

CITY OF SLATER

Independent Auditors' Reports
Basic Financial Statements
Supplementary and Other Information
Schedule of Findings

June 30, 2012

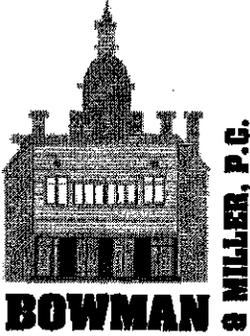
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CITY OF SLATER

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2012)		
Gary Halverson	Mayor	Jan 2012
Gene Staples	Mayor Pro Tem	Jan 2014
Ken May	Council Member	Jan 2014
Tim Locker	Council Member	Jan 2014
Brad Essick	Council Member	Jan 2012
Steve Ransom	Council Member	Jan 2012
Mary E. Sprouse	City Administrator/Clerk	Indefinite
Frank Feilmeyer	City Attorney	Indefinite
(After January 2012)		
Gary Halverson	Mayor	Jan 2014
Gene Staples	Mayor Pro Tem	Jan 2014
Ken May	Council Member	Jan 2014
Tim Locker	Council Member	Jan 2014
John Kahler	Council Member	Jan 2016
Steve Ransom	Council Member	Jan 2016
Mary E. Sprouse	City Administrator/Clerk	Indefinite
Frank Feilmeyer	City Attorney	Indefinite



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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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 Slater, 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 Slater'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.

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 Slater 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, we have also issued our report dated November 2, 2012 on our consideration of the City of Slater'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 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 our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Slater's basic financial statements. The financial statements for the two years ended June 30, 2008 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2006 and the three years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 3 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 our 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 our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Slater's basic financial statements. Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 21 through 23 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, we do not express an opinion or provide and assurance on it.

Bowman and Miller, P.C.

Marshalltown, Iowa
November 2, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Slater 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. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 30.9%, or approximately \$346,000, from fiscal year 2011 to fiscal year 2012. Property tax receipts and local option sales tax increased approximately \$20,600 and \$43,300, respectively, while other general receipts increased approximately \$269,400.
- Disbursements of the City's governmental activities increased 11.5%, or approximately \$130,000, in fiscal year 2012 from fiscal year 2011. Culture and recreation and community and economic development disbursements increased approximately \$75,600 and \$109,200, respectively, while capital projects disbursements decreased approximately \$88,100.
- The City's total cash basis net assets increased 17.3%, or approximately \$269,500, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased approximately \$203,900 and the assets of the business type activities increased approximately \$65,600.

USING THIS ANNUAL REPORT

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

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

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

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

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

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 City's indebtedness.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, resource recovery-landfill 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, Tax Increment Financing, and Local Option Sales Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund 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 three Enterprise Funds to provide separate information for the Water, Resource Recovery-Landfill and Sewer 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 approximately \$1,149,000 to approximately \$1,353,000. 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		
	Year Ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service	\$ 90,551	79,137
Operating grants, contributions and restricted interest	187,207	187,697
General receipts:		
Property tax	677,228	656,663
Local option sales tax	188,739	145,433
Other city tax	1,454	-
Unrestricted interest on investments	1,113	1,105
Other general receipts	<u>318,157</u>	<u>48,717</u>
Total receipts	<u>1,464,449</u>	<u>1,118,752</u>
Disbursements:		
Public safety	109,554	102,002
Public works	133,450	115,576
Health and social services	60	2,908
Culture and recreation	286,995	211,353
Community and economic development	138,578	29,344
General government	155,089	114,347
Debt service	334,182	364,709
Capital projects	<u>102,635</u>	<u>190,699</u>
Total disbursements	<u>1,260,543</u>	<u>1,130,938</u>
Change in cash basis net assets	203,906	(12,186)
Cash basis net assets beginning of year	<u>1,148,907</u>	<u>1,161,093</u>
Cash basis net assets end of year	\$ <u>1,352,813</u>	<u>1,148,907</u>

The City's total receipts for governmental activities increased 30.9%, or approximately \$346,000. The total cost of all programs and services increased approximately \$130,000, or 11.5%, with no new programs added this year. The increase in receipts was mainly due to the settlement agreement with the engineering firm regarding the swimming pool project. The increase in disbursements was primarily the result of an increase in capital outlay expenditures to the library and Nite Hawk Field as well as an increase in economic development expenditures as part of the business loan incentive program.

