



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE March 29, 2010

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Solon, Iowa.

The City's receipts totaled \$2,511,738 for the year ended June 30, 2009. The receipts included \$527,388 in property tax, \$407,646 from tax increment financing, \$847,960 from charges for service, \$361,799 from operating grants, contributions and restricted interest, \$2,000 from capital grants, contributions and restricted interest, \$23,574 from unrestricted interest on investments, \$308,336 from note proceeds and \$33,035 from other general receipts.

Disbursements for the year totaled \$2,129,530, and included \$502,233 for public works, \$391,889 for culture and recreation and \$284,475 for debt service. Also, disbursements for business type activities totaled \$583,568.

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/index.html>.

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**CITY OF SOLON**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2009**

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	14-15
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	19
Notes to Financial Statements		20-25
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		28-29
Notes to Required Supplementary Information – Budgetary Reporting		30
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	32-33
Schedule of Indebtedness	2	34-35
Bond and Note Maturities	3	36-37
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 <u>Government Auditing Standards</u>		39-40
Schedule of Findings		41-45
Staff		46

**City of Solon**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rick Jedlicka	Mayor	Jan 2012
Brad Randall	Council Member	Jan 2010
Cami Rasmussen	Council Member	Jan 2010
Steve Stange	Council Member	Jan 2010
Sue Ballantyne	Council Member	Jan 2012
Brad Kunkel	Council Member	Jan 2012
Cassandra Lippincott	City Administrator	Indefinite
Susie Siddell	Clerk/Treasurer	Indefinite
Ben Hayek	Attorney	Indefinite

**City of Solon**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Solon, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Solon's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2008.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2008, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Solon as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2010 on our consideration of the City of Solon's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 28 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Solon's basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2008, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 25, 2010

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

### **2009 FINANCIAL HIGHLIGHTS**

- The cash basis net assets of the City's governmental funds increased approximately \$161,000, due primarily to the receipt of note proceeds of \$308,336.
- The City's total cash basis net assets for the City's business type activities increased approximately \$221,000, due primarily to interfund transfers of \$104,176 and increases in water and sewer utility charges.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental 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 Statement of Activities and Net Assets reports information which helps answer this question.

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

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

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, 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 and Library Trust, and 3) the Debt Service 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 water and sewer operations and recoupment fees.

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

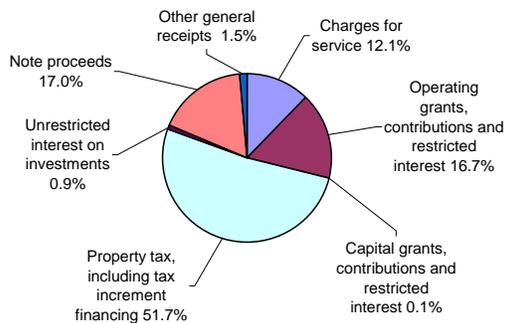
## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from approximately \$829,000 to approximately \$990,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

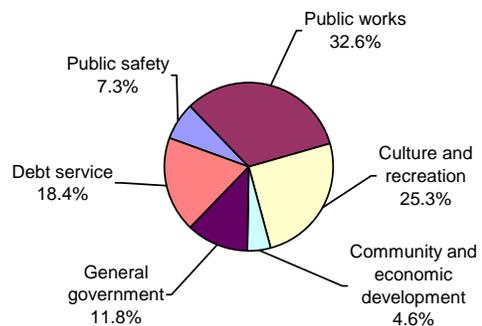
**Changes in Cash Basis Net Assets of Governmental Activities**

	Year ended June 30, 2009
<b>Receipts:</b>	
Program receipts:	
Charges for service	\$ 218,849
Operating grants, contributions and restricted interest	302,441
Capital grants, contributions and restricted interest	2,000
General receipts:	
Property tax, including tax increment financing	935,034
Unrestricted interest on investments	16,830
Note proceeds	308,336
Other general receipts	27,543
Total receipts	<u>1,811,033</u>
<b>Disbursements:</b>	
Public safety	113,294
Public works	502,233
Culture and recreation	391,889
Community and economic development	71,089
General government	182,982
Debt service	284,475
Total disbursements	<u>1,545,962</u>
Change in cash basis net assets before transfers	265,071
Transfers, net	<u>(104,176)</u>
Change in cash basis net assets	160,895
Cash basis net assets beginning of year	829,110
Cash basis net assets end of year	<u>\$ 990,005</u>

**Receipts by Source**



**Disbursements by Function**



The increase in cash basis net assets is due primarily to the receipt of \$308,336 of note proceeds for street projects.

