1,354)
1,663,436	132,175	1,857,175	(193,739)
580,326	483,700	483,700	96,626
32,230	8,500	31,500	730
168,283	74,100	129,100	39,183
<u>\$3,074,248</u>	<u>\$1,313,283</u>	<u>\$ 3,116,283</u>	<u>\$ (42,035)</u>
\$ 299,570	\$ 176,150	\$ 301,150	\$ 1,580
252,586	263,687	263,687	11,101
4,245	5,245	5,245	1,000
354,487	275,790	350,790	(3,697)
10,103	11,450	11,450	1,347
86,573	115,350	115,350	28,777
226,156	218,311	218,311	(7,845)
1,855,151	-	3,350,000	1,494,849
339,041	336,387	336,387	(2,654)
<u>\$3,427,912</u>	<u>\$1,402,370</u>	<u>\$ 4,952,370</u>	<u>\$1,524,458</u>
\$ (353,664)	\$ (89,087)	\$(1,836,087)	\$1,482,423
<u>458,820</u>	<u>-</u>	<u>1,850,000</u>	<u>(1,391,180)</u>
\$ 105,156	\$ (89,087)	\$ 13,913	\$ 91,243
<u>1,948,109</u>	<u>1,610,795</u>	<u>1,610,795</u>	<u>337,314</u>
<u>\$2,053,265</u>	<u>\$1,521,708</u>	<u>\$ 1,624,708</u>	<u>\$ 428,557</u>

CITY OF GREENE, IOWA
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING
JUNE 30, 2012

The budgetary comparison is presented 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 \$3,550,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the culture and recreation, debt service and business type activities functions.

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, 2012

	Special			
	Special Assessments	Road Use Tax	Employee Benefits	Emergency Levy
RECEIPTS:				
Property tax	\$ -	\$ -	\$ 74,971	\$ 6,345
Tax increment financing	-	-	-	-
Other city tax	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	107,182	-	-
Special assessments	32,230	-	-	-
Miscellaneous	-	-	-	-
Total receipts	<u>\$ 32,230</u>	<u>\$ 107,182</u>	<u>\$ 74,971</u>	<u>\$ 6,345</u>
 DISBURSEMENTS:				
Operating:				
Public safety	\$ -	\$ -	\$ 1,858	\$ -
Public works	-	84,243	18,157	-
Culture and recreation	-	-	36,377	-
Community and economic development	-	-	-	-
General government	-	-	9,850	-
Debt service	-	-	-	-
Total disbursements	<u>\$ -</u>	<u>\$ 84,243</u>	<u>\$ 66,242</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 32,230</u>	<u>\$ 22,939</u>	<u>\$ 8,729</u>	<u>\$ 6,345</u>
Other financing sources (uses):				
Operating transfers in	\$ -	\$ -	\$ -	\$ -
Operating transfers out	(32,230)	-	(8,519)	(6,345)
Total other financing sources (uses)	<u>\$ (32,230)</u>	<u>\$ -</u>	<u>\$ (8,519)</u>	<u>\$ (6,345)</u>
Net change in cash balances	\$ -	\$ 22,939	\$ 210	\$ -
Cash balances beginning of year	-	24,371	16,977	-
Cash balances end of year	<u><u>\$ -</u></u>	<u><u>\$ 47,310</u></u>	<u><u>\$ 17,187</u></u>	<u><u>\$ -</u></u>
Cash Basis Fund Balances:				
Nonexpendable - Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for other purposes	-	47,310	17,187	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total cash basis fund balances	<u><u>\$ -</u></u>	<u><u>\$ 47,310</u></u>	<u><u>\$ 17,187</u></u>	<u><u>\$ -</u></u>

See Accompanying Independent Auditor's Report.

