



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

May 5, 2014

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Solon, Iowa.

The City's receipts totaled \$3,464,060 for the year ended June 30, 2013, a 32.3% decrease from the previous year. The receipts included \$803,768 in property tax, \$465,532 from tax increment financing, \$1,124,850 from charges for service, \$346,190 from operating grants, contributions and restricted interest, \$231,304 from capital grants, contributions and restricted interest, \$214,715 from local option sales tax, \$14,362 from unrestricted interest on investments, \$235,478 from bond and bond anticipation project note proceeds and \$27,861 from other general receipts.

Disbursements for the year ended June 30, 2013 totaled \$4,706,823, a 45% increase over the prior year, and included \$1,724,319 for capital projects, \$831,023 for debt service and \$510,387 for public works. Disbursements for business type activities totaled \$719,035.

The significant decrease in receipts is primarily due to bond proceeds received in the prior year for street and central business district projects and to refund general obligation notes. The significant increase in disbursements is primarily due to the disbursement of bond proceeds received in the prior year for street and central business district improvements. The City also refunded \$330,000 of general obligation notes during the current fiscal year.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1320-0488-B00F.pdf>.

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CITY OF SOLON
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2013

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City of Solon

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Cami Rasmussen	Mayor	Jan 2016
Steve Stange	Mayor Pro tem	Jan 2014
Jesse Ehlinger	Council Member	Jan 2014
Mark Krall	Council Member	Jan 2014
Ron Herdliska	Council Member	Jan 2016
Brad Kunkel	Council Member	Jan 2016
Cassandra Lippincott	City Administrator	Indefinite
Susie Siddell	City Clerk/Treasurer	Indefinite
James Martinek	Attorney	Indefinite

City of Solon



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Solon, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Solon as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Solon's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2012 (which is not presented herein) and expressed an unmodified opinions on those financial statements, which were prepared on the basis of cash receipts and disbursements. We also previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2011 (which are not presented herein) and expressed qualified opinions on those financial statements, which were prepared on the basis of cash receipts and disbursements, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2010. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

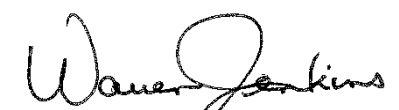
The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 30 through 32, 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 any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 7, 2014 on our consideration of the City of Solon's internal control over financial reporting and on 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 in considering the City of Solon's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 7, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Solon 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, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 34.8%, or approximately \$1,367,000, from fiscal year 2012 to fiscal year 2013. Bond proceeds decreased approximately \$1,820,000 while bond anticipation project note proceeds increased approximately \$214,000 and capital grants, contributions and restricted interest increased approximately \$160,000.
- Disbursements of the City's governmental activities increased 85.2%, or approximately \$1,835,000, from fiscal year 2012 to fiscal year 2013. The increase was primarily due to more capital project disbursements during fiscal year 2013 than in fiscal year 2012.
- The City's total cash basis net position decreased 26.1%, or approximately \$1,243,000 from June 30, 2012 to June 30, 2013. Of this amount, the cash basis net position of the governmental activities decreased approximately \$1,513,000 and the cash basis net position of the business type activities increased approximately \$271,000.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. 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.

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 Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

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

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, 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, sanitary sewer system and recoupment fees. 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 Urban Renewal Tax Increment, Local Option Sales Tax and Library Trust, 3) the Debt Service Fund and 4) the Capital Projects 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.

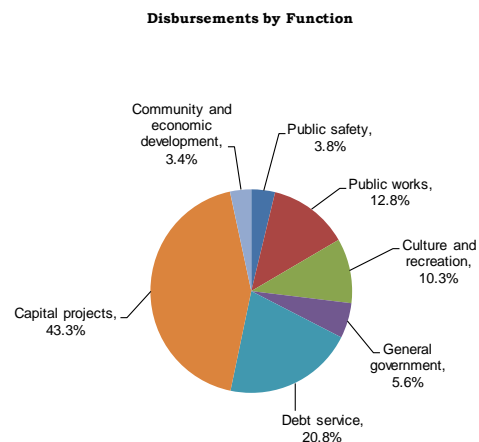
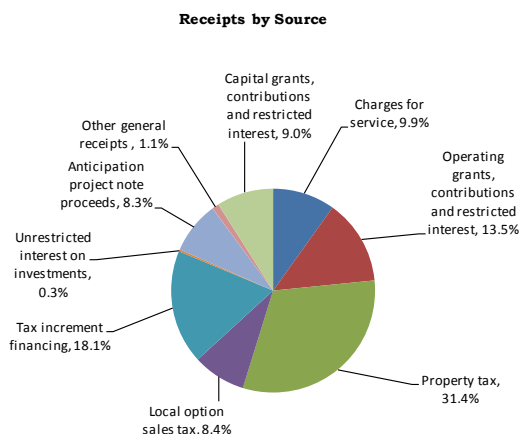
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer and Recoupment Fees Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$3,656,000 to approximately \$2,143,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service	\$ 252,983	238,857
Operating grants, contributions and restricted interest	346,190	357,882
Capital grants, contributions and restricted interest	231,304	70,988
General receipts:		
Property tax	803,768	718,952
Tax increment financing	465,532	476,013
Local option sales tax	214,715	205,044
Unrestricted interest on investments	8,974	9,243
Bond proceeds	-	1,820,835
Bond anticipation project note proceeds	213,968	-
Other general receipts	27,861	34,195
Total receipts	2,565,295	3,932,009
Disbursements:		
Public safety	152,367	139,091
Public works	510,387	637,300
Culture and recreation	410,796	400,295
Community and economic development	134,000	37,058
General government	224,896	199,848
Debt service	831,023	421,555
Capital projects	1,724,319	318,090
Total disbursements	3,987,788	2,153,237
Change in cash basis net position before transfers	(1,422,493)	1,778,772
Transfers, net	(90,836)	(1,638)
Change in cash basis net position	(1,513,329)	1,777,134
Cash basis net position beginning of year	3,656,124	1,878,990
Cash basis net position end of year	\$ 2,142,795	3,656,124



