

CITY OF COLO, IOWA

Independent Auditors' Report
Basic Financial Statements and
Supplemental Information and Findings

June 30, 2009

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
Officials		i
Independent Auditors' Report		2-3
Management's Discussion and Analysis		4-8
Basic Financial Statements		
Government-wide Financial Statement		
Statement of Activities and Net Assets -- Cash Basis	A	9-10
Governmental Fund Financial Statement		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	11-12
Proprietary Fund Financial Statement		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	13
Notes to Financial Statements		14-20
Required Supplementary Information		
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		21-22
Notes to Required Supplementary Information -- Budgetary Reporting		23
Other Supplementary Information		
Schedule of Indebtedness	Schedule 1	24-25
Bond and Note Maturities	2	26-27
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		28-29
Schedule of Findings		30-31

City of Colo, Iowa
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Larry E. Milleson	Mayor	December, 2011
John Wilson	Mayor Pro Tem	December, 2009
Norm Woods	Council Member	December, 2009
Andrew Short	Council Member	December, 2011
Jason Dodd	Council Member	December, 2011
Randy Stoeffler	Council Member	December, 2009
Scott V. Berka	City Clerk	Indefinite
Mary Oppedal	Deputy City Clerk	Indefinite

POLLARD AND COMPANY P.C.

CERTIFIED PUBLIC ACCOUNTANTS

JAMES R. ZIRCHER, CPA
NEAL R. SMITH, CPA
DEBRA J. NABITY, CPA

5650 JOHNSTON DRIVE, SUITE A
P.O. BOX 1098
JOHNSTON, IOWA 50131
TELEPHONE (515) 251-8520
FAX (515) 251-3177
CPAs@POLLARDCPA.COM

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
PRIVATE COMPANIES PRACTICE SECTION
IOWA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Colo

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the City of Colo, 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 Colo's management. Our responsibility is to express an opinion 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 and provisions 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 that our audit provides a reasonable basis for our opinion.

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 not able to satisfy ourselves as to the distribution 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, and each major fund of the City of Colo 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 included our reports on our consideration of the City of Colo's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of those reports 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 internal control over financial reporting or compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied 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 Colo's basic financial statements. Other supplementary information included in Schedules 1 through 2, 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, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

January 26, 2010

Pollard and Company P.C.

CITY OF COLO MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Colo 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 ending June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements and the accompanying notes, which follow.

FINANCIAL HIGHLIGHTS

- The City's receipts totaled \$946,547 for the year ended June 30, 2009, a 7% decrease from 2008.
- Disbursements for the year totaled \$932,308 which is a 5% decrease from 2008.

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.

Notes to financial statements provide additional information essential to 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.

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, the reader 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 are divided into two types of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water system, sanitary sewer system, and solid waste collection and disposal. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Government 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 major governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as: Road Use Tax, Local Option Sales Tax, Urban Renewal Tax Increment, and Employee Benefits; 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. Transfers In and Out are an accounting device used to accumulate receipts and allocate costs internally among the City's various funds.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds are used to report business type activities. The City maintains three funds to provide separate information for the water, sewer, and solid waste operating and capital project funds considering these to be major funds.

The required financial statements for proprietary funds include 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-wide activities increased \$ 14,239 during the year ended June 30, 2009.

The analysis that follows focuses on the changes in cash balances.

Changes in Cash Basis Net Assets	
	<u>Year ended June 30,</u> <u>2009</u>
Program receipts:	
Charges for service	\$308,259
Operating grants, contributions and restricted interest	163,208
General receipts:	
Property tax	186,452
Tax Increment Financing	111,774
Other general receipts	70,629
Local option Sales taxes and other Local Taxes	106,225
Total receipts	946,547
Disbursements:	
Total business type disbursements	258,811
Public safety disbursements	169,327
Public works disbursements	165,523
Health and Social Services	10,154
Culture and recreation	98,581
Community and economic development	52,395
General government	129,409
Debt service	48,108
Total governmental type disbursements	673,497
Total Disbursements	932,308
Increase in Cash Basis Net Assets	14,239
Cash basis net assets beginning of year	587,330
Cash basis net assets end of year	\$601,569

INDIVIDUAL MAJOR GOVERNMENT FUND ANALYSIS

The following are the major reasons for the changes in fund balances of certain major funds from the prior year.