The cost of all governmental activities this year was approximately \$1,261,000 compared to approximately \$1,131,000 last year. However, as shown in the Statement of Activities and Net Assets on pages 9-10, the amount taxpayers ultimately financed for these activities was approximately \$983,000 because some of the cost was paid by those directly benefited from the programs (approximately \$91,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$187,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2012 from approximately \$266,800 to approximately \$277,800, principally due to increases in fees for services. The City paid for the remaining

“public benefit” portion of governmental activities (approximately \$983,000) with taxes (some of which could only be used for certain programs) and other receipts, such as interest and other general receipts.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 330,105	282,707
Sewer	247,191	271,443
Resource recovery - landfill	40,239	41,273
Operating grants, contributions and restricted interest	<u>12,836</u>	-
Total receipts	<u>630,371</u>	<u>595,423</u>
Disbursements:		
Water	282,027	273,994
Sewer	240,823	228,403
Resource recovery - landfill	<u>41,947</u>	<u>41,880</u>
Total disbursements	<u>564,797</u>	<u>544,277</u>
Change in cash basis net assets	65,574	51,146
Cash basis net assets beginning of year	<u>408,714</u>	<u>357,568</u>
Cash basis net assets end of year	<u>\$ 474,288</u>	<u>408,714</u>

Total business type activities receipts for the fiscal year were approximately \$630,400 compared to approximately \$595,400 last year. The cash balance increased approximately \$65,600 from the prior year because of an increase in user charges for water service. Total disbursements for the fiscal year increased 3.8% to approximately \$564,800.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Slater completed the year, its governmental funds reported a combined fund balance of \$1,352,813, an increase of approximately \$203,900 from last year's total of \$1,148,907. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$12,307 from the prior year to \$545,067. This was primarily due to an increase in community and economic development expenditures.
- The Special Revenue, Road Use Tax Fund cash balance increased \$25,872 to \$98,640 during the current fiscal year. This increase is attributable to an increase in road use tax receipts received from the State.
- The Special Revenue, Tax Increment Financing Fund cash balance remained virtually unchanged from the prior year.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$43,739 from the prior year to \$227,795. This increase is due to more local option sales tax dollars received from the State.
- The Capital Projects Fund cash balance increased by \$137,365 to \$246,593 due to proceeds received from the settlement agreement with the engineering firm regarding the swimming pool project.
- The Debt Service Fund cash balance increased by \$15,787 to \$85,776 from the prior year as a result of an increase in property taxes. Bond principal and interest payments decreased \$33,885 in fiscal year 2012.

- The Permanent Fund cash balance remained virtually unchanged from the prior year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased by \$48,452 to \$35,028 primarily due to an increase in user charges.
- The Enterprise, Sewer Fund cash balance remained virtually unchanged from the prior year.
- The Enterprise, Resource Recovery – Landfill Fund cash balance of \$44,987 is an increase of \$9,562 from the prior year resulting mainly from FEMA funds received during the year.

BUDGETARY HIGHLIGHTS

The City amended its budget once during the year. The amendment was approved on April 9, 2012 and resulted in an increase in total operating disbursements of \$62,255. The amendment was primarily the result of more pool repair and litigation costs incurred than originally planned as well as expenses budgeted for next fiscal year being incurred early.

Despite the budget amendment, the disbursements exceeded the amounts budgeted in the debt service function.

DEBT ADMINISTRATION

At June 30, 2012, the City had \$2,205,626 of long-term debt outstanding, compared to \$2,500,626 outstanding last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2012	2011
General obligation notes	\$ 1,153,000	1,350,000
Water revenue note	179,626	211,626
Sewer revenue bonds	<u>873,000</u>	<u>939,000</u>
Total	\$ <u>2,205,626</u>	<u>2,500,626</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$1,153,000 is significantly below its constitutional debt limit of approximately \$3,960,000.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The City of Slater’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.