The decrease in cash basis net position is due primarily to bond proceeds of approximately \$1,821,000 received in the prior fiscal year being used to retire debt and more capital project disbursements in fiscal year 2013 for City Hall improvements and the Highway 1 widening and Main Street improvement projects.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 345,220	332,495
Sewer	438,647	413,007
Recoupment fees	88,000	66,935
General receipts:		
Unrestricted interest on investments	5,388	6,401
Bond proceeds	21,510	363,490
Total receipts	898,765	1,182,328
Disbursements:		
Water	376,157	694,727
Sewer	342,878	398,284
Total disbursements	719,035	1,093,011
Change in cash basis net position before transfers	179,730	89,317
Transfers, net	90,836	1,638
Change in cash basis net position	270,566	90,955
Cash basis net position beginning of year	1,097,679	1,006,724
Cash basis net position end of year	\$ 1,368,245	1,097,679

Total business type activities cash basis net position increased from a year ago, increasing from \$1,097,679 at June 30, 2012 to \$1,368,245 at June 30, 2013. The increase is due primarily to increased water and sewer rates, an increase in recoupment fees collected and repayment of an internal loan from the Special Revenue, Urban Renewal Tax Increment Fund to the Enterprise, Recoupment Fees Fund.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Solon completed the year, its governmental funds reported a combined fund balance of \$2,142,795, a decrease of approximately \$1,513,000 below last year's total of \$3,656,124. 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 \$49,447 from the prior year to \$446,795. The increase is primarily due to an increase in property tax due to increased property valuations offset by an increase in general government function disbursements for building inspection fees for several new multiplexes and condos.
- The Special Revenue, Urban Renewal Tax Increment Fund (TIF Fund) cash balance decreased \$43,421, or 74.7%, from the prior year. This decrease is primarily due to a \$125,000 forgivable loan to Brewery Property LLC paid from the TIF Fund during the year.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$59,320, or 21.7%, over the prior year, primarily due to receipts exceeding disbursements and transfers out during the year.

- The Special Revenue, Library Trust Fund cash balance decreased \$14,998, or 3.3%, to a year-end balance of \$437,397.
- The Debt Service Fund cash balance decreased \$360,219 to \$851,037. The decrease was attributable to bond proceeds received in the prior year being used to refund an outstanding debt issue of \$330,000 in the current year.
- The Capital Projects Fund cash balance decreased \$1,279,021 to a year-end balance of \$(153,460) at June 30, 2013. Disbursements increased approximately \$1.4 million due to costs related to the City Hall improvements and the Highway 1 widening and Main Street improvement projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$17,167, or 5.3%, over the prior year. The increase is primarily due to an increase in water rates during the current year.
- The Enterprise, Sewer Fund cash balance increased \$75,507 or 30.5%, over the prior year. Charges for service increased due to an increase in sewer rates. Disbursements decreased \$55,406, primarily due to a decrease in expenses for the Highway 1 sewer line project and reallocation of certain administrative costs from the Enterprise, Sewer Fund to the Enterprise, Water Fund.
- The Enterprise, Recoupment Fees Fund cash balance increased \$177,892, or 33.9%, over the prior year, primarily due to an increase in recoupment fees collected and repayment of an interfund loan from the Special Revenue, Urban Renewal Tax Increment Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 15, 2013 and resulted in an increase in budgeted disbursements, primarily related to planned capital projects and increased debt service payments.

The City’s receipts were \$111,520, or 3.6%, more than budgeted.

Total disbursements were \$1,183,412 less than the amended budget. Actual disbursements for the capital projects, public works, and business type activities functions were \$693,681, \$201,163 and \$89,468, respectively, less than the amended budget. This was primarily due to the City anticipating more project disbursements than were realized.

Disbursements in the debt service and capital projects functions exceeded the amounts budgeted prior to the May 15, 2013 budget amendment.

DEBT ADMINISTRATION

At June 30, 2013, the City had \$5,733,680 of bonds and other long-term debt outstanding, compared to \$6,274,202 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2013	2012
General obligation bonds and notes	\$ 4,334,000	5,009,000
Revenue bonds	1,185,712	1,265,202
Bond anticipation project note	213,968	-
Total	\$ 5,733,680	6,274,202

Debt decreased as a result of a \$330,000 current refunding of the City's 2002 general obligation notes and scheduled debt payments. The City also issued a \$213,968 bond anticipation project note during the current year.

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 \$4,334,000, plus tax increment financing rebate and economic development agreements of \$92,271, net of cash on hand of \$865,736 available to service the debt, totals \$3,560,535 and is below the City's constitutional debt limit of approximately \$7,625,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Solon is situated in a quickly developing area within the State of Iowa. In calendar year 2013, the City issued building permits for 65 dwelling units. The City has approved site plans for an additional 29 multi-family dwelling units. This growth will be evidenced in the City's valuations in the coming two fiscal years.

The City's valuations were negatively impacted beginning in fiscal year 2014 due to the devaluation of vacant multi-family lots from residential assessed value to agricultural assessed value, resulting in a decrease of \$1,000,000 in the City's valuations.

In fiscal year 2014, the City plans to complete the construction of a new City Hall. This project is being funded using general obligation debt.

The fiscal year 2014 budget includes total receipts of \$3,542,558 and disbursements of \$4,292,501. The City has budgeted deficit spending due to the use of bond proceeds in reserve for use on capital projects during the year and use of reserves to purchase equipment.

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 Susie Siddell, City Clerk/Treasurer, 223 S. Iowa St, City of Solon, Iowa 52333.