- The General Fund decreased \$4,248 after required transfers were made to other funds.
- The Special Revenue Funds increased \$73,073 due to tax increment and employee benefit levies.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$11,040 due to lowered expenditures.
- The Sewer Fund cash balance decreased \$1,150 but should be stabilized in the future by rate increases.
- The Solid Waste Fund cash balance decreased \$4,469 due to the purchase of Colo trash bags twice during the fiscal year.

DEBT ADMINISTRATION

At June 30, 2009, the City had \$971,393 in bonds and notes, compared to \$1,090,698 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	<u>2009</u>	<u>2008</u>
General obligation bonds/ notes	97,509	138,852
Tax Increment Revenue Notes	189,450	225,900
Revenue bonds	<u>684,434</u>	<u>725,946</u>
Total	\$ 971,393	\$1,090,698

The City's outstanding general obligation debt of \$97,509 is below its constitutional debt limit of 5% of the taxable value of the properties.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Colo's elected and appointed officials considered many factors when setting the fiscal year 2010 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact, Scott V. Berka, City Clerk, 209 Main Street, Colo, Iowa 50056.

City of Colo, Iowa
 Statement of Activities and Net Assets – Cash Basis
 As of and for the year ended June 30, 2009

Functions/Programs	Disbursements	Program Receipts		
		Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities				
Public safety	\$ 169,327	\$ -	\$ 24,463	\$ -
Public works	165,523	-	72,018	-
Health and social services	10,154	-	-	-
Culture and recreation	98,581	6,632	24,109	-
Community and economic development	52,395	-	-	-
General government	129,409	3,558	42,618	-
Debt service	48,108	-	-	-
Total governmental activities	673,497	10,190	163,208	-
Business type activities				
Water	113,840	143,125	-	-
Sewer	69,958	84,400	-	-
Solid waste	75,013	70,544	-	-
Total business type activities	258,811	298,069	-	-
Total	\$ 932,308	\$ 308,259	\$ 163,208	\$ -

General Receipts

- Property tax levied for
 - General purposes
 - Tax increment financing
 - Debt service
- Local option sales tax
- Unrestricted interest on investments
- 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

Cash basis net assets

- Restricted (deficit)
 - Streets
 - Debt service
 - Employee benefits
 - Other purposes
- Unrestricted
 - Total cash basis net assets

There were no reconciling items between the Governmental and Proprietary Fund Statements of Cash Receipts, Disbursements and Changes in Cash Balances and the above Statement. See notes to financial statements.

Governmental Activities	Business Type Activities	Total
\$ (144,864)	\$ -	\$ (144,864)
(93,505)	-	(93,505)
(10,154)	-	(10,154)
(67,840)	-	(67,840)
(52,395)	-	(52,395)
(83,233)	-	(83,233)
(48,108)	-	(48,108)
(500,099)	-	(500,099)
-	29,285	29,285
-	14,442	14,442
-	(4,469)	(4,469)
-	39,258	39,258
\$ (500,099)	\$ 39,258	\$ (460,841)

167,293	-	167,293
111,774	-	111,774
19,159	-	19,159
102,843	-	102,843
13,161	4,653	17,814
56,197	-	56,197
38,490	(38,490)	-
508,917	(33,837)	475,080

8,818	5,421	14,239
374,891	212,439	587,330
\$ 383,709	\$ 217,860	\$ 601,569

\$ 11,993	\$ -	\$ 11,993
31,306	92,939	124,245
29,664	-	29,664
179,551	-	179,551
131,195	124,921	256,116
\$ 383,709	\$ 217,860	\$ 601,569