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 Mary Sprouse, City Administrator, 101 Story Street, P.O. Box 538, Slater, Iowa 50244.

CITY OF SLATER
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2012

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 109,554	13,261	25,244
Public works	133,450	-	141,071
Health and social services	60	-	-
Culture and recreation	286,995	70,113	7,652
Community and economic development	138,578	7,177	13,240
General government	155,089	-	-
Debt service	334,182	-	-
Capital projects	102,635	-	-
Total governmental activities	<u>1,260,543</u>	<u>90,551</u>	<u>187,207</u>
Business type activities:			
Water	282,027	330,105	374
Sewer	240,823	247,191	-
Resource recovery - landfill	41,947	40,239	12,462
Total business type activities	<u>564,797</u>	<u>617,535</u>	<u>12,836</u>
Total	<u>\$ 1,825,340</u>	<u>708,086</u>	<u>200,043</u>

General receipts:

Property and other city tax levied for:

- General purposes
- Debt service

Tax increment financing

Local option sales tax

Other city tax

Licenses and permits

Unrestricted interest on investments

Miscellaneous

Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

Nonexpendable:

Cemetery perpetual care

Expendable:

Streets

Urban renewal purposes

Debt service

Capital projects

Other purposes

Unrestricted

Total cash basis net assets

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(71,049)	-	(71,049)
7,621	-	7,621
(60)	-	(60)
(209,230)	-	(209,230)
(118,161)	-	(118,161)
(155,089)	-	(155,089)
(334,182)	-	(334,182)
(102,635)	-	(102,635)
(982,785)	-	(982,785)
-	48,452	48,452
-	6,368	6,368
-	10,754	10,754
-	65,574	65,574
(982,785)	65,574	(917,211)
336,001	-	336,001
249,387	-	249,387
91,840	-	91,840
188,739	-	188,739
1,454	-	1,454
1,693	-	1,693
1,113	-	1,113
316,464	-	316,464
1,186,691	-	1,186,691
203,906	65,574	269,480
1,148,907	408,714	1,557,621
\$ 1,352,813	474,288	1,827,101
\$ 11,101	-	11,101
98,640	-	98,640
137,841	-	137,841
85,776	20,048	105,824
246,593	-	246,593
324,166	-	324,166
448,696	454,240	902,936
\$ 1,352,813	474,288	1,827,101

CITY OF SLATER
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2012

	General	Special Revenue		
		Road Use Tax	Tax Increment Financing	Local Option Sales Tax
Receipts:				
Property tax	\$ 336,001	-	-	-
Tax increment financing	-	-	91,840	-
Other city tax	1,454	-	-	188,739
Licenses and permits	1,693	-	-	-
Use of money and property	1,713	-	-	-
Intergovernmental	38,518	141,071	-	-
Charges for service	90,476	-	-	-
Miscellaneous	83,482	-	-	-
Total receipts	553,337	141,071	91,840	188,739
Disbursements:				
Operating:				
Public safety	109,554	-	-	-
Public works	18,251	115,199	-	-
Health and social services	60	-	-	-
Culture and recreation	286,995	-	-	-
Community and economic development	128,495	-	10,083	-
General government	155,089	-	-	-
Debt service	-	-	73,382	-
Capital projects	-	-	-	-
Total disbursements	698,444	115,199	83,465	-
Excess (deficiency) of receipts over (under) disbursements	(145,107)	25,872	8,375	188,739
Other financing sources (uses):				
Operating transfers in	132,800	-	-	-
Operating transfers out	-	-	(15,000)	(145,000)
Total other financing sources (uses)	132,800	-	(15,000)	(145,000)
Net change in cash balances	(12,307)	25,872	(6,625)	43,739
Cash balances beginning of year	557,374	72,768	144,466	184,056
Cash balances end of year	\$ 545,067	98,640	137,841	227,795
Cash Basis Fund Balances				
Nonspendable - Cemetary perpetual care	-	-	-	-
Restricted for:	\$			
Streets	-	98,640	-	-
Urban renewal purposes	-	-	137,841	-
Property tax relief	-	-	-	227,795
Debt service	-	-	-	-
Capital projects	-	-	-	-
Assigned for economic development	96,371	-	-	-
Unassigned	448,696	-	-	-
Total cash basis fund balances	\$ 545,067	98,640	137,841	227,795