<u>Changes in Cash Basis Net Assets of Business Type Activities</u>	
	<u>Year ended June 30, 2009</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 272,725
Sewer	356,386
Miscellaneous:	
Recoupment fees	59,358
General receipts:	
Interest on investments	6,744
Miscellaneous	5,492
Total receipts	<u>700,705</u>
Disbursements:	
Water	257,644
Sewer	325,924
Total disbursements	<u>583,568</u>
Change in cash basis net assets before transfers	117,137
Transfers, net	<u>104,176</u>
Change in cash basis net assets	221,313
Cash basis net assets beginning of year	<u>526,433</u>
Cash basis net assets end of year	<u>\$ 747,746</u>

Total business type activities cash basis net assets increased from a year ago, from \$526,433 to \$747,746. The increase is due to interfund transfers of \$104,176 and increases in charges for service.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Solon completed the year, its governmental funds reported a combined fund balance of \$990,005, an increase of \$160,895 above last year's total of \$829,110. 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 \$201,141 from the prior year to \$407,334. The increase is due to the note issuance in addition to funds set aside but not spent.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$33,178 to \$44,172 during the year. The increase was due primarily to the timing of tax increment financing debt payments.
- The Special Revenue, Library Trust Fund cash balance increased \$28,313 to a year-end balance of \$432,168 at June 30, 2009. This increase is due to a private donation received by the Library.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$47,756 to \$133,224, due primarily to an increase in the sale of water and the net receipt of \$31,176 in interfund transfers.
- The Sewer Fund cash balance increased \$35,914 to \$150,252, due primarily to an increase in charges for service.
- The Recoupment Fees Fund cash balance increased \$137,643 to \$464,270, due primarily to repayment of an interfund loan.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 20, 2009 and resulted in an increase in disbursements of \$179,407 due, in part, to increases of \$42,200, \$28,200 and \$70,000 for public works, culture and recreation and community and economic development, respectively. The City had sufficient cash balances to absorb these additional costs. The City's receipts were \$72,363 more than budgeted due primarily to more than expected miscellaneous receipts, including refunds, reimbursements and recoupment fees.

Total disbursements were \$465,192 less than the amended budget. Disbursements for the public works function were \$253,161, less than the amended budget due to a decrease in various expected project disbursements.

Even with the budget amendment, the City exceeded the amount budgeted in the general government function for the year ended June 30, 2009.

## DEBT ADMINISTRATION

At June 30, 2009, the City had \$3,094,000 in bonds and notes outstanding compared to \$3,008,000 outstanding at June 30, 2008, as shown below.

	Outstanding Debt at Year-End	
	(Expressed in Thousands)	
	June 30,	
	2009	2008
General obligation bonds and notes	\$ 2,289	2,153
Revenue bonds	805	855
Total	\$ 3,094	3,008

Debt increased as a result of issuing general obligation notes for street projects.

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 \$2,289,000 is less than its constitutional debt limit of approximately \$6,001,000.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Formulation of the fiscal year 2010 budget was impacted by several factors. The continuing growth in Solon helps to increase the available tax base, but it also increases the scope of services the City must provide. The City's fiscal year 2010 assessed value has increased \$6,283,790 from the fiscal year 2009 level. This will help Solon continue to be proactive in its planning and assist with projects such as the continuation of curb and gutter installation and construction of a new well in fiscal year 2010.

The fiscal year 2010 budget contains total receipts of \$4,074,187 and disbursements of \$3,941,186. Budgeted disbursements are expected to increase \$1,073,287 as the City is planning a new well.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$133,000 by the close of fiscal year 2010.

## **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 Cassandra Lippincott, City Administrator, 223 S. Iowa, Solon, Iowa 52333.