City of Colo, Iowa
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	Road Use Tax	Urban Renewal Tax Increment	Local Option
Receipts				
Property Taxes	\$ 137,629	\$ -	\$ -	\$ -
Tax Increment Financing	-	-	111,774	-
Other City Taxes	3,382	-	-	102,843
Licenses and Permits	788	-	-	-
Use of Money and Property	12,101	-	-	-
Intergovernmental	67,081	72,018	-	-
Charges for Services	3,558	-	-	-
Miscellaneous	45,796	-	-	-
Total Receipts	270,335	72,018	111,774	102,843
Disbursements				
Operating				
Public Safety	169,327	-	-	-
Public Works	63,100	102,423	-	-
Health and Social Services	10,154	-	-	-
Culture and Recreation	18,811	-	-	-
Community and Economic Development	12,992	-	39,403	-
General Government	129,409	-	-	-
Debt Service				
Total Disbursements	403,793	102,423	39,403	-
Excess (deficiency) of receipts over (under) disbursements	(133,458)	(30,405)	72,371	102,843
Other financing sources (uses)				
Operating transfers in	168,503	-	-	-
Operating transfers out	(39,293)	-	(9,619)	(89,110)
Total other financing sources (uses)	129,210	-	(9,619)	(89,110)
Net change in cash balances	(4,248)	(30,405)	62,752	13,733
Cash balance(Deficit) - beginning of year	91,665	42,398	44,179	(6,135)
Cash balance - end of year	\$ 87,417	\$ 11,993	\$ 106,931	\$ 7,598
Cash basis fund balances (deficit)				
Reserved				
Debt service	\$ -	\$ -	\$ -	\$ -
Employee Benefits	-	-	-	-
Unreserved				
General fund	87,417	-	-	-
Special revenue funds	-	11,993	106,931	7,598
Total cash basis fund balances	\$ 87,417	\$ 11,993	\$ 106,931	\$ 7,598

The accompanying notes to financial statements are an integral part of this statement.

Special Revenue						
Library	Cemetery	Employee Benefits	Debt Service	Equipment Reserve	Total	
\$ -	\$ -	\$ 29,664	\$ 19,159	\$ -	\$ 186,452	
-	-	-	-	-	111,774	
-	-	-	-	-	106,225	
-	-	-	-	-	788	
359	701	-	-	-	13,161	
19,040	2,010	-	-	-	160,149	
4,482	2,150	-	-	-	10,190	
4,205	5,085	-	-	-	55,086	
<u>28,086</u>	<u>9,946</u>	<u>29,664</u>	<u>19,159</u>	-	<u>643,825</u>	
-	-	-	-	-	169,327	
-	-	-	-	-	165,523	
-	-	-	-	-	10,154	
64,336	15,434	-	-	-	98,581	
-	-	-	-	-	52,395	
-	-	-	-	-	129,409	
-	-	-	48,108	-	48,108	
<u>64,336</u>	<u>15,434</u>	-	<u>48,108</u>	-	<u>673,497</u>	
(36,250)	(5,488)	29,664	(28,949)	-	(29,672)	
37,293	2,000	-	48,109	20,833	276,738	
-	(226)	-	-	(100,000)	(238,248)	
<u>37,293</u>	<u>1,774</u>	-	<u>48,109</u>	<u>(79,167)</u>	<u>38,490</u>	
1,043	(3,714)	29,664	19,160	(79,167)	8,818	
15,888	51,805	-	12,146	122,945	374,891	
<u>\$ 16,931</u>	<u>\$ 48,091</u>	<u>\$ 29,664</u>	<u>\$ 31,306</u>	<u>\$ 43,778</u>	<u>\$ 383,709</u>	
\$ -	\$ -	\$ -	\$ 31,306	\$ -	\$ 31,306	
-	-	29,664	-	-	29,664	
-	-	-	-	43,778	131,195	
16,931	48,091	-	-	-	191,544	
<u>\$ 16,931</u>	<u>\$ 48,091</u>	<u>\$ 29,664</u>	<u>\$ 31,306</u>	<u>\$ 43,778</u>	<u>\$ 383,709</u>	

City of Colo, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2009

	Water	Sewer	Solid Waste	Total
Operating receipts				
Charges for service	\$ 143,125	\$ 84,400	\$ 70,544	\$ 298,069
Total operating receipts	143,125	84,400	70,544	298,069
Operating disbursements				
Business-type activities	84,717	25,383	75,013	185,113
Total operating disbursements	84,717	25,383	75,013	185,113
Excess (Deficit) of operating receipts over(under) operating disbursements	58,408	59,017	(4,469)	112,956
Non-operating receipts (disbursements)				
Interest on Investments	1,280	3,373	-	4,653
Debt service	(29,123)	(44,575)	-	(73,698)
Total non-operating receipts (disbursements)	(27,843)	(41,202)	-	(69,045)
Excess (Deficiency) of receipts over (under) disbursements	30,565	17,815	(4,469)	43,911
Other financing (uses):				
Operating transfers out	(19,525)	(18,965)	-	(38,490)
Net change in cash balances	11,040	(1,150)	(4,469)	5,421
Cash balances - beginning of year	104,855	93,086	14,498	212,439
Cash balances - end of year	\$ 115,895	\$ 91,936	\$ 10,029	\$ 217,860
Cash basis fund balances				
Reserved for debt service	\$ 17,478	\$ 75,461	\$ -	\$ 92,939
Unreserved	98,417	16,475	10,029	124,921
Total cash basis fund balances	\$ 115,895	\$ 91,936	\$ 10,029	\$ 217,860