Basic Financial Statements

City of Solon

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 152,367	74,134	-	-
Public works	510,387	110,228	196,303	-
Culture and recreation	410,796	63,566	149,887	-
Community and economic development	134,000	-	-	-
General government	224,896	5,055	-	-
Debt service	831,023	-	-	-
Capital projects	1,724,319	-	-	231,304
Total governmental activities	3,987,788	252,983	346,190	231,304
Business type activities:				
Water	376,157	345,220	-	-
Sewer	342,878	438,647	-	-
Recoupment fees	-	88,000	-	-
Total business type activities	719,035	871,867	-	-
Total Primary Government	\$ 4,706,823	1,124,850	346,190	231,304
Component Unit:				
Library Foundation	\$ 4,216	-	3,506	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Capital improvements				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Bond proceeds				
Bond anticipation project note proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Debt service				
Library purposes				
Capital improvements				
Streets				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position				Component
Primary Government			Unit	
Governmental Activities	Business Type Activities	Total	Library Foundation	
(78,233)	-	(78,233)		
(203,856)	-	(203,856)		
(197,343)	-	(197,343)		
(134,000)	-	(134,000)		
(219,841)	-	(219,841)		
(831,023)	-	(831,023)		
(1,493,015)	-	(1,493,015)		
(3,157,311)	-	(3,157,311)		
-	(30,937)	(30,937)		
-	95,769	95,769		
-	88,000	88,000		
-	152,832	152,832		
(3,157,311)	152,832	(3,004,479)		
			(710)	
729,422	-	729,422	-	
23,971	-	23,971	-	
50,375	-	50,375	-	
465,532	-	465,532	-	
214,715	-	214,715	-	
8,974	5,388	14,362	-	
-	21,510	21,510	-	
213,968	-	213,968	-	
27,861	-	27,861	-	
(90,836)	90,836	-	-	
1,643,982	117,734	1,761,716	-	
(1,513,329)	270,566	(1,242,763)	(710)	
3,656,124	1,097,679	4,753,803	90,588	
\$ 2,142,795	1,368,245	3,511,040	89,878	
\$ 865,736	104,472	970,208	-	
437,397	-	437,397	89,878	
332,167	691,561	1,023,728	-	
178,826	-	178,826	-	
35,334	-	35,334	-	
293,335	572,212	865,547	-	
\$ 2,142,795	1,368,245	3,511,040	89,878	

City of Solon

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

As of and for the year ended June 30, 2013

	Special Revenue			
	General	Urban Renewal Tax Increment	Local Option Sales Tax	Library Trust
Receipts:				
Property tax	\$ 641,778	-	-	-
Tax increment financing	-	465,532	-	-
Other city tax	-	-	214,715	-
Licenses and permits	91,923	-	-	-
Use of money and property	9,759	171	855	3,405
Intergovernmental	131,420	-	-	3,688
Charges for service	157,935	-	-	-
Miscellaneous	25,471	-	-	7,958
Total receipts	1,058,286	465,703	215,570	15,051
Disbursements:				
Operating:				
Public safety	152,367	-	-	-
Public works	372,631	-	-	-
Culture and recreation	329,669	-	-	30,049
Community and economic development	-	134,000	-	-
General government	200,622	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	1,055,289	134,000	-	30,049
Excess (deficiency) of receipts over (under) disbursements	2,997	331,703	215,570	(14,998)
Other financing sources (uses):				
Bond anticipation project note proceeds	-	-	-	-
Operating transfers in	46,450	-	-	-
Operating transfers out	-	(375,124)	(156,250)	-
Total other financing sources (uses)	46,450	(375,124)	(156,250)	-
Change in cash balances	49,447	(43,421)	59,320	(14,998)
Cash balances beginning of year	397,348	58,120	272,847	452,395
Cash balances end of year	\$ 446,795	14,699	332,167	437,397
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ -	14,699	-	-
Library purposes	-	-	-	437,397
Capital improvements	-	-	332,167	-
Streets	-	-	-	-
Other purposes	-	-	-	-
Assigned for historical preservation	6,924	-	-	-
Unassigned	439,871	-	-	-
Total cash basis fund balances	\$ 446,795	14,699	332,167	437,397

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
23,971	50,375	87,644	803,768
-	-	-	465,532
-	-	-	214,715
-	-	-	91,923
2,370	3,373	299	20,232
-	227,957	196,303	559,368
-	-	-	157,935
-	-	4,425	37,854
26,341	281,705	288,671	2,351,327
-	-	-	152,367
-	-	137,756	510,387
-	-	51,078	410,796
-	-	-	134,000
-	-	24,274	224,896
831,023	-	-	831,023
-	1,724,319	-	1,724,319
831,023	1,724,319	213,108	3,987,788
(804,682)	(1,442,614)	75,563	(1,636,461)
-	213,968	-	213,968
444,463	-	-	490,913
-	(50,375)	-	(581,749)
444,463	163,593	-	123,132
(360,219)	(1,279,021)	75,563	(1,513,329)
1,211,256	1,125,561	138,597	3,656,124
851,037	(153,460)	214,160	2,142,795
851,037	-	-	865,736
-	-	-	437,397
-	-	-	332,167
-	-	178,826	178,826
-	-	35,334	35,334
-	-	-	6,924
-	(153,460)	-	286,411
851,037	(153,460)	214,160	2,142,795

City of Solon

City of Solon

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

As of and for the year ended June 30, 2013

	Enterprise			Total
	Water	Sewer	Recoupment Fees	
Operating receipts:				
Charges for service	\$ 334,008	438,647	88,000	860,655
Miscellaneous	11,212	-	-	11,212
Total operating receipts	345,220	438,647	88,000	871,867
Operating disbursements:				
Business type activities	267,723	252,613	-	520,336
Excess of operating receipts over operating disbursements	77,497	186,034	88,000	351,531
Non-operating receipts (disbursements):				
Interest on investments	1,444	963	2,981	5,388
Bond proceeds	21,510	-	-	21,510
Debt service	(60,069)	(90,265)	-	(150,334)
Capital outlay	(48,365)	-	-	(48,365)
Net non-operating receipts (disbursements)	(85,480)	(89,302)	2,981	(171,801)
Excess (deficiency) of receipts over (under) disbursements	(7,983)	96,732	90,981	179,730
Operating transfers in	50,375	-	86,911	137,286
Operating transfers out	(25,225)	(21,225)	-	(46,450)
Total transfers in (out)	25,150	(21,225)	86,911	90,836
Change in cash balances	17,167	75,507	177,892	270,566
Cash balances beginning of year	325,042	247,948	524,689	1,097,679
Cash balances end of year	\$ 342,209	323,455	702,581	1,368,245
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 5,025	7,307	92,140	104,472
Capital improvements	6,120	75,000	610,441	691,561
Unrestricted	331,064	241,148	-	572,212
Total cash basis fund balances	\$ 342,209	323,455	702,581	1,368,245

See notes to financial statements.

City of Solon

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

The City of Solon is a political subdivision of the State of Iowa located in Johnson County. It was first incorporated in 1840 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, City of Solon 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.

These financial statements present the City of Solon (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Solon Public Library Foundation (Foundation) was established pursuant to Section 501(c)(3) of the Internal Revenue Code to solicit and receive donations, gifts and grants to provide supplementary funding to strengthen and enrich the Solon Public Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received and held by the Foundation are substantially for the direct benefit of the City of Solon Public Library.