Capital Projects	Debt Service	Permanent Fund	Total
-	249,387	-	585,388
-	-	-	91,840
-	-	-	190,193
-	-	-	1,693
-	-	-	1,713
-	-	-	179,589
-	-	75	90,551
240,000	-	-	323,482
240,000	249,387	75	1,464,449
-	-	-	109,554
-	-	-	133,450
-	-	-	60
-	-	-	286,995
-	-	-	138,578
-	-	-	155,089
-	260,800	-	334,182
102,635	-	-	102,635
102,635	260,800	-	1,260,543
137,365	(11,413)	75	203,906
-	27,200	-	160,000
-	-	-	(160,000)
-	27,200	-	-
137,365	15,787	75	203,906
109,228	69,989	11,026	1,148,907
246,593	85,776	11,101	1,352,813
-	-	11,101	11,101
-	-	-	98,640
-	-	-	137,841
-	-	-	227,795
-	85,776	-	85,776
246,593	-	-	246,593
-	-	-	96,371
-	-	-	448,696
246,593	85,776	11,101	1,352,813

CITY OF SLATER
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	Resource Recovery - Landfill	Total
Operating receipts:				
Charges for service	\$ 329,853	247,235	40,239	617,327
Miscellaneous	252	(44)	-	208
Total operating receipts	<u>330,105</u>	<u>247,191</u>	<u>40,239</u>	<u>617,535</u>
Operating disbursements:				
Business type activities	243,673	146,653	41,947	432,273
Total operating disbursements	<u>243,673</u>	<u>146,653</u>	<u>41,947</u>	<u>432,273</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	86,432	100,538	(1,708)	185,262
Non-operating receipts (disbursements):				
Intergovernmental	374	-	12,462	12,836
Debt service	(32,000)	(66,000)	-	(98,000)
Interest expense	(6,354)	(28,170)	-	(34,524)
Total non-operating receipts (disbursements)	<u>(37,980)</u>	<u>(94,170)</u>	<u>12,462</u>	<u>(119,688)</u>
Other financing sources (uses)				
Operating transfers in	-	1,192	-	1,192
Operating transfers out	-	-	(1,192)	(1,192)
Total other financing sources (uses)	<u>-</u>	<u>1,192</u>	<u>(1,192)</u>	<u>-</u>
Net change in cash balances	48,452	7,560	9,562	65,574
Cash balances beginning of year	(13,424)	386,713	35,425	408,714
Cash balances end of year	<u>\$ 35,028</u>	<u>394,273</u>	<u>44,987</u>	<u>474,288</u>
Cash Basis Fund Balances				
Restricted for debt service	\$ -	20,048	-	20,048
Unrestricted	35,028	374,225	44,987	454,240
Total cash basis fund balances	<u>\$ 35,028</u>	<u>394,273</u>	<u>44,987</u>	<u>474,288</u>

CITY OF SLATER
Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies

The City of Slater is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1889 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, landfill and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Slater 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: Story County Assessor's Conference Board, Story County Emergency Management Commission, Story County E911 Service Board, and the High Trestle Trail Committee.

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 SLATER
Notes to Financial Statements (Continued)
June 30, 2012

(1) **Summary of Significant Accounting Policies (Continued)**

B. Basis of Presentation (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.

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 Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Local Option Sales Tax Fund is used to account for the local option sales tax receipts.

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

The Capital Projects Fund is used to account for projects associated with the pool, bike path, and demolition of old buildings.

CITY OF SLATER
Notes to Financial Statements (Continued)
June 30, 2012

(1) **Summary of Significant Accounting Policies (Continued)**

B. Basis of Presentation (Continued)

The Permanent Fund is used to account for funds collected for the perpetual care of the cemetery.

The City reports the following major proprietary funds:

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

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

The Enterprise, Resource Recovery – Landfill Fund accounts for the per capita charge from using the City of Ames' resource recovery plant.