See notes to financial statements

City of Colo, Iowa
Notes To Financial Statements
June 30, 2009

1/ Summary of Significant Accounting Policies

The City of Colo is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1865 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 nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements, and general administrative services. The City also provides water and sewer utilities and solid waste disposal for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Colo 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 board 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 that meet the criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the City's citizenry, but do not meet the criteria for 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: The Story County Assessor's Conference Board, Story County Emergency Management Commission, Story County Joint E-911 Services Board, and the Fire Advisory Board.

B. Basis of Presentation

Government-wide Financial Statements - 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 services.

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 that do not meet 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 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

B. Basis of Presentation (continued)

directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

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

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

Local Option Sales Tax Fund is used to account for the collection of the local option sales tax and the disbursements financed by such.

The Library Fund is used to account for the operations of the City library under control of the Library Board.

The Cemetery Fund is used to account for the operations of the City cemetery under control by the Cemetery Board.

The Employee Benefits Fund is used to account for the tax levy and the disbursements for the benefits.

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

Equipment Reserve Fund is utilized to accumulated money to purchase equipment for use by the City.

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 waste water treatment and sanitary sewer system.

The Solid Waste Fund accounts for the operation of the City's solid waste collection program.

C. Measurement Focus and Basis of Accounting

The City of Colo 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 operation of the funds in accordance with U.S. generally accepted accounting principles.

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 funds' principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budget 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 amounts budgeted in the Debt Service 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.

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

3/ Notes Payable

Annual debt service requirements for notes payable are as follows:

Year Ending June 30,	General Obligation Notes		Urban Renewal Tax Increment Financing Revenue Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	42,509	4,721	38,950	2,528	41,789	30,247	123,248	37,496
2011	15,000	2,608	38,350	1,966	47,078	28,278	100,428	32,852
2012	20,000	1,910	37,850	1,436	47,379	26,017	105,229	29,363
2013	20,000	960	37,350	933	52,692	23,704	110,042	25,597
2014	-	-	36,950	456	8,019	21,104	44,969	21,560
2015-2019	-	-	-	-	45,507	100,108	45,507	100,108
2020-2024	-	-	-	-	56,035	89,580	56,035	89,580
2025-2029	-	-	-	-	68,998	76,617	68,998	76,617
2030-2034	-	-	-	-	84,961	60,653	84,961	60,653
2035-2039	-	-	-	-	104,616	40,999	104,616	40,999
2040-2044	-	-	-	-	127,360	17,186	127,360	17,186
Total	\$ 97,509	\$ 10,199	\$ 189,450	\$ 7,319	\$ 684,434	\$ 514,493	\$ 971,393	\$ 532,011

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$550,000 in water revenue bonds issued in September 2004. Proceeds from the bonds provided financing for the water system construction and improvement. The bonds are payable solely from water customer net receipts and are payable through 2044. Annual principal and interest payments on the bonds are expected to require less than 50 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$1,018,235. For the current year, principal and interest paid and customer net receipts were \$29,123 and \$58,408, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$465,000 in sewer revenue capital notes issued in October 1998. Proceeds from the notes provided financing for the sewer treatment plant construction and improvement. The notes are payable solely from sewer customer net receipts and are payable through 2013. Annual principal and interest payments on the notes are expected to require less than 76 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$180,692. For the current year, principal and interest paid and customer net receipts were \$44,575 and \$59,017, respectively.

The resolutions providing for the issuance of the revenue bonds/notes include the following provisions.