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: Johnson County Assessor's Conference Board, Johnson County Emergency Management Commission, Johnson County Landfill Commission and Johnson County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position (previously referred to as 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 Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Net position restricted through enabling legislation consist of \$702,581 of recoupment fees collected for debt service and capital improvements.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position 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 Urban Renewal Tax Increment 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 local option sales tax collections used for street improvements, water and sewer infrastructure and construction/maintenance of any public facility.

The Library Trust Fund is used to account for receipts from a bequest and donations to be used for library operations and future expansion.

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 all resources used in the acquisition and construction of capital facilities.

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 accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Recoupment Fees Fund is maintained to account for fees collected to be used solely to acquire, equip and make improvements to City public capital facilities.

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:

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 are 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, 2013, disbursements in the debt service and capital projects functions exceeded the amounts budgeted prior to adoption of the budget amendment on May 15, 2013.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 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, 2013, an escrow agent held U.S. Treasury notes for the City with a carrying amount and fair value of \$842,780, which mature December 1, 2013 through June 1, 2015.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds/Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 351,000	127,836	60,000	27,685	411,000	155,521
2015	416,000	119,507	65,000	25,045	481,000	144,552
2016	441,000	109,193	70,000	22,120	511,000	131,313
2017	467,000	97,877	70,000	18,900	537,000	116,777
2018	477,000	85,190	75,000	15,610	552,000	100,800
2019-2023	1,767,000	230,245	240,000	24,680	2,007,000	254,925
2024-2025	415,000	21,205	-	-	415,000	21,205
Total	\$ 4,334,000	791,053	580,000	134,040	4,914,000	925,093

General Obligation Street Improvement and Refunding Bonds

On June 15, 2012, the City issued \$1,850,000 of general obligation street improvement and refunding bonds. Of the total bond proceeds, \$620,591 was deposited in the Capital Projects Fund for the purpose of paying the costs of constructing street improvements and \$331,237 was deposited in the Debt Service Fund to currently refund \$330,000 of the 2002 general obligation notes. These notes were called and redeemed on July 11, 2012.

The remaining proceeds of \$869,007 were converted to U.S. government securities and, pursuant to an escrow agreement, were placed with an escrow agent to facilitate the crossover refunding of \$675,000 of the 2005 general obligation sewer improvement notes and \$150,000 of the 2008 general obligation street improvement notes with crossover dates of June 1, 2015 and June 1, 2014, respectively. The escrow agent will pay the principal and interest on the refunding general obligation bonds (new debt) until the respective crossover dates. On the respective crossover dates, the refunded general obligation notes (old debt) will be paid using the amounts held by the escrow agent. From that point forward, a debt service levy will be used to pay the refunding general obligation bonds (new debt). The transactions and balances of the escrow account are recorded by the City since the refunded debt is not considered extinguished.

The crossover refunding of the 2005 general obligation sewer improvement notes was undertaken to reduce total debt service payments approximately \$29,800 and resulted in an economic gain of approximately \$27,600. The crossover refunding of the 2008 general obligation street improvement notes was undertaken to reduce total debt service payments approximately \$6,100 and resulted in an economic gain of approximately \$4,500.

Sewer Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$950,000 of sewer revenue bonds issued May 1, 2006. Proceeds from the bonds provided financing for sewer improvements and extensions. The bonds are payable solely from sewer customer net receipts and are payable through 2021. The total principal and interest remaining to be paid on the bonds is \$714,040. For the year ended June 30, 2013, principal and interest paid and total customer net receipts were \$90,265 and \$186,034, respectively. Annual principal and interest payments on the bonds required approximately 48.5% of net receipts.

The resolution providing for the issuance of the sewer 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.
- (b) Sufficient monthly transfers shall be made to a sewer revenue bond sinking account within the Enterprise Fund for the purpose of making the bond principal and interest payments when due.
- (c) Upon delivery of the bonds, \$92,140 shall be set apart and paid to a sewer reserve account. If at any time the balance of the reserve account has been reduced below this amount, additional funds shall be deposited to the reserve account to restore the reserve account to the required reserve balance. The City has restricted a portion of the Enterprise, Recoupment Fees Fund for this purpose.
- (d) All funds remaining in the sewer account after payment of all maintenance and operating expenses and required transfers shall be placed in a sewer revenue improvement account within the Enterprise Fund until a minimum of \$75,000 is accumulated. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for bond and interest payments which the other accounts might be unable to cover.

Water Revenue Bonds

On December 10, 2010, the City entered into a State Revolving Fund (SRF) loan and disbursement agreement with the Iowa Finance Authority for the issuance of up to \$730,000 of water revenue bonds with interest at 3% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of construction of certain improvements and extensions to the water treatment facilities. The City will draw funds from the Iowa Finance Authority upon request to reimburse the City for costs as they are incurred. At June 30, 2013, the City had drawn \$725,712 of the \$730,000 authorized amount. An initiation fee of \$7,300 (1% of the authorized borrowing for the water revenue bonds) was charged by the Iowa Finance Authority. The total initiation fee was withheld from the first proceeds of the water revenue bonds drawn by the City during the year ended June 30, 2011. A final repayment schedule has not yet been adopted. During the year ended June 30, 2013, the City paid principal of \$41,000 and interest of \$19,069 on the bonds under a preliminary repayment schedule.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the water revenue bonds. The bonds are payable solely from water customer net receipts. The total amount of principal and interest remaining to be paid on the bonds at June 30, 2013 is not available since a final repayment schedule has not been adopted. For the current year, principal and interest paid and total customer net receipts were \$60,069 and \$77,497, respectively. Annual principal and interest payments on the bonds required approximately 77.5% of net receipts.

The resolution providing for the issuance of the water revenue bonds issued under the loan agreement includes the following provisions:

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

- (b) Sufficient monthly transfers shall be made to a separate water revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
- (c) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bond falling due in the same year.

