



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

March 30, 2009

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$1,067,962 for the year ended June 30, 2008. The receipts included \$242,523 in property tax, \$279,869 from charges for service, \$124,445 from operating grants, contributions and restricted interest, \$40,187 from capital grants, contributions and restricted interest, \$108,418 from local option sales tax, \$250,000 from note proceeds, \$12,247 from unrestricted interest on investments and \$10,273 from other general receipts.

Disbursements for the year totaled \$834,957, and included \$128,410 for public works, \$113,182 for general government and \$109,261 for capital projects. Also, disbursements for business type activities totaled \$274,822.

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/reports.htm>.

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CITY OF TREYNOR

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

JUNE 30, 2008

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City of Treynor

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Charles Killion	Mayor	Jan 2012
Jodi Frain	Mayor Pro tem	Jan 2010
Tracy Henke (Appointed Mar 2008)	Council Member	Nov 2009
Bruce Bremser	Council Member	Jan 2010
Bryce Poland	Council Member	Jan 2010
Allen Hadfield	Council Member	Jan 2012
Scot Vasicek	Council Member	Resigned
Julie Sealock	Clerk/Treasurer	Jan 2009
Teresa Johnson (Effective Feb 2009)	Clerk/Treasurer	Indefinite
Joe Thornton	Attorney	Indefinite

City of Treynor



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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 and each major fund of the City of Treynor, Iowa, as of and for the year ended June 30, 2008, 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 Treynor'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.

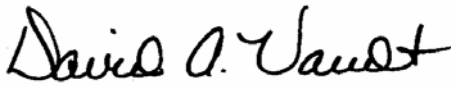
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not 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, 2007.

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, 2007, 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 Treynor as of June 30, 2008, 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.

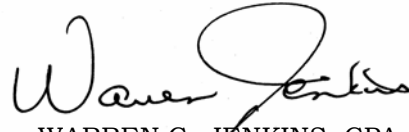
In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2009 on our consideration of the City of Treynor's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and 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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Treynor's basic financial statements. Other supplementary information included in Schedules 1 and 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 2, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Treynor 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, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities increased approximately \$215,200, due primarily to the receipt of general obligation note proceeds of \$250,000.
- The cash basis net assets of the City's business type activities increased approximately \$17,800, mainly due to the new irrigation system installed at the Treynor High School, which resulted in an increase in water charges for service.

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 City's indebtedness.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system and garbage operations. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales 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.

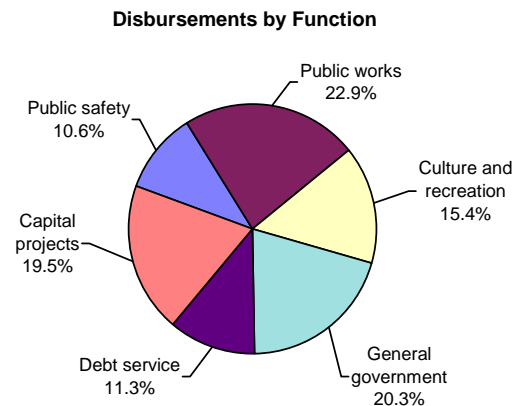
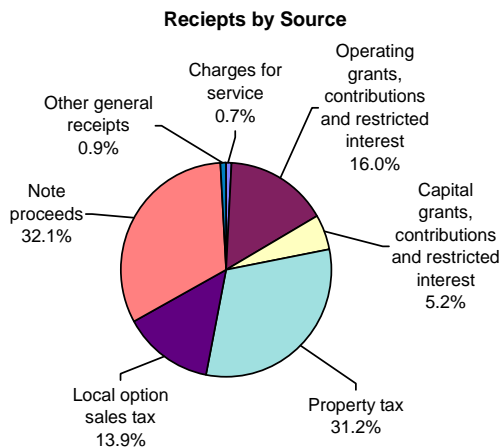
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and garbage operations, considered to be major funds of the City.