## **Basic Financial Statements**

City of Solon

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2009

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 113,294	4,642	7148	-
Public works	502,233	158,718	98813	-
Culture and recreation	391,889	51,319	190,470	2,000
Community and economic development	71,089	-	-	-
General government	182,982	4,170	6,010	-
Debt service	284,475	-	-	-
Total governmental activities	1,545,962	218,849	302,441	2,000
Business type activities:				
Water	257,644	272,725	-	-
Sewer	325,924	356,386	-	-
Recoupment fees	-	-	59,358	-
Total business type activities	583,568	629,111	59,358	-
Total	\$ 2,129,530	847,960	361,799	2,000
<b>General Receipts:</b>				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Unrestricted interest on investments				
Note proceeds (less discount of \$6,664)				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(101,504)	-	(101,504)
(244,702)	-	(244,702)
(148,100)	-	(148,100)
(71,089)	-	(71,089)
(172,802)	-	(172,802)
(284,475)	-	(284,475)
(1,022,672)	-	(1,022,672)
-	15081	15,081
-	30462	30,462
-	59358	59,358
-	104,901	104,901
(1,022,672)	104,901	(917,771)
527,388	-	527,388
407,646	-	407,646
16,830	6,744	23,574
308,336	-	308,336
27,543	5,492	33,035
(104,176)	104,176	-
1,183,567	116,412	1,299,979
160,895	221,313	382,208
829,110	526,433	1,355,543
\$ 990,005	747,746	1,737,751
\$ 22,565	-	22,565
44,172	-	44,172
9,384	150,252	159,636
529,115	464,270	993,385
384,769	133,224	517,993
\$ 990,005	747,746	1,737,751

City of Solon

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

As of and for the year ended June 30, 2009

	Special Revenue		
	General	Urban Renewal Tax Increment	Library Trust
Receipts:			
Property tax	\$ 426,963	-	-
Tax increment financing	-	407,646	-
Other city tax	10,606	-	-
Licenses and permits	6,632	-	-
Use of money and property	11,065	-	11,550
Intergovernmental	113,487	-	3,252
Charges for service	136,667	-	-
Miscellaneous	87,761	-	28,193
Total receipts	793,181	407,646	42,995
Disbursements:			
Operating:			
Public safety	113,294	-	-
Public works	393,057	-	-
Culture and recreation	265,354	-	14,682
Community and economic development	-	6,000	-
General government	157,671	-	-
Debt service	-	268,468	-
Total disbursements	929,376	274,468	14,682
Excess (deficiency) of receipts over (under) disbursements	(136,195)	133,178	28,313
Other financing sources (uses):			
Note proceeds	308,336	-	-
Operating transfers in	29,000	-	-
Operating transfers out	-	(100,000)	-
Total other financing sources (uses)	337,336	(100,000)	-
Net change in cash balances	201,141	33,178	28,313
Cash balances beginning of year	206,193	10,994	403,855
Cash balances end of year	\$ 407,334	44,172	432,168
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ -	-	-
Unreserved:			
General fund	407,334	-	-
Special revenue funds	-	44,172	432,168
Total cash basis fund balances	\$ 407,334	44,172	432,168

See notes to financial statements.

Nonmajor	Total
100,425	527,388
-	407,646
-	10,606
-	6,632
2,343	24,958
147,259	263,998
2,144	138,811
6,705	122,659
<u>258,876</u>	<u>1,502,698</u>
-	113,294
109,176	502,233
111,854	391,890
65,089	71,089
25,311	182,982
16,007	284,475
<u>327,437</u>	<u>1,545,963</u>
<u>(68,561)</u>	<u>(43,265)</u>
-	308,336
-	29,000
<u>(33,176)</u>	<u>(133,176)</u>
<u>(33,176)</u>	<u>204,160</u>
(101,737)	160,895
<u>208,068</u>	<u>829,110</u>
<u>106,331</u>	<u>990,005</u>
9,384	9,384
-	407,334
<u>96,947</u>	<u>573,287</u>
<u>106,331</u>	<u>990,005</u>

**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, 2009

	Enterprise			Total
	Water	Sewer	Recoupment Fees	
Operating receipts:				
Charges for service	\$ 272,725	356,386	-	629,111
Miscellaneous	-	-	59,358	59,358
Total operating receipts	272,725	356,386	59,358	688,469
Operating disbursements:				
Business type activities	257,644	236,759	-	494,403
Excess of operating receipts over operating disbursements	15,081	119,627	59,358	194,066
Non-operating receipts (disbursements):				
Interest on investments	1,499	1,960	3,285	6,744
Miscellaneous	-	5,492	-	5,492
Debt service	-	(89,165)	-	(89,165)
Net non-operating receipts (disbursements)	1,499	(81,713)	3,285	(76,929)
Excess of receipts over disbursements	16,580	37,914	62,643	117,137
Operating transfers in	33,176	-	100,000	133,176
Operating transfers out	(2,000)	(2,000)	(25,000)	(29,000)
Net operating transfers in (out)	31,176	(2,000)	75,000	104,176
Net change in cash balances	47,756	35,914	137,643	221,313
Cash balances beginning of year	85,468	114,338	326,627	526,433
Cash balances end of year	\$ 133,224	150,252	464,270	747,746
<b>Cash Basis Fund Balances</b>				
Reserved for:				
Debt service	\$ -	150,252	-	150,252
Capital facilities	-	-	464,270	464,270
Unreserved	133,224	-	-	133,224
Total cash basis fund balances	\$ 133,224	150,252	464,270	747,746