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.

CITY OF SLATER
Notes to Financial Statements (Continued)
June 30, 2012

(1) Summary of Significant Accounting Policies (Continued)

D. Governmental Cash Basis Fund Balances (Continued)

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.

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 debt service function.

(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.

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

(3) 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.

CITY OF SLATER
Notes to Financial Statements (Continued)
June 30, 2012

(3) Pension and Retirement Benefits (Continued)

Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$22,045, \$17,620 and \$16,680, respectively, equal to the required contributions for each year.

(4) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Notes		Revenue Bonds and Note				Total	
	Principal	Interest	Water		Sewer		Principal	Interest
			Principal	Interest	Principal	Interest		
2013	\$ 203,000	51,977	34,000	5,400	68,000	26,190	305,000	83,567
2014	214,500	42,738	35,000	4,380	70,000	24,150	319,500	71,268
2015	221,000	32,868	36,000	3,330	72,000	22,050	329,000	58,248
2016	134,500	22,542	37,000	2,250	75,000	19,890	246,500	44,682
2017	135,000	16,062	37,626	1,140	77,000	17,640	249,626	34,842
2018-2022	245,000	15,666	-	-	419,000	52,260	664,000	67,926
2023-2027	-	-	-	-	92,000	2,760	92,000	2,760
	\$ <u>1,153,000</u>	<u>181,853</u>	<u>179,626</u>	<u>16,500</u>	<u>873,000</u>	<u>164,940</u>	<u>2,205,626</u>	<u>363,293</u>

The water revenue capital loan note and sewer revenue bonds were issued for construction of water and wastewater projects of the City. The resolution providing for the issuance of the revenue bonds include the following provisions: (a) the bonds will only be redeemed from the future earnings of the enterprise activity funds and the bond holders hold a lien on the future earnings of the funds, (b) sufficient monthly transfers shall be made to a separate sewer bond sinking accounts for the purpose of making the bond principal and interest payments when due.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 2 active members and 1 retired member in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug and dental benefits are provided through a partially self-funded medical plan administered by Auxiant. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premium is \$1,264 for family coverage. Currently there are no active members on single coverage. The most recent retiree member monthly premium \$445 for single coverage, however, the City contributes the difference between the active and retiree member's premium rate. For the year ended June 30, 2012, the City contributed 100% of the plan membership for active members and a portion of the plan membership for the retiree at a cost of \$82,221. The retiree member eligible for benefits contributed \$6,034 to the plan.

CITY OF SLATER
Notes to Financial Statements (Continued)
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 as follows:

Type of Benefit	Amount
Vacation	\$ <u>22,690</u>

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

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General Fund	Special Revenue: Local Option Sales Tax	\$ <u>132,800</u>
Debt Service	Special Revenue: Local Option Sales Tax	12,200
	Special Revenue: Tax Increment Financing	<u>15,000</u>
		<u>27,200</u>
Enterprise: Sewer Fund	Enterprise: Resource Recovery – Landfill	<u>1,192</u>
Total		\$ <u>161,192</u>

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

(8) Risk Management

The City of Slater is exposed to various risks of loss related to torts; thefts, 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.

CITY OF SLATER
Notes to Financial Statements (Continued)
June 30, 2012

(9) Business Incentive Loan Program

During the year, the City agreed to loan funds to two local businesses as part of the City's Business Incentive Loan Program to enhance economic development. Per the agreements, the non-interest bearing loans are to be repaid in monthly installments over a ten year period. The total amount of business incentive loans outstanding as of June 30, 2012, was \$102,167.

(10) Commitment

In 2001 the City entered into an agreement with Jissom, Inc. to develop residential housing in a Tax Increment Financing district (T.I.F.) per the City's Urban Renewal Plan. An additional development agreement was made with Jissom, Inc. in 2004. The 2001 and 2004 development agreements were amended in August 2010. Per the amended 2001 agreement, the City is required to contribute \$55,745 to the City's low and moderate income housing fund (L.M.I.) and owes no further amounts to the Developer. Per the amended 2004 agreement, the total maximum amount of reimbursement available to the Developer is \$558,372. The Developer will receive rebates on a semi-annual basis from the Phase III T.I.F. Fund. The timing and value of the future development is unknown, and therefore, the amount of rebate that will be paid each year is indeterminable. The final rebate payment is scheduled for December 1, 2012. Prior to the final payment, if more than 43.90% of the units in the project area are occupied by low and moderate income families, the Developer will be eligible to receive rebates for an additional three years. The City expects the LMI occupancy rate to reach 43.90% and continue to pay the Developer until December 1, 2015.