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 \$563,584 to \$778,812. 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, 2008
Receipts:	
Program receipts:	
Charges for service	\$ 5,115
Operating grants, contributions and restricted interest	124,445
Capital grants, contributions and restricted interest	40,187
General receipts:	
Property tax	242,523
Local option sales tax	108,418
Note proceeds	250,000
Other general receipts	6,800
Total receipts	<u>777,488</u>
Disbursements:	
Public safety	59,344
Public works	128,410
Culture and recreation	86,217
General government	113,721
Debt service	63,182
Capital projects	109,261
Total disbursements	<u>560,135</u>
Change in cash basis net assets before transfers	217,353
Transfers, net	<u>(2,125)</u>
Change in cash basis net assets	215,228
Cash basis net assets beginning of year	<u>563,584</u>
Cash basis net assets end of year	<u>\$ 778,812</u>



The cash basis net assets increased approximately \$215,200, due primarily to the receipt of general obligation note proceeds of \$250,000.

<u>Changes in Cash Basis Net Assets of Business Type Activities</u>	
	<u>Year ended June 30, 2008</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 147,785
Sewer	78,882
Garbage	48,087
General receipts:	
Unrestricted interest on investments	12,247
Miscellaneous	3,473
Total receipts	<u>290,474</u>
Disbursements:	
Water	125,872
Sewer	101,894
Garbage	47,056
Total disbursements	<u>274,822</u>
Change in cash basis net assets before transfers	15,652
Transfers, net	<u>2,125</u>
Change in cash basis net assets	17,777
Cash basis net assets beginning of year	<u>397,391</u>
Cash basis net assets end of year	<u><u>\$ 415,168</u></u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Treynor completed the year, its governmental funds reported a combined fund balance of \$778,812, an increase of \$215,226 above last year's total of \$563,586. 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 reported a slight decrease of approximately \$1,000 from the prior year to \$188,834.
- The Special Revenue, Road Use Tax Fund cash balance increased \$8,878 to \$101,543. The increase is attributable to an increase in the road use tax rate.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$26,276 to \$174,049. The increase in cash balance is mainly due to a decrease of \$30,000 in transfers to other funds.
- The Debt Service Fund cash balance increased slightly, by \$202, to \$5,995 during the fiscal year.
- The Capital Projects Fund cash balance increased \$180,925 to \$308,391 during the fiscal year. The increase was due to the issuance of general obligation notes of \$250,000 for the construction of Water Well #6. Disbursements for the Water Well project were approximately \$36,000.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$31,632 to \$302,905, due primarily to an increase in the sale of water and reductions in debt service payments from the prior year.
- The Sewer Fund cash balance decreased \$14,886 to \$100,674. The decrease in the cash balance is due, in part, to an increase of approximately \$10,000 in electric bills for the new circulation system installed at the sewer lagoon.
- The Garbage Fund cash balance increased slightly, by \$1,031, to \$11,589.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The first amendment was approved on February 4, 2008 and resulted in an increase in receipts for the note issuance and grant funds for the Water Well #6 project. The increase in disbursements was primarily related to the road paving projects. The second amendment was approved on May 5, 2008 to provide for additional disbursements for water line repair and the purchase of water meter equipment.

The City's receipts were \$216,690 less than budgeted. This was primarily due to the City not receiving the grant funds for the Water Well #6 project during fiscal year 2008.

Total disbursements were \$629,539 less than the amended budgeted disbursements. The actual disbursements for capital projects was under budget by \$528,095 due to delays in proceeding with planned projects.

DEBT ADMINISTRATION

At June 30, 2008, the City had \$602,625 in notes and other long-term debt outstanding, as shown below:

Outstanding Debt at Year-End	
	June 30, 2008
General obligation notes	\$ 311,000
Revenue notes	121,000
Loan agreement	170,625
Total	<u>\$ 602,625</u>

Debt increased as a result of issuing general obligation notes for a well construction project.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is \$481,625, well below its constitutional debt limit of approximately \$1,294,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Treynor's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates and fees charged for various City activities. The City's fiscal year 2009 assessed value increased approximately \$1,200,000 over the fiscal year 2008 level.

The proposed fiscal year 2009 budget includes receipts of \$742,786 and disbursements of \$849,945. The fiscal year 2009 budget is comparable to the fiscal year 2008 actual receipts of \$817,959 and disbursements of \$834,956.

The FY2009 levy is \$8.10000 per \$1,000 of assessed property valuation, which is consistent with the FY2008 levy.

These parameters were taken into account when adopting the budget for FY2009.