See notes to financial statements.

City of Solon

Notes to Financial Statements

June 30, 2009

**(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, the 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. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: 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 Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation consist of \$464,270 for public capital facilities improvements.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining 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 utilized to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Library Trust Fund is used to account for Library operations.

The City reports the following major proprietary funds:

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

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

The 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.

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 disbursement.

**D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the general government function.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2009 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.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**(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 and Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2010	\$ 215,000	99,172	55,000	37,140	270,000
2011	220,000	90,635	55,000	34,885	275,000	125,520
2012	225,000	81,570	55,000	32,603	280,000	114,173
2013	240,000	72,013	60,000	30,265	300,000	102,278
2014	251,000	61,543	60,000	27,685	311,000	89,228
2015 - 2019	839,000	167,850	355,000	93,685	1,194,000	261,535
2020 - 2023	299,000	21,810	165,000	12,670	464,000	34,480
Total	\$ 2,289,000	594,593	805,000	268,933	3,094,000	863,526

The Code of Iowa requires principal and interest on general obligation bonds and notes to be paid from the Debt Service Fund. However, during the year, \$268,468 of general obligation note principal and interest was paid from the Special Revenue, Urban Renewal Tax Increment Fund.

#### Interfund Loans

On August 16, 2007, the City approved an interfund loan totaling \$116,825 from the Enterprise, Recoupment Fees Fund to the General Fund to pay for improvements to municipal parks in the urban renewal area. Payments are to be made on June 1 of each year to the extent there are incremental tax receipts available for such purposes which have been allocated to the Special Revenue, Urban Renewal Tax Increment Fund. Repayments made in the year ended June 30, 2009 totaled \$100,000. The outstanding loan balance remaining at June 30, 2009 totaled \$16,825.

#### 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 \$1,073,933. For the year ended June 30, 2009, principal and interest paid and total customer net receipts were \$89,165 and \$119,627, respectively. Annual principal and interest payments on the bonds required 75% of net receipts.

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (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) At the delivery of the bonds, a sum equal to \$92,140 shall be set apart and paid to a sewer reserve account. If at any time the balance of the reserve fund 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.
- (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 fund 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. The balance in the improvement fund at June 30, 2009 was \$58,112.

**(4) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2009 was \$20,529, equal to the required contributions for the year.

**(5) 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, 2009, primarily relating to the General Fund was \$16,000. This liability has been computed based on rates of pay in effect at June 30, 2009.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
General	Enterprise:	
	Water	\$ 2,000
	Sewer	2,000
	Recoupment Fees	25,000
		<u>29,000</u>
Enterprise:	Special Revenue:	
Water	CDBG Housing Rehabilitation	33,176
Recoupment Fees	Urban Renewal Tax Increment	100,000
		<u>133,176</u>
Total		<u>\$ 162,176</u>

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

**(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) Deficit Balance**

The Special Revenue, CDBG Housing Rehabilitation Fund had a deficit balance of \$7,489 at June 30, 2009. The deficit balance was a result of timing differences relating to the City's CDBG projects.

**(9) Subsequent Event**

Effective July 1, 2009, the City enacted a local option sales tax of 1% to be used for street improvements, water and sewer infrastructure or the construction/maintenance of any public facility.

