



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

March 30, 2010

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$1,261,634 for the year ended June 30, 2009. The receipts included \$403,110 in property and other city tax, \$66,509 from tax increment financing, \$536,492 from charges for service, \$128,358 from operating grants, contributions and restricted interest, \$75,721 of loan proceeds, \$41,715 from local option sales tax, \$4,302 from unrestricted interest on investments and \$5,427 from other general receipts.

Disbursements for the year totaled \$1,176,642, and included \$279,834 for debt service, \$257,762 for public works and \$109,298 for public safety. Also, disbursements for business type activities totaled \$428,936.

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 URBANA**

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

**JUNE 30, 2009**

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**City of Urbana**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Keith Schmitz	Mayor	Jan 2010
Tammy Coleman	Council Member	Jan 2010
Dennis Wayson	Council Member	Jan 2010
Tonya Kramer	Council Member	Jan 2012
A.J. Narveson	Council Member	Jan 2012
Mike Smith	Council Member	Jan 2012
Chris Justice	City Clerk	Indefinite
William Sueppel, Jr.	City Attorney	Indefinite

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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 Urbana, 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 Urbana'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.

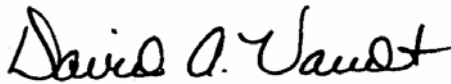
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not 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 Urbana 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.

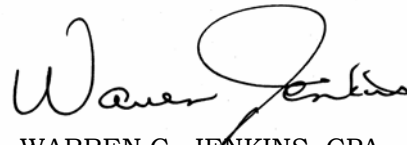
In accordance with Government Auditing Standards, we have also issued our report dated February 8, 2010 on our consideration of the City of Urbana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and 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 11 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 Urbana's basic financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, 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

February 8, 2010



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

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The City of Urbana 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 City's total cash basis net assets increased 16.6%, or approximately \$85,000, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities increased approximately \$66,000 and the assets of the business type activities increased approximately \$19,000.

### **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 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 and proprietary 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 City water, sewer and storm water systems. 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 Road Use Tax, 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.

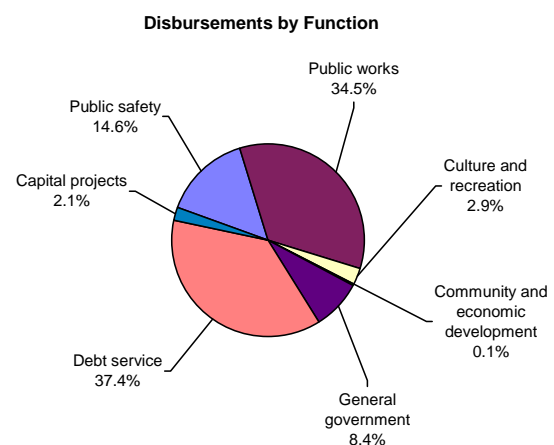
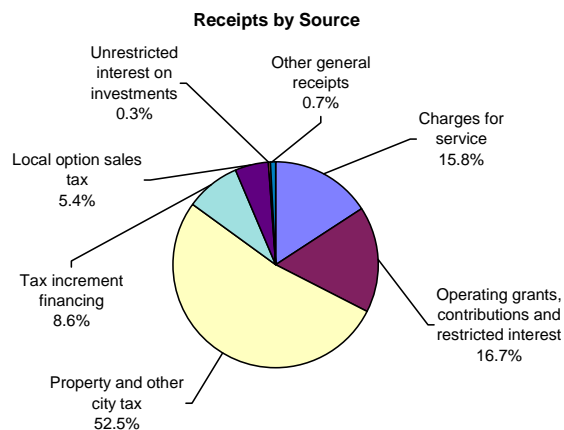
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$341,000 to approximately \$407,000. 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
Receipts:	
Program receipts:	
Charges for service	\$ 121,955
Operating grants, contributions and restricted interest	128,358
General receipts:	
Property and other city tax	403,110
Tax increment financing	66,509
Local option sales tax	41,715
Unrestricted interest on investments	2,480
Other general receipts	5,427
Total receipts	<u>769,554</u>
Disbursements:	
Public safety	109,298
Public works	257,762
Culture and recreation	21,588
Community and economic development	850
General government	62,438
Debt service	279,834
Capital projects	15,936
Total disbursements	<u>747,706</u>
Change in cash basis net assets before transfers	21,848
Transfers in	43,922
Net change in cash basis net assets	<u>65,770</u>
Cash basis net assets beginning of year	<u>341,090</u>
Cash basis net assets end of year	<u>\$ 406,860</u>