Urban Renewal Tax Increment Revenue Bond Anticipation Project Note

On June 29, 2012, the City entered into an urban renewal tax increment revenue bond anticipation project note (project note) with Bridge Community Bank for an aggregate principal amount not to exceed \$325,000 for the payment of the costs of undertaking a project in the urban renewal area consisting of acquiring, improving and remodeling blighted property for use as a City Hall/Municipal building. The project note was issued pursuant to Chapters 76.13 and 403.9 of the Code of Iowa in anticipation of the receipt of and is payable from the proceeds of the authorized issuance of general obligation bonds in a principal amount not to exceed \$900,000. At June 30, 2013, the City had drawn \$213,968 against the project note.

(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 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$36,627, \$32,514 and \$26,801, respectively, equal to the required contributions for each 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, retirees and their spouses. There are six 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 would 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 \$738 for single coverage and \$1,845 for family coverage. For the year ended June 30, 2013, the City contributed 100%, or \$53,295, to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2013, primarily relating to the General Fund, is approximately \$18,000. This liability has been computed based on rates of pay in effect at June 30, 2013.

(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 in any of the past three fiscal years.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
General	Enterprise:	
	Water	\$ 25,225
	Sewer	21,225
		<u>46,450</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	288,213
	Local Option Sales Tax	156,250
		<u>444,463</u>
Enterprise:		
Water	Capital Projects	<u>50,375</u>
Recoupment Fees	Special Revenue:	
	Urban Renewal Tax Increment	86,911
Total		<u>\$ 628,199</u>

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

(9) Urban Renewal Project Rebate and Economic Development Agreements

Project Rebate Agreements

The City has entered into two tax increment financing rebate agreements. The City has agreed to assist in urban renewal projects by rebating incremental property tax paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated for a period of years determined by each agreement, beginning with the tax year in which the property tax on the completed value of the improvements is first paid. The agreements end by fiscal year 2018. The total amount that will be rebated in any fiscal year for the tax increment financing agreements is based on the assessed value of the land and buildings less the frozen property values times the property tax values for the City,

Johnson County and the Solon Community School District, less the portion attributable to debt service for that year. The City has made rebate payments of \$6,000 on these agreements at June 30, 2013. The estimated outstanding principal balance of the rebate agreements at June 30, 2013 is approximately \$609,000.

Economic Development Agreements

On November 29, 2007, the City entered into an agreement with the Solon Economic Development Group (SEDG) to provide a \$58,900 grant to carry out economic development activities within the City's urban renewal area. The grant is to be annually appropriated from the incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa. Pursuant to the agreement, an initial payment of \$8,900 was due January 15, 2008 and subsequent annual payments of \$10,000 are due over a five year period. However, the City has made payments to the Corporation only upon request. At June 30, 2013, the City has paid \$5,000 to SEDG under the agreement.

On September 6, 2012, the City entered into an agreement with Brewery Property LLC (Company) to provide two forgivable loans to carry out economic development activities within the City's urban renewal area. The first loan for \$100,000 was used for acquisition of property and the second loan for \$25,000 was for demolition of the existing building. The loans are to be forgiven upon issuance of the certificate of completion for the new building. During the year, the City loaned \$125,000 to the Company from the Special Revenue, Urban Renewal Tax Increment Fund (TIF). Chapter 403.19 of the Code of Iowa prohibits the use of TIF receipts for any purpose other than the payment of principal and interest on previously certified loans, advances, indebtedness or bonds.

The project rebate and economic development agreements are not general obligations of the City, but are subject to the constitutional debt limitation of the City. However, these agreements include an annual appropriation clause and only the amount payable in the succeeding year is subject to the constitutional debt limitation.

(10) Subsequent Events

On July 2, 2013, the City approved a contract for \$602,500 for a City Hall/Municipal building project. The project will be funded with proceeds from the issuance of general obligation notes.

On August 7, 2013, the City approved the issuance of up to \$1,070,000 of general obligation notes to pay the costs of acquiring real property, demolishing a structure on the property and preparing the site for future public use and acquiring, improving and remodeling blighted property for use as a City Hall/Municipal building. The notes will be repaid through an annual tax on all taxable property in the City and tax increment financing receipts.

(11) Deficit Balance

The Capital Projects Fund had a deficit balance of \$153,460 at June 30, 2013. The deficit will be eliminated through grant receipts, general obligation bond proceeds and a transfer from the General Fund.

Other Information

City of Solon

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, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 803,768	-	803,768
Tax increment financing	465,532	-	465,532
Other city tax	214,715	-	214,715
Licenses and permits	91,923	-	91,923
Use of money and property	20,232	-	20,232
Intergovernmental	559,368	-	559,368
Charges for service	157,935	860,655	1,018,590
Miscellaneous	37,854	16,600	54,454
Total receipts	2,351,327	877,255	3,228,582
Disbursements:			
Public safety	152,367	-	152,367
Public works	510,387	-	510,387
Culture and recreation	410,796	-	410,796
Community and economic development	134,000	-	134,000
General government	224,896	-	224,896
Debt service	831,023	-	831,023
Capital projects	1,724,319	-	1,724,319
Business type activities	-	719,035	719,035
Total disbursements	3,987,788	719,035	4,706,823
Excess (deficiency) of receipts over (under) disbursements	(1,636,461)	158,220	(1,478,241)
Other financing sources, net	123,132	112,346	235,478
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,513,329)	270,566	(1,242,763)
Balances beginning of year	3,656,124	1,097,679	4,753,803
Balances end of year	\$ 2,142,795	1,368,245	3,511,040

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
791,820	791,820	11,948
476,084	476,084	(10,552)
206,507	206,507	8,208
17,700	17,700	74,223
28,020	28,020	(7,788)
584,701	584,701	(25,333)
929,330	929,330	89,260
76,400	82,900	(28,446)
<u>3,110,562</u>	<u>3,117,062</u>	<u>111,520</u>
164,240	164,240	11,873
688,410	711,550	201,163
405,549	442,299	31,503
62,871	187,871	53,871
219,160	225,660	764
426,158	932,112	101,089
1,463,000	2,418,000	693,681
738,503	808,503	89,468
<u>4,167,891</u>	<u>5,890,235</u>	<u>1,183,412</u>
(1,057,329)	(2,773,173)	1,294,932
550,000	1,821,318	(1,585,840)
(507,329)	(951,855)	(290,908)
2,563,611	5,127,222	(373,419)
<u>2,056,282</u>	<u>4,175,367</u>	<u>(664,327)</u>

City of Solon

Notes to Other Information – Budgetary Reporting

June 30, 2013

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects 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 \$1,722,344. The budget amendment is reflected in the final budgeted amounts.