**City of Solon**

**Required Supplementary 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

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 527,388	-	527,388
Tax increment financing	407,646	-	407,646
Other city tax	10,606	-	10,606
Licenses and permits	6,632	-	6,632
Use of money and property	24,958	6,744	31,702
Intergovernmental	263,998	-	263,998
Charges for service	138,811	629,111	767,922
Miscellaneous	122,659	64,850	187,509
Total receipts	<u>1,502,698</u>	<u>700,705</u>	<u>2,203,403</u>
Disbursements:			
Public safety	113,294	-	113,294
Public works	502,233	-	502,233
Culture and recreation	391,890	-	391,890
Community and economic development	71,089	-	71,089
General government	182,982	-	182,982
Debt service	284,475	-	284,475
Business type activities	-	583,568	583,568
Total disbursements	<u>1,545,963</u>	<u>583,568</u>	<u>2,129,531</u>
Excess (deficiency) of receipts over (under) disbursements	(43,265)	117,137	73,872
Other financing sources, net	<u>204,160</u>	<u>104,176</u>	<u>308,336</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	160,895	221,313	382,208
Balances beginning of year	<u>829,110</u>	<u>526,433</u>	<u>1,355,543</u>
Balances end of year	<u>\$ 990,005</u>	<u>747,746</u>	<u>1,737,751</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
505,190	520,807	6,581
393,601	393,601	14,045
6,524	6,524	4,082
13,125	13,125	(6,493)
28,125	28,125	3,577
211,638	266,638	(2,640)
792,720	792,720	(24,798)
109,900	109,500	78,009
<u>2,060,823</u>	<u>2,131,040</u>	<u>72,363</u>
202,436	202,436	89,142
713,194	755,394	253,161
462,067	490,267	98,377
16,000	86,000	14,911
134,882	137,882	(45,100)
269,001	285,008	533
617,736	637,736	54,168
<u>2,415,316</u>	<u>2,594,723</u>	<u>465,192</u>
(354,493)	(463,683)	537,555
<u>260,000</u>	<u>308,000</u>	<u>336</u>
(94,493)	(155,683)	537,891
<u>1,509,137</u>	<u>1,509,137</u>	<u>(153,594)</u>
<u>1,414,644</u>	<u>1,353,454</u>	<u>384,297</u>

City of Solon

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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 \$179,407. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the general government function.

**Other 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, 2009

	Special Revenue				
	Road Use Tax	Employee Benefits	Historical Preservation Trust	Playground Trust	Fire Trust
Receipts:					
Property tax	\$ -	51,771	-	-	-
Use of money and property	-	-	-	420	-
Intergovernmental	98,813	-	-	-	-
Charges for service	-	-	2,100	44	-
Miscellaneous	-	-	-	1,832	-
Total receipts	98,813	51,771	2,100	2,296	-
Disbursements:					
Operating:					
Public works	96,584	12,592	-	-	-
Culture and recreation	-	15,585	1,429	-	-
Community and economic development	-	-	-	-	-
General government	-	25,311	-	-	-
Debt service	-	-	-	-	-
Total disbursements	96,584	53,488	1,429	-	-
Excess (deficiency) of receipts over (under) disbursements	2,229	(1,717)	671	2,296	-
Other financing uses:					
Operating transfers out	-	-	-	-	-
Net change in cash balances	2,229	(1,717)	671	2,296	-
Cash balances beginning of year	20,336	2,579	-	29,529	682
Cash balances end of year	\$ 22,565	862	671	31,825	682
<b>Cash Basis Fund Balances</b>					
Reserved for debt service	\$ -	-	-	-	-
Unreserved:					
Special revenue funds	22,565	862	671	31,825	682
Total cash basis fund balances	\$ 22,565	862	671	31,825	682

See accompanying independent auditor's report.

Recreation & Nature Center Trust	CDBG Housing Rehabilitation	Debt Service	Total
-	33,147	15,507	100,425
-	1,923	-	2,343
-	48,446	-	147,259
-	-	-	2,144
1,690	3,183	-	6,705
1,690	86,699	15,507	258,876
-	-	-	109,176
94,840	-	-	111,854
-	65,089	-	65,089
-	-	-	25,311
-	-	16,007	16,007
94,840	65,089	16,007	327,437
(93,150)	21,610	(500)	(68,561)
-	(33,176)	-	(33,176)
(93,150)	(11,566)	(500)	(101,737)
140,981	4,077	9,884	208,068
47,831	(7,489)	9,384	106,331
-	-	9,384	9,384
47,831	(7,489)	-	96,947
47,831	(7,489)	9,384	106,331

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City of Solon  
Schedule of Indebtedness  
June 30, 2009

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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	3.85-4.80	1,405,000
Street Improvements	Jul 1, 2008	3.10-4.25	315,000
Total			
Revenue bonds:			
Sewer	May 1, 2006	4.10-5.10%	\$ 950,000

See accompanying independent auditor's report.