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 Teresa Johnson, City Clerk, 7 S Eyberg Ave, Treynor, Iowa 51575.

Basic Financial Statements

City of Treynor

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2008

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 59,344	1,313	3,297	-
Public works	128,410	-	81,389	-
Culture and recreation	86,217	690	39,759	-
General government	113,721	3,112	-	-
Debt service	63,182	-	-	-
Capital projects	109,261	-	-	40,187
Total governmental activities	560,135	5,115	124,445	40,187
Business type activities:				
Water	125,872	147,785	-	-
Sewer	101,894	78,882	-	-
Garbage	47,056	48,087	-	-
Total business type activities	274,822	274,754	-	-
Total	\$ 834,957	279,869	124,445	40,187
General Receipts:				
Property and other city tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Note proceeds				
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:				
Streets				
Local option sales tax				
Debt service				
Capital projects				
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
(54,734)	-	(54,734)
(47,021)	-	(47,021)
(45,768)	-	(45,768)
(110,609)	-	(110,609)
(63,182)	-	(63,182)
(69,074)	-	(69,074)
(390,388)	-	(390,388)
-	21,913	21,913
-	(23,012)	(23,012)
-	1,031	1,031
-	(68)	(68)
(390,388)	(68)	(390,456)
210,214	-	210,214
32,309	-	32,309
108,418	-	108,418
-	12,247	12,247
250,000	-	250,000
6,800	3,473	10,273
(2,125)	2,125	-
605,616	17,845	623,461
215,228	17,777	233,005
563,584	397,391	960,975
\$ 778,812	415,168	1,193,980
\$ 101,543	-	101,543
174,049	-	174,049
5,995	10,265	16,260
308,391	-	308,391
188,834	404,903	593,737
\$ 778,812	415,168	1,193,980

City of Treynor

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

As of and for the year ended June 30, 2008

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 204,643	-	-
Other city tax	5,571	-	108,418
Licenses and permits	4,152	-	-
Use of money and property	27,409	-	-
Intergovernmental	-	81,389	-
Charges for service	690	-	-
Miscellaneous	22,718	-	-
Total receipts	265,183	81,389	108,418
Disbursements:			
Operating:			
Public safety	59,344	-	-
Public works	45,048	72,511	10,850
Culture and recreation	86,217	-	-
General government	113,721	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	304,330	72,511	10,850
Excess (deficiency) of receipts over (under) disbursements	(39,147)	8,878	97,568
Other financing sources (uses):			
Note proceeds	-	-	-
Operating transfers in	41,292	-	-
Operating transfers out	(3,200)	-	(71,292)
Total other financing sources (uses)	38,092	-	(71,292)
Net change in cash balances	(1,055)	8,878	26,276
Cash balances beginning of year	189,889	92,665	147,773
Cash balances end of year	\$ 188,834	101,543	174,049
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	-
Unreserved, designated for park improvement	45,803	-	-
Unreserved, undesignated, reported in:			
General fund	143,031	-	-
Special revenue funds	-	101,543	174,049
Capital projects fund	-	-	-
Total cash basis fund balances	\$ 188,834	101,543	174,049

See notes to financial statements.

Debt Service	Capital Projects	Total
31,456	-	236,099
853	-	114,842
-	-	4,152
-	1,244	28,653
-	38,942	120,331
-	-	690
-	-	22,718
<u>32,309</u>	<u>40,186</u>	<u>527,485</u>
-	-	59,344
-	-	128,409
-	-	86,217
-	-	113,721
63,182	-	63,182
-	109,261	109,261
<u>63,182</u>	<u>109,261</u>	<u>560,134</u>
<u>(30,873)</u>	<u>(69,075)</u>	<u>(32,649)</u>
-	250,000	250,000
31,075	-	72,367
-	-	(74,492)
<u>31,075</u>	<u>250,000</u>	<u>247,875</u>
202	180,925	215,226
5,793	127,466	563,586
<u>5,995</u>	<u>308,391</u>	<u>778,812</u>
5,995	-	5,995
-	-	45,803
-	-	143,031
-	-	275,592
-	308,391	308,391
<u>5,995</u>	<u>308,391</u>	<u>778,812</u>