Disbursements in the debt service and capital projects functions exceeded the amounts budgeted prior to adoption of the May 15, 2013 budget amendment.

Supplementary Information

City of Solon

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

As of and for the year ended June 30, 2013

	Special		
	Road Use Tax	Employee Benefits	Playground Trust
Receipts:			
Property tax	\$ -	87,644	-
Use of money and property	-	-	299
Intergovernmental	196,303	-	-
Miscellaneous	-	-	4,425
Total receipts	<u>196,303</u>	<u>87,644</u>	<u>4,724</u>
Disbursements:			
Operating:			
Public works	126,134	11,622	-
Culture and recreation	-	51,078	-
General government	-	24,274	-
Total disbursements	<u>126,134</u>	<u>86,974</u>	<u>-</u>
Change in cash balances	70,169	670	4,724
Cash balances beginning of year	108,657	17,439	11,819
Cash balances end of year	<u>\$ 178,826</u>	<u>18,109</u>	<u>16,543</u>
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ 178,826	-	-
Other purposes	-	18,109	16,543
Total cash basis fund balances	<u>\$ 178,826</u>	<u>18,109</u>	<u>16,543</u>

See accompanying independent auditor's report.

Revenue	
Fire Trust	Total
-	87,644
-	299
-	196,303
-	4,425
-	288,671
-	137,756
-	51,078
-	24,274
-	213,108
-	75,563
682	138,597
682	214,160
-	178,826
682	35,334
682	214,160

City of Solon
Schedule of Indebtedness
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Highway 1 Water Treatment	Jul 1, 2002	4.45-5.10%	\$ 1,180,000
East Side Relief Sewer	Oct 27, 2003	3.00	250,000
Wastewater Treatment Plant	Dec 1, 2005	3.55-4.80	1,405,000
Street Improvements	Jul 1, 2008	3.00-4.25	315,000
Street and Sidewalk Improvements	Jul 15, 2010	1.40-4.10	1,650,000
Street Improvements	Jun 15, 2012	1.30-2.20	1,850,000
Total			
Revenue bonds:			
Sewer	May 1, 2006	3.95-5.10%	\$ 950,000
Water	Dec 10, 2010	3.00 *	725,713
Total			
Urban renewal tax increment revenue bond anticipation project note	Jun 29, 2012	1.20%	\$ 325,000

*The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
330,000	-	330,000	-	1,832
134,000	-	10,000	124,000	4,020
945,000	-	85,000	860,000	32,796
220,000	-	35,000	185,000	7,195
1,530,000	-	60,000	1,470,000	54,145
1,850,000	-	155,000	1,695,000	25,107
<u>\$ 5,009,000</u>	<u>-</u>	<u>675,000</u>	<u>4,334,000</u>	<u>125,095</u>
640,000	-	60,000	580,000	30,265
625,202	21,510	41,000	605,712	19,069
<u>\$ 1,265,202</u>	<u>21,510</u>	<u>101,000</u>	<u>1,185,712</u>	<u>49,334</u>
-	213,968	-	213,968	2,471

City of Solon

Bond and Note Maturities

June 30, 2013

Year Ending June 30,	General Obligation Bonds/Notes					
	East Side Relief Sewer		Wastewater Treatment Plant		Street Improvements	
	Issued October 27, 2003		Issued December 1, 2005		Issued July 1, 2008	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2014	3.00%	\$ 11,000	4.20%	\$ 90,000	3.85%	\$ 35,000
2015	3.00	11,000	4.30	95,000	4.00	35,000
2016	3.00	11,000	4.40	100,000	4.10	35,000
2017	3.00	12,000	4.50	105,000	4.20	40,000
2018	3.00	12,000	4.60	110,000	4.25	40,000
2019	3.00	13,000	4.70	115,000		-
2020	3.00	13,000	4.75	120,000		-
2021	3.00	13,000	4.80	125,000		-
2022	3.00	14,000		-		-
2023	3.00	14,000		-		-
2024	3.00	-		-		-
2025		-		-		-
Total		<u>\$ 124,000</u>		<u>\$ 860,000</u>		<u>\$ 185,000</u>

Year Ending June 30,	Revenue Bonds	
	Water Treatment Plant - Sewer	
	Issued May 1, 2006	
Interest Rates	Amount	
2014	4.40%	\$ 60,000
2015	4.50	65,000
2016	4.60	70,000
2017	4.70	70,000
2018	4.80	75,000
2019	4.90	75,000
2020	5.00	80,000
2021	5.10	85,000
Total		<u>\$ 580,000</u>

See accompanying independent auditor's report.

Street and Sidewalk Improvements Issued July 15, 2010		Street Improvement and Refunding Issued June 15, 2012		Total
Interest Rates	Amount	Interest Rates	Amount	
2.20%	\$ 60,000	1.00%	\$ 155,000	351,000
2.75	100,000	1.00	175,000	416,000
3.00	110,000	1.00	185,000	441,000
3.20	115,000	1.15	195,000	467,000
3.40	120,000	1.30	195,000	477,000
3.60	125,000	1.50	155,000	408,000
3.70	125,000	1.70	155,000	413,000
3.80	130,000	1.85	160,000	428,000
4.00	135,000	2.00	105,000	254,000
4.00	145,000	2.10	105,000	264,000
4.05	150,000	2.20	110,000	260,000
4.10	155,000		-	155,000
	<u>\$ 1,470,000</u>		<u>\$ 1,695,000</u>	<u>4,334,000</u>

Schedule 4

City of Solon

Schedule of Receipts by Source
and Disbursements by Function -
All Governmental Funds

For the Last Three Years

	2013	2012	2011
Receipts:			
Property tax	\$ 803,768	718,952	621,928
Tax increment financing	465,532	476,013	461,225
Other city tax	214,715	205,044	142,847
Licenses and permits	91,923	84,503	90,569
Use of money and property	20,232	23,807	27,530
Intergovernmental	559,368	399,953	361,980
Charges for service	157,935	150,108	137,177
Miscellaneous	37,854	52,794	49,963
Total	<u>\$ 2,351,327</u>	<u>2,111,174</u>	<u>1,893,219</u>
Disbursements:			
Operating:			
Public safety	\$ 152,367	139,091	131,999
Public works	510,387	637,300	577,750
Culture and recreation	410,796	400,295	341,243
Community and economic development	134,000	37,058	-
General government	224,896	199,848	198,939
Debt service	831,023	421,555	420,162
Capital projects	1,724,319	318,090	857,965
Total	<u>\$ 3,987,788</u>	<u>2,153,237</u>	<u>2,528,058</u>