<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	\$ 220,397
Sewer	187,072
Storm water	7,068
General receipts:	
Unrestricted interest on investments	1,822
Loan proceeds	75,721
Total receipts	<u>492,080</u>
Disbursements:	
Water	197,771
Sewer	230,183
Storm water	982
Total disbursements	<u>428,936</u>
Change in cash basis net assets before transfers	63,144
Transfers out	<u>(43,922)</u>
Net change in cash basis net assets	19,222
Cash basis net assets beginning of year	<u>170,987</u>
Cash basis net assets end of year	<u>\$ 190,209</u>

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

As the City of Urbana completed the year, its governmental funds reported a combined fund balance of \$406,860, an increase of \$65,770 over last year's total of \$341,090. 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 \$74,204 over the prior year to \$102,697. The increase was primarily due to an increase in property tax, increasing approximately \$66,600 over the prior year. Disbursements decreased approximately \$43,000 from the prior year, primarily in the general government function. This is due to a reduction in staff from two full time employees to one full time and one part time employee. In fiscal year 2009, the City also allocated insurance costs to other funds, reducing the costs paid by the General Fund.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$225,007 at the end of the fiscal year, an increase of \$9,209, or 4.3%, over the previous year.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$3,511 from the prior year to \$(17,107) at the end of the fiscal year. This decrease was primarily due to a decrease in road use tax receipts.
- The Debt Service Fund cash balance increased \$13,773 from the prior year to \$26,796 at the end of the fiscal year. Property tax receipts increased approximately \$44,000 and disbursements for debt service increased approximately \$33,000.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased \$10,349, or 7.6%, to \$147,256 during the fiscal year.
- The Sewer Fund cash balance increased \$2,774, or 9.4%, to \$32,378 during the fiscal year.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on May 27, 2009 and resulted in a decrease in disbursements of \$5,207,203, primarily due to the City not starting construction of the new sewer facility until after the fiscal year end.

The City's receipts were \$76,654 more than budgeted. This was primarily due to the use of a fiscally conservative estimate in preparing receipt forecasts.

The City exceeded the amount budgeted in the debt service function at June 30, 2009. In addition, disbursements exceeded the amount budgeted in the general government function prior to the budget amendment.

## **DEBT ADMINISTRATION**

At June 30, 2009, the City had \$1,595,512 in notes and other long-term debt outstanding, including \$410,810 of development agreements.

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 and development agreement debt totals \$1,595,512 which is below its constitutional debt limit of approximately \$3,582,000. The Special Revenue, Urban Renewal Tax Increment Fund balance of \$225,007 at June 30, 2009 is reserved for the City's LMI obligations associated with the residential purposed development agreements.

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

The City of Urbana's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates and fees charged for various City activities. These indicators were taken into account when adopting the budget for fiscal year 2010. Amounts available for appropriation in the operating budget are \$3,676,852, including \$2,230,218 of other financing sources primarily related to the construction of a wastewater treatment facility. Using a receipt estimate that nets out transfers and proceeds of debt, an increase of 14.7% from the final fiscal year 2009 budget is expected. With the exception of construction of a wastewater treatment facility, the City has added no major new programs or initiatives to the fiscal year 2010 budget. In addition, an increase in TIF revenues of approximately \$145,000 is expected. If these estimates are realized, the City's budgeted cash balance is expected to increase to \$614,638 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 Chris Justice, City Clerk, 906 W. Main Street, Urbana, Iowa 52345.

**City of Urbana**

## **Basic Financial Statements**

City of Urbana

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
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 109,298	7,672	17,251
Public works	257,762	98,109	87,340
Culture and recreation	21,588	10,147	4,484
Community and economic development	850	165	535
General government	62,438	4,286	18,718
Debt service	279,834	1,576	-
Capital projects	15,936	-	30
Total governmental activities	747,706	121,955	128,358
Business type activities:			
Water	197,771	220,397	-
Sewer	230,183	187,072	-
Nonmajor	982	7,068	-
Total business type activities	428,936	414,537	-
Total	\$ 1,176,642	536,492	128,358

**General Receipts:**

Property and other city tax levied for:
General purposes
Debt service
Tax increment financing
Local option sales tax
Unrestricted interest on investments
Miscellaneous
Loan proceeds
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

**Cash Basis Net Assets:**

Restricted:
Urban renewal purposes
Debt service
Local option sales tax
Capital projects
Other purposes
Unrestricted

**Total cash basis net assets**

See notes to financial statements.