- a) The notes will only be redeemed from the future earnings of each enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts for the purpose of making the note principal and interest payments when due.
- c) User rates shall be established and charged to customers of the activity at least sufficient to pay the expenses of operation and maintenance and to have a balance of net revenues equal to at least 110% of the principal and interest on the notes falling due in the same year.

3/ Notes Payable (continued)

Urban Renewal Tax Increment Financing Revenue Notes

The City issued \$226,800 of urban renewal tax increment financing (TIF) revenue notes in June 2004 and \$87,000 in January 2005 for the purpose of defraying a portion of the costs of various construction and refurbishing projects within the urban renewal district. The notes are payable solely from TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The notes are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the notes is \$196,769, payable through June 2014. For the current year, principal and interest paid and total TIF receipts were \$39,403 and \$111,774, respectively.

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 contributions to IPERS for the year ended June 30, 2009 was \$9,922, equal to the required contribution 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 these earned termination payments payable to employees at June 30, 2009, primarily relating to the General Fund, is \$10,900.

This liability has been computed based on rates of pay as of June 30, 2009.

6/ Risk Management

- a) The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk sharing pool whose 577 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total

6/ Risk Management (continued)

current member's basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City of Colo's annual contributions to the Pool for the year ended June 30, 2009 were \$13,103.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the members' risk-sharing certificate or in the event a series of casualty claims exhausts total member's equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions; however, the refund is reduced by an amount equal to the annual operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

- b) The City is a member of the Iowa Municipalities Workers' Compensation Association (IMWCA) which provides workers' compensation coverage to its members. The Association is governed by a board of directors elected by representatives of the governing bodies of each participating governmental jurisdictions. The City has executed a Worker's Compensation coverage agreement with the Association which extends through June 30, 2009 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2009, the City paid worker's compensation insurance premiums of \$4,216 to the Association.

7/ Interfund Transfers

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

	Transfer To					Total
	General	Library	Debt Service	Cemetery	Equipment Reserve	
Transfer from						
General	\$ -	\$ 37,293	\$ -	\$ 2,000	\$ -	\$ 39,293
Tax Increment	-	-	9,619	-	-	9,619
Local Option	68,277	-	-	-	20,833	89,110
Cemetery	226	-	-	-	-	226
Equipment Reserve	100,000	-	-	-	-	100,000
Water	-	-	19,525	-	-	19,525
Sewer	-	-	18,965	-	-	18,965
	<u>\$ 168,503</u>	<u>\$ 37,293</u>	<u>\$ 48,109</u>	<u>\$ 2,000</u>	<u>\$ 20,833</u>	<u>\$ 276,738</u>

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

8/ Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that effect the reported amounts and disclosure of liabilities, contingent liabilities, and commitments at the date of the financial statements, and the classification of receipts and disbursements during the reporting period. Actual results could differ from the estimates that were used.

9/ Construction Commitments

The City has committed to construction engineering and administration contracts for storm water drainage improvements. As of June 30, 2009, approximately \$716,000 remained to be paid on the contracts.

City of Colo, Iowa
 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	Enterprise Funds Actual	Net
Receipts			
Property Taxes	\$ 186,452	\$ -	\$ 186,452
Tax Increment Financing	111,774	-	111,774
Other City Taxes	106,225	-	106,225
Licenses and permits	788	-	788
Use of money and property	13,161	4,653	17,814
Intergovernmental	160,149	-	160,149
Charges for Service	10,190	298,069	308,259
Miscellaneous	55,086		55,086
Total Receipts	643,825	302,722	\$ 946,547
Disbursements			
Public safety	169,327	-	169,327
Public works	165,523	-	165,523
Health and Social Services	10,154	-	10,154
Culture and recreation	98,581	-	98,581
Community and economic development	52,395	-	52,395
General government	129,409	-	129,409
Debt service	48,108	-	48,108
Business type activities	-	258,811	258,811
Total Disbursements	673,497	258,811	932,308
Excess (deficiency) of receipts over (under) disbursements	<u>(29,672)</u>	<u>43,911</u>	<u>14,239</u>
Other financing sources, net	<u>38,490</u>	<u>(38,490)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>8,818</u>	<u>5,421</u>	<u>14,239</u>
Balance - beginning of year	374,891	212,439	587,330
Balance - end of year	<u>\$ 383,709</u>	<u>\$ 217,860</u>	<u>\$ 601,569</u>

See accompanying independent auditors' report.