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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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:

We have audited 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, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Solon, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 7, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Solon's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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 Solon's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Solon's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and 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 Solon's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) and (B) 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. We consider the deficiencies described in the accompanying Schedule of Findings as items (C) through (E) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Solon'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 the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 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 Solon's Responses to the Findings


The City of Solon's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Solon's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 7, 2014

City of Solon

Schedule of Findings

Year ended June 30, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal accounting control is segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has control over each of the following areas:
- (1) Accounting system – performing all general accounting functions, including custody of assets.
 - (2) Cash – custodian, reconciliation and cash receipts.
 - (3) Receipts – collecting, depositing, journalizing and posting.
 - (4) Utility receipts – billing, collecting and reconciling.
 - (5) Disbursements – mailing, posting and reconciling.
 - (6) Payroll – preparing and distributing.
 - (7) Financial reporting – preparing, reconciling and distributing without independent review of journal entries.
 - (8) Computer system – performing all general accounting functions and controlling all data input and output.

For the Library Foundation, a component unit of the City, one individual has control over each of the following areas:

- (1) Cash – handling and recording cash. Bank reconciliations are not performed and reviewed by an independent individual.
- (2) Receipts – collecting and depositing.
- (3) Disbursements – check writing, signing and approving.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City and the Library Foundation should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Review of bank reconciliations and other financial reports by an independent person should be documented by signing or initialing and dating the reconciliation.

Responses:

City - The City will periodically review its internal control procedures for any changes that can be made in the segregation of duties to increase internal control. Reconciliations will be reviewed and evidenced by initials of the reviewer and the date they were reviewed.

Library Foundation – The Library Foundation will submit monthly reconciliations to the Library Board of Trustees for review and approval by an independent person and will evidence the review by initialing and dating the reconciliation. The Foundation will also review its internal control procedures for any changes that can be made in the segregation of duties to increase internal control.

Conclusions – Responses accepted.

City of Solon

Schedule of Findings

Year ended June 30, 2013

- (B) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or a Council designated independent person should review the reconciliation and monitor delinquent accounts.

Response – The City will add a reconciliation of utility billings, collections and delinquent accounts to its monthly reporting process.

Conclusion – Response accepted.

- (C) Computer Systems – During our review of internal control, the existing control activities in the City's computer systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City's computer systems were noted:

The City does not have written policies for:

- Requiring staff to log off unattended computers.
- Requiring the maintenance of password privacy and confidentiality.
- Requiring passwords be changed at least every 60-90 days.
- Requiring password length of a minimum of 8 characters, including special characters.
- Requiring a lockout function for incorrectly entered passwords.
- Requiring backups be stored at an offsite location.
- Installing software from a vendor and ensuring only software licensed to the City is installed on computers.
- A computer usage policy.
- Usage of the internet.
- Personal use of computer equipment and software.

Also, the City does not have a written disaster recovery plan.

Recommendation – The City should develop written policies addressing the above items in order to improve the City's control over its computer systems. A written disaster recovery plan should be developed. At a minimum, the plan should identify a listing of computer equipment needed for temporary processing, extra stocks of paper supplies, such as checks, warrants, purchase orders, etc., and be located off-site. Additionally, copies of user documentation and the disaster recovery plan should be maintained at an off-site location. The backup tapes should be stored at an offsite location.

City of Solon

Schedule of Findings

Year ended June 30, 2013

Response – The City will work to create a computer usage policy and a written disaster recovery plan.

Conclusion – Response accepted.

- (D) Countersignature of Checks - The City required only one signature for a check to be issued. Not all checks were signed by an individual who did not otherwise participate in the preparation of checks.

Recommendation - To strengthen internal control, each check should be prepared and signed by one person and the supporting vouchers and invoices should then be made available along with the check to a second or independent person for review and countersignature. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve vouchers for payment.

Response – When the City orders checks, it will implement a system for counter signatures. Until that time, an independent person will compare prepared checks to supporting invoices and initial they have been reviewed.

Conclusion –Response accepted.

- (E) Library Foundation – We noted the following regarding the Library Foundation:

- A monthly reconciliation of bank to book balance is not prepared.
- An investment register documenting certificate of deposit activity and balances is not maintained.
- The Foundation required only one signature for a check to be issued.
- Supporting documentation is not maintained for disbursements.

Recommendation - A monthly reconciliation of the book and bank balances should be prepared and reviewed by an independent person. An investment register should be maintained documenting all certificate of deposit activity and balances. Checks should be prepared and signed by one person and the supporting vouchers and invoices should be made available along with the check to a second or independent person for review and countersignature. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve vouchers for payment. Supporting documentation should be retained for all disbursements.

Response – Bank reconciliations and investment reports will be prepared monthly. The Library Foundation will review its procedures for check writing to establish a policy that will ensure proper internal control. The Foundation will also maintain all supporting documentation for disbursements.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Solon

Schedule of Findings

Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements exceeded the amounts budgeted in the debt service and capital projects functions prior to adoption of the May 15, 2013 budget amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in sufficient amounts as required by Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City will amend its budget before disbursements exceed the budgeted amount.

Conclusion – Response accepted.

- (2) Questionable Disbursements - No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions - No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

The City Council went into closed session on April 15, 2013. The minute’s record did not document the session was closed by affirmative roll call of at least two-thirds of the members of the City Council as required by Chapter 21.5 of the Code of Iowa, commonly known as the open-meetings law.

Recommendation – The City should comply with Chapter 21.5 of the Code of Iowa.

Response – The City will document the roll call for closing a closed session in the minutes and will comply with all applicable sections of Chapter 21.5 of the Code of Iowa.

Conclusion – Response accepted.

- (7) 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.
- (8) Revenue Bonds – No instances of noncompliance with the revenue bond resolutions were noted.

City of Solon

Schedule of Findings

Year ended June 30, 2013

- (9) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than two years to the Office of Treasurer of State annually. The City did not remit these obligations as required.

Recommendation – The outstanding checks should be reviewed annually and items over two years old should be remitted to the Office of Treasurer of State as required.