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

Governmental Activities	Business Type Activities	Total
(84,375)	-	(84,375)
(72,313)	-	(72,313)
(6,957)	-	(6,957)
(150)	-	(150)
(39,434)	-	(39,434)
(278,258)	-	(278,258)
(15,906)	-	(15,906)
(497,393)	-	(497,393)
-	22,626	22,626
-	(43,111)	(43,111)
-	6,086	6,086
-	(14,399)	(14,399)
(497,393)	(14,399)	(511,792)
270,608	-	270,608
132,502	-	132,502
66,509	-	66,509
41,715	-	41,715
2,480	1,822	4,302
5,427	-	5,427
-	75,721	75,721
43,922	(43,922)	-
563,163	33,621	596,784
65,770	19,222	84,992
341,090	170,987	512,077
\$ 406,860	190,209	597,069
\$ 225,007	-	225,007
26,796	-	26,796
41,715	-	41,715
19,996	31,097	51,093
9,437	-	9,437
83,909	159,112	243,021
\$ 406,860	190,209	597,069

City of Urbana

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	Road Use Tax
<b>Receipts:</b>			
Property tax	\$ 226,236	-	-
Tax increment financing	-	66,509	-
Other city tax	20,307	-	-
Licenses and permits	15,279	-	-
Use of money and property	3,683	-	-
Intergovernmental	10,453	-	87,340
Charges for service	104,661	-	-
Special assessments	-	-	-
Miscellaneous	35,051	-	-
Total receipts	<u>415,670</u>	<u>66,509</u>	<u>87,340</u>
<b>Disbursements:</b>			
Operating:			
Public safety	104,254	-	-
Public works	157,069	-	90,851
Culture and recreation	20,782	-	-
Community and economic development	850	-	-
General government	58,498	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>341,453</u>	<u>-</u>	<u>90,851</u>
Excess (deficiency) of receipts over (under) disbursements	<u>74,217</u>	<u>66,509</u>	<u>(3,511)</u>
<b>Other financing sources (uses):</b>			
Operating transfers in	-	-	-
Operating transfers out	(13)	(57,300)	-
Total other financing sources (uses)	<u>(13)</u>	<u>(57,300)</u>	<u>-</u>
Net change in cash balances	74,204	9,209	(3,511)
Cash balances beginning of year	28,493	215,798	(13,596)
Cash balances end of year	<u>\$ 102,697</u>	<u>225,007</u>	<u>(17,107)</u>
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ -	-	-
Unreserved, designated for:			
Urbana library	56,646	-	-
Farmer's market	2,025	-	-
Little league	7,630	-	-
Unreserved, undesignated:			
General fund	36,396	-	-
Special revenue funds	-	225,007	(17,107)
Capital projects fund	-	-	-
Total cash basis fund balances	<u>\$ 102,697</u>	<u>225,007</u>	<u>(17,107)</u>

See notes to financial statements.

Debt Service	Nonmajor	Total
132,502	24,065	382,803
-	-	66,509
-	41,715	62,022
-	-	15,279
-	-	3,683
-	147	97,940
-	-	104,661
1,576	-	1,576
-	30	35,081
<u>134,078</u>	<u>65,957</u>	<u>769,554</u>
-	5,044	109,298
-	9,842	257,762
-	806	21,588
-	-	850
-	3,940	62,438
279,834	-	279,834
-	15,936	15,936
<u>279,834</u>	<u>35,568</u>	<u>747,706</u>
(145,756)	30,389	21,848
159,529	-	159,529
-	(58,294)	(115,607)
<u>159,529</u>	<u>(58,294)</u>	<u>43,922</u>
13,773	(27,905)	65,770
<u>13,023</u>	<u>97,372</u>	<u>341,090</u>
<u>26,796</u>	<u>69,467</u>	<u>406,860</u>
26,796	-	26,796
-	-	56,646
-	-	2,025
-	-	7,630
-	-	36,396
-	49,471	257,371
-	19,996	19,996
<u>26,796</u>	<u>69,467</u>	<u>406,860</u>