(11) Subsequent Events

The City has evaluated all subsequent events through November 2, 2012, the date the financial statements were available to be issued.

CITY OF SLATER

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 Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 585,388	-
Tax increment financing	91,840	-
Other city tax	190,193	-
Licenses and permits	1,693	-
Use of money and property	1,713	-
Intergovernmental	179,589	12,836
Charges for services	90,551	617,327
Miscellaneous	323,482	208
Total receipts	1,464,449	630,371
Disbursements:		
Public safety	109,554	-
Public works	133,450	-
Health and social services	60	-
Culture and recreation	286,995	-
Community and economic development	138,578	-
General government	155,089	-
Debt service	334,182	-
Capital projects	102,635	-
Business type activities	-	564,797
Total disbursements	1,260,543	564,797
Excess (deficiency) of receipts over (under) disbursements	203,906	65,574
Other financing sources, net	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	203,906	65,574
Balances beginning of year	1,148,907	408,714
Balances end of year	\$ 1,352,813	474,288

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
585,388	575,066	575,066	10,322
91,840	95,000	95,000	(3,160)
190,193	153,876	153,876	36,317
1,693	975	975	718
1,713	500	500	1,213
192,425	559,905	559,905	(367,480)
707,878	593,428	593,428	114,450
323,690	7,450	7,450	316,240
2,094,820	1,986,200	1,986,200	108,620
109,554	100,732	117,596	8,042
133,450	151,000	156,098	22,648
60	2,000	2,000	1,940
286,995	284,175	378,513	91,518
138,578	210,384	226,802	88,224
155,089	118,160	175,459	20,370
334,182	276,100	261,100	(73,082)
102,635	410,000	190,400	87,765
564,797	532,328	639,166	74,369
1,825,340	2,084,879	2,147,134	321,794
269,480	(98,679)	(160,934)	430,414
-	-	(50,612)	50,612
269,480	(98,679)	(211,546)	481,026
1,557,621	1,394,243	1,394,243	163,378
1,827,101	1,295,564	1,182,697	644,404

CITY OF SLATER
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 except the Internal Service Fund. 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 Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$62,255. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the debt service function.

CITY OF SLATER
Schedule of Indebtedness
Year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Pool	May 1, 2004	3.75 %	\$ 700,000
Fire truck	Mar 1, 2005	4.00	135,000
Pool	Nov 15, 2005	4.00	75,000
Pool, water utility, maintenance shop, fire station and library roof	May 1, 2006	3.80 - 4.70	320,000
Corporate purpose	Apr 15, 2007	5.35 - 5.90	590,000
Corporate purpose	Apr 15, 2007	4.00 - 4.25	535,000
Total			
Revenue bonds and note:			
Water revenue capital loan note	March 2007	3.00 %	\$ 305,000
Sewer revenue bonds	Nov 13, 2002	3.00	1,500,000
Total			

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
310,000	-	75,000	235,000	11,625	-
62,000	-	14,000	48,000	2,480	-
43,000	-	8,000	35,000	1,720	-
95,000	-	15,000	80,000	4,240	-
360,000	-	70,000	290,000	20,645	-
480,000	-	15,000	465,000	20,090	-
<u>\$ 1,350,000</u>	<u>-</u>	<u>197,000</u>	<u>1,153,000</u>	<u>60,800</u>	<u>-</u>
211,626	-	32,000	179,626	6,355	-
939,000	-	66,000	873,000	28,170	-
<u>\$ 1,150,626</u>	<u>-</u>	<u>98,000</u>	<u>1,052,626</u>	<u>34,525</u>	<u>-</u>