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Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
715,000	-	90,000	625,000	33,943
173,000	-	9,000	164,000	5,190
1,265,000	-	75,000	1,190,000	55,135
-	315,000	5,000	310,000	11,007
<u>\$ 2,153,000</u>	<u>315,000</u>	<u>179,000</u>	<u>2,289,000</u>	<u>105,275</u>
855,000	-	50,000	805,000	39,165

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City of Solon  
Bond and Note Maturities  
June 30, 2009

Year Ending June 30,	General Obligation Bonds and Notes					
	Highway 1 Water Treatment		East Side Relief Sewer		Wastewater Treatment Plant	
	Issued July 1, 2002		Issued October 27, 2003		Issued December 1, 2005	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2010	4.45%	\$ 95,000	3.00%	\$ 10,000	3.85%	\$ 80,000
2011	4.60	100,000	3.00	10,000	3.95	80,000
2012	4.75	100,000	3.00	10,000	4.05	85,000
2013	4.90	110,000	3.00	10,000	4.10	85,000
2014	5.00	115,000	3.00	11,000	4.20	90,000
2015	5.10	105,000	3.00	11,000	4.30	95,000
2016		-	3.00	11,000	4.40	100,000
2017		-	3.00	12,000	4.50	105,000
2018		-	3.00	12,000	4.60	110,000
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		-
Total		<u>\$ 625,000</u>		<u>\$ 164,000</u>		<u>\$ 1,190,000</u>

See accompanying independent auditor's report.

Street Improvements			Revenue Bonds	
Issued July 1, 2008			Sewer	
Issued May 1, 2006				
Interest			Interest	
Rates	Amount	Total	Rates	Amount
3.10%	\$ 30,000	215,000	4.10%	\$ 55,000
3.35	30,000	220,000	4.15	55,000
3.55	30,000	225,000	4.25	55,000
3.70	35,000	240,000	4.30	60,000
3.85	35,000	251,000	4.40	60,000
4.00	35,000	246,000	4.50	65,000
4.10	35,000	146,000	4.60	70,000
4.20	40,000	157,000	4.70	70,000
4.25	40,000	162,000	4.80	75,000
	-	128,000	4.90	75,000
	-	133,000	5.00	80,000
	-	138,000	5.10	85,000
	-	14,000		-
	-	14,000		-
	<u>\$ 310,000</u>	<u>2,289,000</u>		<u>\$ 805,000</u>

**City of Solon**



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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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 the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Solon, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 25, 2010. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2008. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Solon's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Solon's financial statements that is more than inconsequential will not be prevented or detected by the City of Solon's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Solon's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A), (E), (G) and (H) are material weaknesses.

#### 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 that 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, 2009 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 findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Solon's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Solon and other parties to whom the City of Solon may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 25, 2010

City of Solon

Schedule of Findings

Year ended June 30, 2009

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

- (A) Segregation of Duties – One important element in designing internal control that safeguards assets and reasonably ensures the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check of those of another. One person has control over each of the following areas:

Cash – Receiving, recording, depositing and reconciling.

Investments – Investing, recording and custody.

Receipts – Collecting, journalizing, depositing and posting.

Disbursements – Check writing, signing and posting.

Payroll – Recording sick leave and vacation, comparing time records to payroll, preparing and approving input, receiving and distributing payroll.

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

Response – The Council and Mayor will look at ways to help segregate duties as much as possible.

Conclusion – Response accepted.

- (B) Compensated Absences – Compensated absences balances are available from the City's financial software. However, this information is not reviewed by an independent person.

Recommendation – The City should ensure the compensated absences balances are reviewed by an independent person.

Response – An independent review of compensated absences will be performed at year end.

Conclusion – Response accepted.

- (C) Electronic Data Processing Systems – During our review of internal control, the existing control activities in the City's computer-based systems were evaluated to determine whether 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-based systems were noted:

City of Solon

Schedule of Findings

Year ended June 30, 2009

The City does not have written policies for:

- Establishing passwords for each user.
- Changing passwords every 60 to 90 days.
- Instructing employees about their responsibility to maintain password privacy, including not sharing their password with the employee's supervisor.

The City's disaster recovery plan is inadequate.