<u>Budgeted Amounts</u>		
<u>Original</u>	<u>Final</u>	<u>Final to Net Variance</u>
\$ 177,459	\$ 177,459	\$ 8,993
101,334	101,334	10,440
97,584	97,584	8,641
665	665	123
23,800	23,800	(5,986)
417,517	417,517	(257,368)
303,600	303,600	1,101
9,700	53,700	4,944
<u>1,131,659</u>	<u>1,175,659</u>	<u>(229,112)</u>
104,939	169,939	612
945,070	945,070	779,547
10,254	10,254	100
107,892	107,892	9,311
299,025	299,025	246,630
130,817	135,817	6,408
19,265	19,265	(28,843)
282,127	282,127	23,316
<u>1,899,389</u>	<u>1,969,389</u>	<u>1,037,081</u>
<u>(767,730)</u>	<u>(793,730)</u>	<u>807,969</u>
<u>750,000</u>	<u>750,000</u>	<u>(750,000)</u>
<u>(17,730)</u>	<u>(43,730)</u>	<u>57,969</u>
628,872	598,794	(11,464)
<u>\$ 611,142</u>	<u>\$ 555,064</u>	<u>\$ 46,505</u>

City of Colo, Iowa
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 except Fiduciary 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 or fund type. 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, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and 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 \$70,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the debt service function.

City of Colo, Iowa
 Schedule of Indebtedness
 For the year ended June 30, 2009

	Date of Issue	Interest Rates	Amount Originally Issued
Obligation			
General Obligation Notes			
Capital Loan	August, 2000	5.20%	225,000
Sewer Improvements	October, 1998	4.00-4.80%	210,000
Totals			
Urban Renewal Tax Increment Financing (TIF) Revenue Notes			
2004 Business Park Paving Project	June, 2004	0.00%	226,800
Urban Renewal TIF Series 2005A	January, 2005	5.30%	87,000
Totals			
Revenue Notes			
Sewer	October, 1998	4.20-5.05%	\$ 465,000
Water Revenue Capital	September, 2004	4.25%	550,000
Totals			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 53,852	\$ -	\$ 26,343	\$ 27,509	\$ 2,800	\$ -
85,000	-	15,000	70,000	3,965	-
<u>\$ 138,852</u>	<u>\$ -</u>	<u>\$ 41,343</u>	<u>\$ 97,509</u>	<u>\$ 6,765</u>	<u>\$ -</u>
\$ 170,100	\$ -	\$ 28,350	141,750	\$ -	\$ -
55,800	-	8,100	47,700	2,953	-
<u>\$ 225,900</u>	<u>\$ -</u>	<u>\$ 36,450</u>	<u>\$ 189,450</u>	<u>\$ 2,953</u>	<u>\$ -</u>
\$ 195,000	\$ -	\$ 35,000	\$ 160,000	\$ 9,575	\$ -
530,946	-	6,512	524,434	22,611	-
<u>\$ 725,946</u>	<u>\$ -</u>	<u>\$ 41,512</u>	<u>\$ 684,434</u>	<u>\$ 32,186</u>	<u>\$ -</u>

City of Colo, Iowa
Bond and Note Maturities
June 30, 2009

General Obligation Notes

Capital Loan	Sewer Improvements
Issued August 15, 2001	Issued October 1, 1998

Year Ending June 30,	Interest Rates (%)	Amount	Interest Rates (%)	Amount	Total
2010	5.20	27,509	4.55	15,000	42,509
2011			4.65	15,000	15,000
2012			4.75	20,000	20,000
2013			4.80	20,000	20,000
Totals		\$ 27,509		\$ 70,000	\$ 97,509

Urban Renewal Tax Increment (TIF) Revenue Notes

Urban Renewal TIF Series	
2004 Business Park Paving	2005A
Issued June 1, 2004	Issued January 5, 2005

Year Ending June 30,	Interest Rates (%)	Amount	Interest Rates (%)	Amount	Total
2010	0.00	28,350	5.30	10,600	38,950
2011	0.00	28,350	5.30	10,000	38,350
2012	0.00	28,350	5.30	9,500	37,850
2013	0.00	28,350	5.30	9,000	37,350
2014	0.00	28,350	5.30	8,600	36,950
Totals		\$ 141,750		\$ 47,700	\$ 189,450