**City of Urbana**

City of Urbana

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

As of and for the year ended June 30, 2009

	Enterprise			
	Water	Sewer	Nonmajor	Total
Operating receipts:				
Charges for service	\$ 215,566	184,347	7,068	406,981
Miscellaneous	4,831	2,725	-	7,556
Total operating receipts	220,397	187,072	7,068	414,537
Operating disbursements:				
Business type activities	197,771	185,559	982	384,312
Excess of operating receipts over operating disbursements	22,626	1,513	6,086	30,225
Non-operating receipts (disbursements):				
Interest on investments	1,241	581	-	1,822
Loan proceeds	-	75,721	-	75,721
Capital outlay	-	(44,624)	-	(44,624)
Total non-operating receipts (disbursements)	1,241	31,678	-	32,919
Excess of receipts over disbursements	23,867	33,191	6,086	63,144
Transfers:				
Operating transfers in	-	-	13	13
Operating transfers out	(13,518)	(30,417)	-	(43,935)
Total transfers	(13,518)	(30,417)	13	(43,922)
Net change in cash balances	10,349	2,774	6,099	19,222
Cash balances beginning of year	136,907	29,604	4,476	170,987
Cash balances end of year	\$ 147,256	32,378	10,575	190,209
<b>Cash Basis Fund Balances</b>				
Reserved for capital projects	\$ -	31,097	-	31,097
Unreserved	147,256	1,281	10,575	159,112
Total cash basis fund balances	\$ 147,256	32,378	10,575	190,209

See notes to financial statements.

City of Urbana

Notes to Financial Statements

June 30, 2009

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

The City of Urbana is a political subdivision of the State of Iowa located in Benton County. It was first incorporated in 1894 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 Urbana 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: Benton County Assessor's Conference Board, Benton County Emergency Management Commission and Benton County Joint E911 Service Board.

Urbana/Polk Township Fire Protection Agency

The City participates in the Urbana/Polk Township Fire Agency. The Agency is made up of the City of Urbana and Polk Township. The Agency was developed as the result of an agreement established pursuant to Chapter 28E of the Code of Iowa between the City and the township. Upon dissolution, the remaining assets shall be distributed to the participating agencies.

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.

*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 governmental and proprietary funds are aggregated and reported as nonmajor governmental and proprietary 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 payment of debt for urban renewal projects.

The Road Use Tax Fund is used to account for road construction and maintenance.

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

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 wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(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 investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$65,001 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.



**(3) Long-Term Debt**

Bonds and Notes Payable

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

Year Ending June 30,	Principal	Interest	Total
2010	\$ 110,000	39,905	149,905
2011	110,000	36,105	146,105
2012	115,000	32,130	147,130
2013	120,000	27,818	147,818
2014	120,000	23,155	143,155
2015 - 2019	440,000	47,785	487,785
Total	\$ 1,015,000	206,898	1,221,898

Capital lease

On June 30, 2008, the City entered into a lease purchase agreement to purchase a wheel loader. The lease is for 3 years and bears interest at 1.7% per annum and provides for annual payments of \$49,012.

The following is a schedule of future minimum lease payments and the present value of net minimum lease payments under the agreement:

Year Ending June 30,	Wheel Loader
2010	\$ 49,012
2011	49,012
Total minimum lease payments	\$ 98,024
Less amount representing interest	(4,043)
Total	\$ 93,981

Payments under the lease agreement for the year ended June 30, 2009 totaled \$49,012.

Interim Loan and Disbursement Agreement (Project Note)

On June 11, 2008, the City adopted a resolution instituting proceedings to authorize the issuance of up to \$464,000 of general obligation sewer improvement bonds and enter into a general obligation sewer improvement loan and disbursement agreement with the Iowa Finance Authority to provide funds to pay the costs of planning, designing and constructing improvements and extensions to the municipal sewer system. On June 11, 2008, in anticipation of proceeds from the issuance of the bonds, the City approved entering into a \$464,000 interim loan and disbursement agreement project note. The note bears no interest and matures on June 11, 2011. At June 30, 2009, the City had drawn a total of \$75,721 on the 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 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2009 was \$10,400, equal to the required contribution for the year.