Recommendation – The City should develop written policies addressing the above items to improve the City's internal control over computer based systems. The City should review and modify the current disaster recovery plan. At a minimum the plan should identify critical hardware, software, supplies and an agreement for an off-site location to operate in the event of an emergency. Additionally, copies of user documentation and the disaster recovery plan itself should be maintained at an off-site location.

Response – The City will work with the software provider to strengthen password controls; the City will prepare policies for computer and internet usage as well as a disaster recovery plan.

Conclusion – Response accepted.

- (D) Bank Reconciliations – Bank reconciliations are prepared monthly. However, the reconciliations are not reviewed by an independent person.

Recommendation – The City should ensure bank reconciliations are reviewed by an independent person.

Response – An independent review of bank reconciliations will be performed.

Conclusion – Response accepted.

- (E) Payroll Procedures – The City lacks procedures to ensure employees receive authorized pay. Pay rates entered into the accounting software are not verified by an independent person to ensure they comply with the direction of the Council.

Recommendation – The City should implement procedures to help ensure pay rates entered into the accounting system are appropriate and employees receive authorized pay.

Response – An independent review will be performed on the pay rates to ensure the rates are entered correctly into the accounting system and employees receive authorized pay.

Conclusion – Response accepted.

- (F) Journal Entries – The City lacks procedures to ensure journal entries made to the accounting software are proper. Additionally, there is no independent review of journal entries.

Recommendation – The City should implement procedures to help ensure journal entries are proper. Additionally, the City should ensure journal entries are reviewed by an independent person.

City of Solon

Schedule of Findings

Year ended June 30, 2009

Response – An independent review of journal entries will be performed.

Conclusion – Response accepted.

- (G) Financial Reports – The City Administrator prepares financial reports on a periodic basis. No evidence of Council review exists on the financial reports to indicate the reports were reviewed and approved by the Council.

Recommendation – The City should implement procedures by which the Council evidences its review and approval of financial reports prepared by the City Administrator.

Response – The Council will evidence their review and approval of financial reports.

Conclusion – Response accepted.

- (H) Utility Billings – Utility billings, collections and delinquent accounts are not reconciled.

Recommendation – Procedures should be established by the City to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits on a monthly basis. The City Council or a Council-designated independent person should review the reconciliations and monitor the delinquent accounts.

Response – A utility reconciliation will be prepared monthly and independently reviewed.

Conclusion – Response accepted.

- (I) Record of Investments – A detailed record of investment transactions was not maintained.

Recommendation – A detailed record of investment transactions by fund should be maintained. This record should include investment number, purchase date, redemption date, interest rate and amount of principal and interest received.

Response – A record of investment transactions will be prepared and updated as needed.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Solon

Schedule of Findings

Year ended June 30, 2009

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amount budgeted in the general government function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City will ensure disbursements do not exceed budgets in any functions in the future.

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) Council Minutes – Except as noted below, no transactions were found that we believe should have been approved in the Council minutes but were not.

The City did not publish annual gross salaries in accordance with Chapter 372.13(6) of the Code of Iowa and an Attorney General’s opinion dated April 12, 1978.

The City Council did not approve interfund transfers or document the approval in Council minutes.

Recommendation – The City should publish gross salaries in accordance with the Code of Iowa and the Attorney General’s opinion. Additionally, the City should ensure interfund transfers are approved and documented in the Council minutes.

Response – The City will ensure gross salaries are published in the future. Also, interfund transfers will be approved by resolution in the future.

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 non-compliance with the revenue bond provisions were noted.

City of Solon

Schedule of Findings

Year ended June 30, 2009

- (9) Financial Condition – The Special Revenue, CDBG Housing Rehabilitation Fund had a deficit balance of \$7,589 at June 30, 2009.

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

Response – This is due to a timing issue between when bills were paid and when reimbursement was received.

Conclusion – Response accepted.

- (10) Tax Increment Financing Expenditures – Disbursements for debt service totaling \$268,468 were paid from the Special Revenue, Urban Renewal Tax Increment Fund.

Recommendation – The City should ensure all expenditures for general obligation debt are paid from the Debt Service Fund. Disbursements made from the Special Revenue, Urban Renewal Tax Increment Fund should be in accordance with Chapter 403 of the Code of Iowa.

Response – The City is in the process of making this change.

Conclusion – Response accepted.

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City of Solon

Staff

This audit was performed by:

Joe T. Marturello, CIA, Manager  
Shawn R. Elsbury, Senior Auditor  
Jacqueline E. Gulick, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State