Revenue				Permanent		
Local Option Sales Tax	Tax Increment Financing Industrial	Tax Increment Financing Residential	Albrecht Trust	Debt Service	Cemetery Perpetual Care	Total
\$ -	\$ -	\$ -	\$ 1,360	\$ 162,252	\$ -	\$ 244,928
-	35,747	37,643	-	-	-	73,390
66,618	-	-	-	-	-	66,618
-	-	-	4,873	-	-	4,873
-	-	-	-	-	-	107,182
-	-	-	-	-	-	32,230
-	-	-	27,011	-	920	27,931
<u>\$ 66,618</u>	<u>\$ 35,747</u>	<u>\$ 37,643</u>	<u>\$ 33,244</u>	<u>\$ 162,252</u>	<u>\$ 920</u>	<u>\$ 557,152</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,858
-	-	-	-	-	-	102,400
-	-	-	52,067	-	-	88,444
-	-	6,378	-	-	-	6,378
-	-	-	-	-	-	9,850
-	24,053	16,687	-	185,416	-	226,156
<u>\$ -</u>	<u>\$ 24,053</u>	<u>\$ 23,065</u>	<u>\$ 52,067</u>	<u>\$ 185,416</u>	<u>\$ -</u>	<u>\$ 435,086</u>
\$ 66,618	\$ 11,694	\$ 14,578	\$ (18,823)	\$ (23,164)	\$ 920	\$ 122,066
\$ -	\$ -	\$ -	\$ 1,812	\$ 16,236	\$ -	\$ 18,048
(24,236)	-	-	-	-	-	(71,330)
<u>\$ (24,236)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,812</u>	<u>\$ 16,236</u>	<u>\$ -</u>	<u>\$ (53,282)</u>
\$ 42,382	\$ 11,694	\$ 14,578	\$ (17,011)	\$ (6,928)	\$ 920	\$ 68,784
79,613	3,873	79,904	127,807	-	83,840	416,385
<u>\$ 121,995</u>	<u>\$ 15,567</u>	<u>\$ 94,482</u>	<u>\$ 110,796</u>	<u>\$ (6,928)</u>	<u>\$ 84,760</u>	<u>\$ 485,169</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,760	\$ 84,760
121,995	15,567	94,482	-	-	-	296,541
-	-	-	110,796	-	-	110,796
-	-	-	-	(6,928)	-	(6,928)
<u>\$ 121,995</u>	<u>\$ 15,567</u>	<u>\$ 94,482</u>	<u>\$ 110,796</u>	<u>\$ (6,928)</u>	<u>\$ 84,760</u>	<u>\$ 485,169</u>

CITY OF GREENE, IOWA
 SCHEDULE OF INDEBTEDNESS
 YEAR ENDED JUNE 30, 2012

<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
Bank Loan	07-08-11	2.95%	\$1,000,000
Total indebtedness			

See Accompanying Independent Auditor's Report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 90,000	\$ -	\$ 45,000	\$ 45,000	\$ 3,884	\$ -
180,000	-	60,000	120,000	7,380	-
16,000	-	16,000	-	687	-
<u>\$ 286,000</u>	<u>\$ -</u>	<u>\$ 121,000</u>	<u>\$165,000</u>	<u>\$ 11,951</u>	<u>\$ -</u>
<u>\$ 96,875</u>	<u>\$ -</u>	<u>\$ 19,375</u>	<u>\$ 77,500</u>	<u>\$ 4,678</u>	<u>\$ -</u>
<u>\$ 190,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$160,000</u>	<u>\$ 5,700</u>	<u>\$ -</u>
<u>\$ 77,820</u>	<u>\$ -</u>	<u>\$ 13,382</u>	<u>\$ 64,438</u>	<u>\$ 2,854</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$1,829,779</u>	<u>\$1,415,960</u>	<u>\$413,819</u>	<u>\$ 7,917</u>	<u>\$ -</u>
<u><u>\$ 650,695</u></u>	<u><u>\$1,829,779</u></u>	<u><u>\$1,599,717</u></u>	<u><u>\$880,757</u></u>	<u><u>\$ 33,100</u></u>	<u><u>\$ -</u></u>

CITY OF GREENE, IOWA
BOND AND NOTE MATURITIES
JUNE 30, 2012

Year Ending June 30,	G E N E R A L O B L I G A T I O N N O T E S				
	Swimming Pool		Street		
	Note		Improvement Note		
	Issued September 30, 2002		Issued July 1, 2004		
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
2013	4.50%	\$ 45,000	4.10%	\$ 60,000	\$ 105,000
2014		-	4.20	60,000	60,000
2015		-		-	-
2016		-		-	-
2017		-		-	-
Total		<u>\$ 45,000</u>		<u>\$120,000</u>	<u>\$ 165,000</u>

Year Ending June 30,	Urban Renewal Tax		Revenue Bonds		
	Increment Financing		Water		
	(TIF) Revenue Bonds		Issued March 12, 2007		
	Issued July 2, 2008		Issued March 12, 2007		
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
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>\$ 77,500</u>		<u>\$ 160,000</u>	

See Accompanying Independent Auditor's Report.