**(5) Interfund Transfers**

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

Transfer to	Transfer from	Amount
Enterprise: Benton Commerce Village	General	\$ 13
Debt Service	Capital Projects	58,294
	Special Revenue:	
	Urban Renewal Tax Increment	57,300
	Enterprise:	
	Water	13,518
	Sewer	30,417
		<u>159,529</u>
Total		<u>\$ 159,542</u>

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

**(6) Development Agreements**

The City has entered into three development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental tax paid by the developer in exchange for certain infrastructure improvements by the developers. The total to be paid by the City under the agreements is not to exceed \$541,760.

The City has rebated a total of \$130,950 of incremental tax under the agreements. The outstanding balance of the agreements at June 30, 2009 was \$410,810.

The agreements are not general obligations of the City. However, the agreements are subject to the constitutional debt limit of the City.

**(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 Balances**

At June 30, 2009, the City had deficit fund balances as follows:

Year Ending June 30,	Unreserved Fund Deficit Balances June 30, 2009
----------------------------	--

Special Revenue:

Road Use Tax	\$ (17,107)
Employee Benefits	(1,681)

The Special Revenue, Road Use Tax Fund deficit is the result of street related disbursements charged to the Road Use Fund in excess of available revenues. This practice has been stopped and the fund balance has been made positive through the collection of future road use tax receipts.

The Special Revenue, Employee Benefits Fund deficit is the result of employee benefit disbursements charged to the fund in excess of available revenues. The deficit will be eliminated through future tax collections.

**(9) Subsequent Events**

In August 2009, the City took action to approve entering into a sewer revenue loan and disbursement agreement in the principal amount not to exceed \$5,600,000 to provide funds to pay a portion of the cost of constructing improvements and extensions to the municipal sanitary sewer system.

In August 2009, the City awarded contracts for the municipal sanitary sewer system project by division, as follows:

- Division I – Tschiggfrie Excavating for \$1,038,466
- Division II – Rathgje Construction Company for \$299,400
- Division III – S.L. Baumeier Company for \$85,280

In October 2009, the City increased the original amount of the proposed sewer revenue loan and disbursement agreement from \$5,600,000 to \$5,995,000 to provide for additional funds to pay for a portion of the cost of constructing improvements and extensions to the municipal sanitary sewer system.

On October 14, 2009, the City authorized the issuance of \$1,125,000 of sewer revenue bonds, series 2009A, and entered into a sewer revenue loan and disbursement agreement with the Iowa Finance Authority to pay a portion of the cost of constructing improvements and extensions to the municipal sanitary sewer system. The loan bears interest at 3% per annum and matures on June 1, 2030.

In October 2009, the City was awarded a RISE Grant of up to \$440,542 to fund 50% of street related expenses for a new commercial/ industrial park.

On December 9, 2009, the City authorized the issuance of \$2,561,000 of sewer revenue bonds, series 2009B, and entered into a sewer revenue loan and disbursement agreement with the Iowa Finance Authority to pay a portion of the cost of constructing improvements and extensions to the municipal sanitary sewer system. The loan bears interest at 3% per annum and matures on June 1, 2030.

On December 9, 2009, the City authorized the issuance of \$1,607,000 of forgivable sewer revenue bonds, series 2009C, and entered into a sewer revenue loan and disbursement agreement with the Iowa Finance Authority to pay a portion of the cost of constructing improvements and extensions to the municipal sanitary sewer system. The loan bears interest at 3% per annum and matures on June 1, 2030. The City was awarded a 30% project match through the American Recovery and Reinvestment Act (ARRA) and expects the Iowa Finance Authority will charge the amount due on this loan back to this federal program at project completion.