Revenue Notes	
Sewer Revenue	Water Revenue Capital
Issued October 1, 1998	Issued September 28, 2004

Year Ending June 30,	Interest Rates (%)	Amount	Interest Rates (%)	Amount	Total
2010	4.80	35,000	4.25	6,789	41,789
2011	4.90	40,000	4.25	7,078	47,078
2012	5.00	40,000	4.25	7,379	47,379
2013	5.05	45,000	4.25	7,692	52,692
2014			4.25	8,019	8,019
2015			4.25	8,360	8,360
2016			4.25	8,715	8,715
2017			4.25	9,086	9,086
2018			4.25	9,472	9,472
2019			4.25	9,874	9,874
2020			4.25	10,294	10,294
2021			4.25	10,731	10,731
2022			4.25	11,188	11,188
2023			4.25	11,663	11,663
2024			4.25	12,159	12,159
2025			4.25	12,675	12,675
2026			4.25	13,214	13,214
2027			4.25	13,776	13,776
2028			4.25	14,361	14,361
2029			4.25	14,972	14,972
2030			4.25	15,608	15,608
2031			4.25	16,271	16,271
2032			4.25	16,963	16,963
2033			4.25	17,684	17,684
2034			4.25	18,435	18,435
2035			4.25	19,219	19,219
2036			4.25	20,035	20,035
2037			4.25	20,887	20,887
2038			4.25	21,775	21,775
2039			4.25	22,700	22,700
2040			4.25	23,665	23,665
2041			4.25	24,671	24,671
2042			4.25	25,719	25,719
2043			4.25	26,812	26,812
2044			4.25	26,493	26,493
Totals		<u>\$ 160,000</u>		<u>\$ 524,434</u>	<u>\$ 684,434</u>

See accompanying independent auditors' report.

POLLARD AND COMPANY P.C.

CERTIFIED PUBLIC ACCOUNTANTS

JAMES R. ZIRCHER, CPA
NEAL R. SMITH, CPA
DEBRA J. NABITY, CPA

5650 JOHNSTON DRIVE, SUITE A
P.O. BOX 1098
JOHNSTON, IOWA 50131
TELEPHONE (515) 251-8520
FAX (515) 251-3177
CPAs@POLLARDCPA.COM

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
PRIVATE COMPANIES PRACTICE SECTION
IOWA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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, and each major fund of the City of Colo, 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 as dated below. Our report expressed qualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we considered to be a significant deficiency and we considered to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, 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'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 that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Colo's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 noncompliance 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 Part II of 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 Colo's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusion on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

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

January 26, 2010

Pollard and Company P.C.

CITY OF COLO, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

PART I Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES

I-A-09 Segregation of Duties

One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The posting of the cash receipts to the general ledger, reconciliations and securities control and custody are all done by the same person.

Recommendation

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

Response

The City will attempt to segregate duties to the extent possible to provide additional control through review of financial transactions and reports and segregation of duties.

Conclusion- Response accepted.

PART II Other Findings Related to Statutory Reporting

II-A-09 Certified Budget

Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the debt service function.

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 budget will be amended in the future, if applicable.

Conclusion- Response accepted.

II-B-09 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment expenses that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-09 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-09 Business Transactions

No business transactions between the City and City officials were noted.

PART II Other Findings Related to Statutory Reporting (continued)

II-E-09 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions.

II-F-09 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

Although the listing of claims paid were published, by the City, they did not contain the purpose of each expenditure in accordance with Chapter 372.13(6) of the Code of Iowa.

Recommendation

The City should comply with the Code of Iowa and publish the purpose of each expenditure as required.

Response

We will publish the purpose of each expenditure as required.

Conclusion - Response accepted.

II-G-09 Deposits and Investments

We noted no instances of noncompliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.

II-H-09 Retention of Electronic Records

As required by Chapter 554D.114(5) of the Code of Iowa, if a bank retains the City's checks in electronic format, the check images received by the City should display both the front and back of the check.

Recommendation

The city should contact the bank to determine the bank's capabilities to comply with the law.

Response

We will contact the bank and discuss it with them.

Conclusion – Response accepted

II-I-09 Revenue Bonds and Notes

We noted no instances of non-compliance with revenue bond and note resolutions.