CITY OF SLATER
Bond and Note Maturities
June 30, 2012

General Obligation Notes						
Year Ending June 30,	Pool Issued May 1, 2004		Fire Truck Issued Mar 1, 2005		Pool Issued Nov 15, 2005	
	Interest		Interest		Interest	
	Rate	Amount	Rate	Amount	Rate	Amount
2013	3.75 %	\$ 75,000	4.00 %	\$ 15,000	4.00 %	\$ 8,000
2014	3.75	80,000	4.00	16,000	4.00	8,500
2015	3.75	80,000	4.00	17,000	4.00	9,000
2016	-	-	-	-	4.00	9,500
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
Total		<u>\$ 235,000</u>		<u>\$ 48,000</u>		<u>\$ 35,000</u>

Revenue Bonds and Note					
Year Ending June 30,	Water Issued Apr 22, 2009		Sewer Issued Nov 13, 2002		Total
	Interest		Interest		
	Rate	Amount	Rate	Amount	
2013	3.00 %	\$ 34,000	3.00 %	\$ 68,000	\$ 102,000
2014	3.00	35,000	3.00	70,000	105,000
2015	3.00	36,000	3.00	72,000	108,000
2016	3.00	37,000	3.00	75,000	112,000
2017	3.00	37,626	3.00	77,000	114,626
2018	-	-	3.00	79,000	79,000
2019	-	-	3.00	81,000	81,000
2020	-	-	3.00	84,000	84,000
2021	-	-	3.00	86,000	86,000
2022	-	-	3.00	89,000	89,000
2023	-	-	3.00	92,000	92,000
Total		<u>\$ 179,626</u>		<u>\$ 873,000</u>	<u>\$ 1,052,626</u>

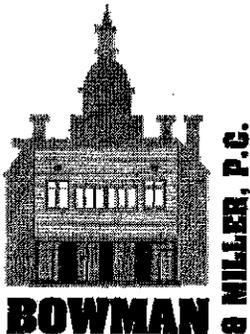
Pool, water utility, maintenance shop, fire station and library roof		Corporate Purpose		Corporate Purpose		Total
Issued May 1, 2006		Issued Apr 15, 2007		Issued Apr 15, 2007		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
4.30 %	\$ 15,000	5.65 %	\$ 75,000	4.15 %	\$ 15,000	\$ 203,000
4.40	15,000	5.75	80,000	4.20	15,000	214,500
4.50	15,000	5.85	85,000	4.25	15,000	221,000
4.60	15,000	5.90	50,000	4.10	60,000	134,500
4.70	20,000	-	-	4.15	115,000	135,000
-	-	-	-	4.20	120,000	120,000
-	-	-	-	4.25	125,000	125,000
	<u>\$ 80,000</u>		<u>\$ 290,000</u>		<u>\$ 465,000</u>	<u>\$ 1,153,000</u>

CITY OF SLATER
Schedule of Receipts By Source and Disbursements by Function-
All Governmental Funds
For the Last Seven Years

	2012	2011	2010	2009
Receipts:				
Property tax	\$ 585,388	570,813	524,951	506,681
Tax increment financing	91,840	85,850	192,762	184,245
Other city tax	190,193	145,433	156,295	173,291
Licenses and permits	1,693	9,801	3,862	2,302
Use of money and property	1,713	5,530	7,216	9,099
Intergovernmental	179,589	180,724	153,687	328,467
Charges for services	90,551	79,137	69,295	70,006
Miscellaneous	323,482	41,464	11,473	55,855
Total	\$ 1,464,449	1,118,752	1,119,541	1,329,946
Disbursements:				
Operating:				
Public safety	\$ 109,554	102,002	96,244	92,814
Public works	133,450	115,576	121,697	208,753
Health and social services	60	2,908	-	1,777
Culture and recreation	286,995	211,353	209,592	223,164
Community and economic development	138,578	29,344	21,312	9,453
General government	155,089	114,347	115,131	81,978
Debt service	334,182	364,709	335,583	467,647
Capital projects	102,635	190,699	327,614	475,512
Total	\$ 1,260,543	1,130,938	1,227,173	1,561,098