**Required Supplementary Information**

City of Urbana  
 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	\$ 382,803	-	382,803
Tax increment financing	66,509	-	66,509
Other city tax	62,022	-	62,022
Licenses and permits	15,279	-	15,279
Use of money and property	3,830	1,822	5,652
Intergovernmental	97,793	-	97,793
Charges for service	104,661	406,981	511,642
Special assessments	1,576	-	1,576
Miscellaneous	35,081	7,556	42,637
Total receipts	<u>769,554</u>	<u>416,359</u>	<u>1,185,913</u>
Disbursements:			
Public safety	109,298	-	109,298
Public works	257,762	-	257,762
Health and social services	-	-	-
Culture and recreation	21,588	-	21,588
Community and economic development	850	-	850
General government	62,438	-	62,438
Debt service	279,834	-	279,834
Capital projects	15,936	-	15,936
Business type activities	-	428,936	428,936
Total disbursements	<u>747,706</u>	<u>428,936</u>	<u>1,176,642</u>
Excess (deficiency) of receipts over (under) disbursements	21,848	(12,577)	9,271
Other financing sources, net	43,922	31,799	75,721
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	65,770	19,222	84,992
Balances beginning of year	341,090	170,987	512,077
Balances end of year	<u>\$ 406,860</u>	<u>190,209</u>	<u>597,069</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
384,372	393,047	(10,244)
90,236	66,250	259
85,654	45,911	16,111
9,475	8,198	7,081
6,900	3,410	2,242
84,500	89,750	8,043
508,225	473,456	38,186
-	1,576	-
23,060	27,661	14,976
1,192,422	1,109,259	76,654
111,835	118,135	8,837
258,737	293,852	36,090
700	700	700
38,460	38,460	16,872
68,260	68,260	67,410
56,536	69,069	6,631
176,620	254,954	(24,880)
5,527,938	160,512	144,576
420,252	448,193	19,257
6,659,338	1,452,135	275,493
(5,466,916)	(342,876)	352,147
5,500,000	111,141	(35,420)
33,084	(231,735)	316,727
791,408	791,408	(279,331)
824,492	559,673	37,396

City of Urbana

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 decreased budgeted disbursements by \$5,207,203. The budget amendment is reflected in the final budgeted amounts.

Disbursements exceeded the amount budgeted in the debt service function at June 30, 2009. In addition, disbursements exceeded the amount budgeted in the general government function prior to the budget amendment.



**Other Supplementary Information**

**Schedule 1**

## City of Urbana

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				Total
	Employee Benefits	Emergency Fund	Local Option Sales Tax	Capital Projects	
Receipts:					
Property tax	\$ 16,797	7,268	-	-	24,065
Other city tax	-	-	41,715	-	41,715
Use of money and property	-	-	-	147	147
Miscellaneous	-	-	-	30	30
Total receipts	<u>16,797</u>	<u>7,268</u>	<u>41,715</u>	<u>177</u>	<u>65,957</u>
Disbursements:					
Operating:					
Public safety	5,044	-	-	-	5,044
Public works	9,842	-	-	-	9,842
Culture and recreation	806	-	-	-	806
General government	3,940	-	-	-	3,940
Capital projects	-	-	-	15,936	15,936
Total disbursements	<u>19,632</u>	<u>-</u>	<u>-</u>	<u>15,936</u>	<u>35,568</u>
Excess (deficiency) of receipts over (under) disbursements	(2,835)	7,268	41,715	(15,759)	30,389
Other financing uses:					
Operating transfers out	-	-	-	(58,294)	(58,294)
Net change in cash balances	(2,835)	7,268	41,715	(74,053)	(27,905)
Cash balances beginning of year	1,154	2,169	-	94,049	97,372
Cash balances end of year	<u>\$ (1,681)</u>	<u>9,437</u>	<u>41,715</u>	<u>19,996</u>	<u>69,467</u>
<b>Cash Basis Fund Balances</b>					
Unreserved:					
Special revenue funds	\$ (1,681)	9,437	41,715	-	49,471
Capital projects fund	-	-	-	19,996	19,996
Total cash basis fund balances	<u>\$ (1,681)</u>	<u>9,437</u>	<u>41,715</u>	<u>19,996</u>	<u>69,467</u>

See accompanying independent auditor's report.

## City of Urbana

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

As of and for the year ended June 30, 2009

	Enterprise		Total
	Benton Commerce Village	Storm Sewer	
Operating receipts:			
Charges for service	\$ -	7,068	7,068
Operating disbursements:			
Business type activities	-	982	982
Excess of receipts over disbursements	-	6,086	6,086
Operating transfers in	13	-	13
Net change in cash balances	13	6,086	6,099
Cash balances beginning of year	(13)	4,489	4,476
Cash balances end of year	\$ -	10,575	10,575
<b>Cash Basis Fund Balances</b>			
Unreserved	\$ -	10,575	10,575

See accompanying independent auditor's report.