CITY OF GREENE, IOWA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2012

<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	08-DRHB-231	\$ 18,457
U.S. Department of Homeland Security:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance	97.036	10196	<u>\$1,164,858</u>
Hazard Mitigation Grant	97.039	HMGP-DR-1763- 0026	\$ 62,792
		HMGP-DR-1763- 14301	<u>182,879</u>
			<u>\$ 245,671</u>
Firefighter Grants	97.044		<u>\$ 9,105</u>
Total			<u>\$1,438,091</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 in 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.



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

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Greene, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued my report thereon dated January 3, 2013. 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, 2011. 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

The management of the City of Greene is responsible for establishing and maintaining effective 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 Part II of the accompanying Schedule of Findings as items II-A-12, II-D-12 and II-E-12 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 Part II of the accompanying Schedule of Findings as items II-B-12 and II-C-12 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, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed 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 Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 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.



January 3, 2013



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
 DIRECT AND MATERIAL EFFECT ON 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 City of Greene, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Greene's major federal program for the year ended June 30, 2012. 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 could have a direct and material effect on the City of Greene's major federal program for the year ended June 30, 2012. 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-12 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-12 to be a material weakness.

The City of Greene's response to the finding identified in my audit is described in the accompanying Schedule of Findings. While I have expressed my conclusion on the City's response, I did not audit the City of Greene's response and, accordingly, I express no opinion on it.

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.



January 3, 2013

CITY OF GREENE, IOWA
Schedule of Findings
Year Ended June 30, 2012

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, 2011.
- (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 97.036 - Disaster Grants - Public Assistance.
- (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-12 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 utilizing currently available staff, including elected officials.

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

Conclusion - Response accepted.

CITY OF GREENE, IOWA
Schedule of Findings
Year Ended June 30, 2012

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

- II-B-12 Centralized Bookkeeping - The bookkeeping and custody of records for the Friends of Library fund are maintained by individuals outside the City Clerk's office. These transactions and the resulting balances are not recorded in the Clerk's records. 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".
- Recommendation - For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be recorded in the Clerk's records.
- Response - We will look into this.
- Conclusion - Response accepted.
- II-C-12 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-D-12 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-E-12 Preparation of Financial Statements - The City does not have an internal control system designed to provide for the preparation of the financial statements in accordance with an other comprehensive basis of accounting, nor has management identified risks related to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements. Therefore, as an auditor, I was requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for a governmental entity similar in population to the City. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

CITY OF GREENE, IOWA
Schedule of Findings
Year Ended June 30, 2012

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

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

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

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 97.036: Disaster Grants - Public Assistance
Pass through Agency Number: 10196
Federal Award Year: 2012
U.S. Department of Homeland Security
Passed through the Iowa Homeland Security and Emergency Management Division

III-A-12 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-12.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 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 City 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.

CITY OF GREENE, IOWA
Schedule of Findings
Year Ended June 30, 2012

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

IV-B-12 Certified Budget - Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the culture and recreation, debt service and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation." Also, the City's amended budget figures in "Total Budget as Certified or Last Amended" does not agree with the original budget in taxes levied on property and other city taxes revenues.

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. Also, the City should ensure that budget amendment amounts are transferred correctly from the original to the amended budget.

Response - The budget will be amended in the future, if applicable, and the City will be more careful in copying budget figures.

Conclusion - Response accepted.

IV-C-12 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-12 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-E-12 Business Transactions - No business transactions between the City and City officials or employees were noted.

IV-F-12 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.

IV-G-12 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

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

Recommendation - The City should comply with Chapter 21 of the Code of Iowa and should publish minutes as required.

Response - We will publish minutes as required.

Conclusion - Response accepted.

IV-H-12 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-12 Financial Condition - The Debt Service Fund and the Capital Projects, Community Center Fund had deficit balances of \$6,928 and 9,935, respectively, at June 30, 2012.

CITY OF GREENE, IOWA
Schedule of Findings
Year Ended June 30, 2012

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

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

Response - These deficits were due to construction costs incurred prior to receipt of a state grant. The deficits will be eliminated upon receipt of the grant.

Conclusion - Response accepted.

IV-J-12

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.