Response – The City will review outstanding checks annually and remit items over two years old to the Office of Treasurer of State.

Conclusion – Response accepted.

- (10) Economic Development Agreements – On November 29, 2007, the City entered into an agreement with the Solon Economic Development Group (SEDG) to provide SEDG a \$58,900 grant to carry out economic development activities within the City's urban renewal areas. The grant is to be annually appropriated and paid from the incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa. Pursuant to the agreement, an initial payment of \$8,900 was due January 15, 2008 and subsequent annual payments of \$10,000 were due over a five year period. The City has annually appropriated the payments and has included \$58,900 of the appropriated debt on the TIF debt certification to the County from the 2007 through the 2012 certification. However, as of June 30, 2013, the City has paid only \$5,000 to SEDG.

On March 7, 2010, the City entered into an agreement with Solon Nursing Care Center, Inc. to provide a \$384,450 grant to carry out economic development activities within the City's urban renewal areas. The grant is to be annually appropriated and paid from the incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa. Pursuant to the agreement, annual payments beginning June 1, 2012, not to exceed an aggregate of \$384,500, are due over a five year period. The City has annually appropriated the payments and has included the \$384,500 of the appropriated debt on the TIF debt certification to the County from the 2012 certification. However, as of June 30, 2013, the City had not made its June 1, 2013 scheduled payment of \$38,371.

Recommendation – The economic development payments should be remitted to the Solon Economic Development Group and Solon Nursing Care Center, Inc. as directed by the City Council when the debt was appropriated.

Response – The City will remit economic development payments as directed by the City Council.

Conclusion – Response accepted.

- (11) Annual Urban Renewal Report – The annual urban renewal report was not properly approved and certified to the Iowa Department of Management on or before December 1. The report was filed on December 19, 2013.

Recommendation – The City should approve and file the annual urban renewal report timely.

Response – The City will approve and file the annual urban renewal report on or before December 1 each year.

Conclusion – Response accepted.

City of Solon

Schedule of Findings

Year ended June 30, 2013

- (12) Tax Increment Financing (TIF) Indebtedness Certification and Disbursements – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available TIF incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness.

Chapter 403.19(2) of the Code of Iowa states, in part, “That portion of the taxes each year...shall be allocated to and when collected be paid into a special fund of the municipality to pay the principal of and interest on loans, moneys advanced to, or indebtedness, whether funded, refunded, assumed, or otherwise, including bonds issued under the authority of section 403.9, subsection 1, incurred by the municipality to finance or refinance, in whole or in part, an urban renewal project within the area.” Chapter 403.19(10)(6) of the Code of Iowa prohibits borrowing from this “special fund.”

During the year ended June 30, 2013, the City approved and provided a \$125,000 forgivable loan to Brewery Property LLC from the Special Revenue, Urban Renewal Tax Increment Fund (TIF Fund). However, the resolution approving the forgivable loan required the loan be advanced from the Enterprise, Recoupment Fees Fund, not the TIF Fund. Pursuant to Chapter 403.19 of the Code of Iowa, the City may not borrow from the TIF Fund for any purpose.

Recommendation – The City should transfer \$125,000 from the Enterprise, Recoupment Fees Fund to the TIF Fund to reimburse the TIF Fund and reflect the loan advance from the fund approved by the City Council.

Response – The City will make the recommended transfer.

Conclusion – Response accepted.

- (13) City Fire Protection – In August 1999, the City entered into a 28E agreement (Agreement) with the Tri-Township Fire Department (Department), consisting of the Big Grove, Cedar and Newport Townships, for joint and mutual fire protection. Pursuant to the agreement, the City is responsible for maintenance, insurance, utilities and other costs associated with maintaining the fire station, as well as vehicle maintenance, telephone and operating supplies. These costs are paid directly by the City. The agreement also requires the City to pay an annual amount to the Department representing the City’s share of “all other expenses for the maintenance of the Solon-Tri-Township Fire Department, including its vehicles and personnel costs”. During the year ended June 30, 2013, the City paid \$60,420 to the Department under the terms of the agreement.

We were unable to determine how the Tri-Township Fire Department was established. The Department does not appear to be organized as a non-profit organization and no documents could be located to indicate its establishment as a 28E organization. The City does not provide oversight to ensure the funds provided to the Department are properly used to accomplish the purposes set out in the agreement, including ensuring all funds are spent only for the public benefit.

City of Solon

Schedule of Findings

Year ended June 30, 2013

Pursuant to the agreement, "Expenditures made under this agreement shall be administered by the City Treasurer". However, all financial activity is administered by the Tri-Township Treasurer.

Recommendation – Since the City has joined with and provides funding to the Tri-Township Fire Department, the City should determine how the Department was organized, including whether a separate entity exists or whether activity for the Department should be accounted for and recorded by the City.

The City should establish procedures to ensure public funds provided to the Department are properly used to accomplish the purposes set out in the Agreement.

Response – The City will review its association with the Tri-Township Fire Department and the accounting of associated funds to ensure there is a legally established entity and public funds are properly utilized.

Conclusion – Response accepted.

- (14) Separately Maintained Records – A volunteer fire department is established by City Ordinance. The Solon Fire Department maintains two bank accounts for activity separate from the City Clerk's accounting records. The transactions and the resulting balances were not included in the City's accounting records and were not included in the City's annual budget, monthly financial reports or Annual Financial Reports.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." For better accountability, financial and budgetary control, and to the comply with Chapter 384.20 of the Code of Iowa, the financial activity and balances of all City accounts should be included in the City's accounting records and annual budget and should be reported to the City Council on a monthly basis.

Response – The City will work to properly account for those funds deemed to be public funds.

Conclusion – Response accepted.

- (15) Financial Condition – The Capital Projects Fund had a deficit balance of \$153,460 at June 30, 2013.

Recommendation – The City should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

Response – The City has evaluated the deficit in the Capital Projects Fund and has a plan to return the fund to a sound financial position.

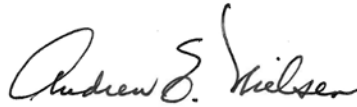
Conclusion – Response accepted.

City of Solon

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Gwen D. Fangman, CPA, Senior Auditor II
Eric L. Rath, Staff Auditor
Brandon A. Soda, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State