City of Urbana  
 Schedule of Indebtedness  
 Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate purpose	Apr 1, 2006	3.625 - 3.90%	\$ 510,000
General obligation notes:			
Corporate purpose	Nov 1, 2001	3.00 - 5.15%	\$ 270,000
Corporate purpose	Dec 1, 2003	3.25 - 4.50	910,000
Total			
Interim loan and disbursement agreement:			
Project note	Jun 11, 2008	0.00	\$ 75,721
Lease purchase agreement:			
Wheel loader	Jun 30, 2008	1.70%	\$ 140,992

See accompanying independent auditor's report.

Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid
425,000	45,000	380,000	16,033
70,000	70,000	-	2,973
695,000	60,000	635,000	27,453
\$ 765,000	130,000	635,000	30,426
75,721	-	75,721	-
140,992	47,011	93,981	2,001

**Schedule 4**

City of Urbana  
Bond and Note Maturities  
June 30, 2009

Year Ending June 30,	General Obligation Bonds		General Obligation Notes		Total
	Issued Apr 1, 2006		Issued Dec 1, 2003		
	Interest Rates	Amount	Interest Rates	Amount	
2010	3.70%	\$ 50,000	3.25%	\$ 60,000	110,000
2011	3.75	50,000	3.50	60,000	110,000
2012	3.75	50,000	3.75	65,000	115,000
2013	3.75	55,000	4.00	65,000	120,000
2014	3.80	55,000	4.00	65,000	120,000
2015	3.85	60,000	4.10	60,000	120,000
2016	3.90	60,000	4.25	60,000	120,000
2017		-	4.30	65,000	65,000
2018		-	4.40	65,000	65,000
2019		-	4.50	70,000	70,000
Total		<u>\$ 380,000</u>		<u>\$ 635,000</u>	<u>1,015,000</u>

See accompanying independent auditor's report.



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

David A. Vaudt, 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 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 Urbana, 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 February 8, 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 Urbana'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 Urbana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Urbana'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 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 Urbana'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 Urbana's financial statements that is more than inconsequential will not be prevented or detected by the City of Urbana'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 Urbana'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), (D) and (E) are material weaknesses.

#### Compliance and Other Matters

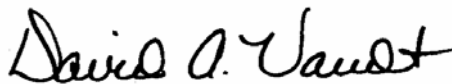
As part of obtaining reasonable assurance about whether the City of Urbana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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.

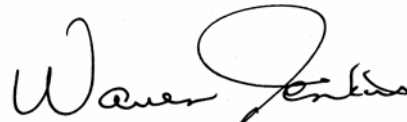
The City of Urbana's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Urbana's responses and, accordingly, we express no opinion on them.

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 Urbana and other parties to whom the City of Urbana 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 Urbana 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

February 8, 2010



City of Urbana

Schedule of Findings

Year ended June 30, 2009

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one person has control over each of the following areas:
- (1) Cash – initiating cash receipt and disbursement transactions and handling and recording cash.
  - (2) Receipts – collecting, depositing, journalizing and posting.
  - (3) Utility receipts – billing, collecting, depositing, posting and reconciling.
  - (4) Disbursements – purchasing, check signing, recording and reconciling.
  - (5) Payroll – preparing and distributing.
  - (6) Transfers – recording and reconciling.
  - (7) Financial reporting – preparing, reconciling and distributing.
  - (8) Accounting system – performing all general accounting functions and having custody of City assets.
  - (9) Information system (computer usage) – performing all general accounting functions and controlling all data input and output.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and the date of the review.

Response – The City Council will review current procedures, pursuing and implementing any practical improvements possible.

Conclusion – Response accepted.

- (B) Information System – The following weaknesses in the City’s computer-based system were noted:

The City does not have written policies for:

- requiring password changes every 60 to 90 days or to maintain password privacy and confidentially.
- Requiring a time out/logoff function
- usage of the internet.
- usage of software not licensed to the City.

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

City of Urbana

Schedule of Findings

Year ended June 30, 2009

Recommendation – The City should develop written policies addressing the above items to improve the City’s control over the computer based system. Also, a written disaster recovery plan should be developed and should be tested periodically.

Response – City staff will develop written policies addressing the above items and present them to the City Council for consideration. The City Council will consider the development of a written disaster recovery plan at future date.

Conclusion – Response accepted.