2008	2007	2006
558,301	408,036	378,411
168,120	114,191	152,168
153,485	158,182	138,232
12,557	1,400	2,668
10,001	11,127	6,715
147,336	222,686	191,955
49,159	78,361	77,583
16,727	57,608	32,774
<u>1,115,686</u>	<u>1,051,591</u>	<u>980,506</u>

107,186	91,704	122,105
135,687	131,579	225,450
460	-	2,968
243,194	254,313	510,220
7,376	17,402	-
105,134	220,551	277,547
436,544	172,257	301,751
65,700	250,555	-
<u>1,101,281</u>	<u>1,138,361</u>	<u>1,440,041</u>



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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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 Slater, 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 our report thereon dated November 2, 2012. 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

The management of the City of Slater is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Slater'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 an opinion on the effectiveness of the City of Slater's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness on the City of Slater'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 a deficiency in internal control over financial reporting we consider to be a material weakness and an other deficiency we consider to be a significant deficiency.

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 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 Slater's financial statements will not be prevented or detected and corrected on a timely

basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings as Item II-A-12 to be a material weakness.

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. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-B-12 to be a significant deficiency.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the City of Slater's financial statements are free of material misstatement, we 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 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 which 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, 2012 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 Slater'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 Slater'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 Slater and other parties to whom the City of Slater 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.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Slater 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.

Bowman and Miller, P.C.

Marshalltown, Iowa
November 2, 2012

CITY OF SLATER
Schedule of Findings
Year ended June 30, 2012

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) A significant deficiency and a material weakness 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 SLATER
Schedule of Findings (Continued)
Year ended June 30, 2012

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

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. We noted one person has control over each of the following areas:

- (1) Cash receipts - collecting, depositing, journalizing, and posting
- (2) Payroll preparation and distribution.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its internal control procedures to obtain the maximum internal control possible under the circumstances.

Response – The noted areas will be reviewed to identify duties that could be handled by other personnel or council members.

Conclusion – Response accepted.

II-B-12 Bank Reconciliations – Fund balances are reconciled to the bank account balance monthly, however, outstanding variances in the reconciliations were not resolved.

Recommendation – To improve financial accountability and control, fund balances should be reconciled to the bank balances monthly and variances resolved on a timely basis.

Response – Early in the year, there was one month that had an unsolved reconciliation variance which caused the rest of the year to be off by that amount. City staff will use tech support provided with the accounting software to resolve these issues in the future on a timely basis.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF SLATER
Schedule of Findings (Continued)
Year ended June 30, 2012

Part III: Other Findings Related to Required Statutory Reporting:

III-A-12 Certified Budget – Disbursements during the year ended June 30, 2012, exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under annual or continuing appropriation.”

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

Response – The City of Slater has always had its TIF repayments budgeted in the economic development function. In the future, the City will budget a transfer to debt service so that all TIF repayments can be reported in the debt service function without being over budget.

Conclusion – Response accepted.

III-B-12 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.

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

III-D-12 Business Transactions – No business transactions between the City and City officials or employees were noted.

III-E-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.

III-F-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

III-G-12 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

III-H-12 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

The Council went into closed session several times during the year. Through the first five months, the minutes did not document the applicable code section and did not indicate a roll call vote was taken as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law. Once this finding was noted in the prior year’s audit report, closed sessions for the remaining of the year were handled properly.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should document the proper code section and take roll call vote as required.

CITY OF SLATER
Schedule of Findings (Continued)
Year ended June 30, 2012

Part III: Other Findings Related to Required Statutory Reporting (continued):

Response – We have since complied with the Code requirements for closed sessions and will continue to do so in the future.

Conclusion – Response accepted.

III-I-12 Transfers – The City transferred money to and from various funds at the end of the year. However, these transfers were not approved by the Council prior to the actual transfer.

Recommendation – The City should approve all fund transfers prior to the actual transfer and document the approval and amounts in the minutes.

Response – The City will approve and document all future transfers prior to making the actual transfer.

Conclusion – Response accepted.

CITY OF SLATER

Staff

This audit was performed by:

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