- (C) Credit Card – The City has a credit card for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of the credit card and to establish procedures for the proper accounting of credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of the City’s credit card. The policy, at a minimum, should address who controls the credit card, who is authorized to use the credit card and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – City staff will develop a written credit card policy and present it to the City Council for consideration.

Conclusion – Response accepted.

- (D) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled.

Recommendation – Procedures should be established to reconcile utility billings, collections, and delinquencies. The City Council should review the reconciliation each month and monitor delinquencies.

Response – The City will implement this procedure as soon as is practicably possible.

Conclusion – Response accepted.

- (E) Accounting Records – Although bank balances were reconciled to computer generated financial reports, the City did not reconcile bank accounts to the actual fund balances and/or financial reports provided to the City Council members for their review.

Recommendation – Financial reports should be reconciled to the bank each month and provided to the City Council for review and approval.

Response – The City has implemented this practice.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Urbana

Schedule of Findings

Year ended June 30, 2009

**Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements exceeded the amount budgeted in the debt service function at June 30, 2009. 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.” In addition, disbursements exceeded the amount budgeted in the general government function prior to a budget amendment.

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

Response – The excess disbursements in the debt service function were a result of budgeting for payments from the Special Revenue, Urban Renewal Tax Increment Fund, community and economic development function, but paying them from the Debt Service Fund, debt service function. (See Comment 9.)

The excess disbursement within the general government function was for \$378 and was created by a need to disburse monies prior to the passage of the budget amendment.

Conclusion – Response accepted.

- (2) Questionable Expenditures – No expenditures 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 – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mike Smith, Council Member, Sales Representative for ACME Tools	Tools	\$ 38

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with the Council Member does not appear to represent a conflict of interest since the total transactions were less than \$1,500 during the fiscal year.

- (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.

City of Urbana

Schedule of Findings

Year ended June 30, 2009

- (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.

Although the City published minutes as required by Chapter 372.13(6) of the Code of Iowa, the publications did not include a summary of receipts and did not include total disbursements by fund.

The City Council went into closed session during the year. The meetings were not closed in accordance with Chapter 21.5 of the Code of Iowa.

Recommendation – The City should publish minutes as required by Chapter 372.13 of the Code of Iowa.

Closed meetings should be held in compliance with Chapter 21.5 of the Code of Iowa. The minutes should state the purpose for which the meeting is being closed by reference to a specific code section and the vote of each individual Council Member should be recorded.

Response – The City has begun publishing a summary of receipts and a total disbursement by fund with the minutes effective February 2010.

City Council minutes for FY2009 included a reason for moving to closed session and a record of the vote. The City will, in the future, cite the exact paragraph of Chapter 21.5 of the Code of Iowa prior to entering closed sessions.

Conclusion – Response accepted.

- (7) Deposits and Investments – Except as noted, no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa.

The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Response – City staff will develop a written investment policy and forward it to the City Council for consideration.

Conclusion – Response accepted.

- (8) Financial Condition – The Special Revenue, Road Use Tax and Employee Benefits Funds had deficit balances of \$17,107 and \$1,681, respectively, at June 30, 2009.

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

Response – The City has already begun implementing a multi-year financial plan to eliminate the deficit fund balances. The Road Use Tax Fund has achieved a positive balance. The Employee Benefits Fund is anticipated to do so in FY2011.

Conclusion – Response accepted.

City of Urbana

Schedule of Findings

Year ended June 30, 2009

- (9) Debt Service – During the year, the City paid \$57,300 of tax increment financing (TIF) development agreement payments from the Debt Service Fund. This is not an allowable use of the debt service levy in accordance with Chapters 384.4 and 403 of the Code of Iowa. A corrective transfer was made by the City to report the proper balances in the City’s financial statements.

Recommendation – The City should ensure future TIF development agreement payments are made from the Special Revenue, Urban Renewal Tax Increment Fund.

Response – The City made the disbursements from the Debt Service Fund after consulting with counsel and members of IMFOA. Payments made for TIF purposes from the Debt Service Fund were not certified to the Debt Service Levy, but rather were funded with a transfer of TIF collections from the Special Revenue, Urban Renewal Tax Increment Fund.

In the future, the City will make payments for TIF development agreements directly from the Special Revenue, Urban Renewal Tax Increment Fund.

Conclusion – Response accepted.

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City of Urbana

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Billie Jo Heth, Senior Auditor II  
Kurt D. Goldsmith, 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