Exhibit C

City of Treynor

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

As of and for the year ended June 30, 2008

	Enterprise			Total
	Water	Sewer	Garbage	
Operating receipts:				
Charges for service	\$ 147,785	78,882	48,087	274,754
Miscellaneous	1,377	1,933	-	3,310
Total operating receipts	149,162	80,815	48,087	278,064
Operating disbursements:				
Business type activities	115,744	101,894	47,056	264,694
Excess (deficiency) of operating receipts over (under) operating disbursements	33,418	(21,079)	1,031	13,370
Non-operating receipts (disbursements):				
Interest on investments	9,254	2,993	-	12,247
Miscellaneous	163	-	-	163
Debt service	(10,128)	-	-	(10,128)
Net non-operating receipts (disbursements)	(711)	2,993	-	2,282
Excess (deficiency) of receipts over (under) disbursements	32,707	(18,086)	1,031	15,652
Transfers:				
Operating transfers in	-	3,200	-	3,200
Operating transfers out	(1,075)	-	-	(1,075)
Total transfers	(1,075)	3,200	-	2,125
Net change in cash balances	31,632	(14,886)	1,031	17,777
Cash balances beginning of year	271,273	115,560	10,558	397,391
Cash balances end of year	\$ 302,905	100,674	11,589	415,168
Cash Basis Fund Balances				
Reserved for debt service	\$ 10,265	-	-	10,265
Unreserved	292,640	100,674	11,589	404,903
Total cash basis fund balances	\$ 302,905	100,674	11,589	415,168

See notes to financial statements.

City of Treynor

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

The City of Treynor is a political subdivision of the State of Iowa located in Pottawattamie County. It was first incorporated in 1906 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, sewer and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Treynor 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: Pottawattamie County Assessor's Conference Board, Pottawattamie County Emergency Management Commission, Southwestern Iowa Solid Waste Management Association and Pottawattamie County Joint E911 Service Board.

Treynor Fire Agency

The City participates in the Treynor Fire Agency. The Agency is made up of the City of Treynor and Silver Creek, Keg Creek, Hardin, Washington and Garner Townships. 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 townships. Upon dissolution, the remaining assets will 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.

The City reports the following major governmental funds:

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

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for all local option sales tax and its uses.

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through Enterprise Funds.

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 Garbage Fund accounts for the City's garbage operations.

C. Measurement Focus and Basis of Accounting

The City of Treynor 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. During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

(3) Notes Payable

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

Year Ending June 30,	General Obligation Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 23,000	14,905	6,000	3,630	29,000	18,535
2010	28,000	10,135	7,000	3,430	35,000	13,565
2011	28,000	9,235	7,000	3,240	35,000	12,475
2012	29,000	8,310	7,000	3,030	36,000	11,340
2013	34,000	7,330	7,000	1,410	41,000	8,740
2014 - 2018	145,000	17,885	40,000	10,650	185,000	28,535
2019 - 2023	24,000	2,200	47,000	4,320	71,000	6,520
Total	\$ 311,000	70,000	121,000	29,710	432,000	99,710

On May 20, 2003, the City entered into agreements with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. for the issuance of \$150,000 of general obligation capital loan notes and \$150,000 of water revenue notes, both with interest rates of 3.0% per annum. The notes were issued pursuant to the provisions of Chapter 384 and Section 384.24A of the Code of Iowa to pay the costs of constructing improvements and extensions to the City's water system.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$150,000 in water revenue notes issued in May 2003. Proceeds from the notes provided financing for the construction of a new water well. The notes are payable solely from water customer net receipts and are payable through 2023. Annual principal and interest payments on the notes are expected to require less than 30 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$150,710. For the current year, principal and interest paid and total customer net receipts were \$9,810 and \$33,418, respectively.

Revenue Notes

The resolution providing for the issuance of the water revenue notes issued under a loan agreement between the City, the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the water fund and the note holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a water revenue note sinking account within the water fund for the purpose of making the note principal and interest payments when due.
- (c) All funds remaining in the water fund after making the required transfers shall be placed in a water revenue surplus account. As long as the sinking account has the full amount required to be deposited, the balance in the surplus account may be made available to the City as the Council may direct.

(4) Loan Agreement

On June 1, 2004, the City entered into a loan agreement with a local bank for \$273,000. The funds were used to finance the construction of the Community Center. The loan bears 4.50% per annum interest and matures on December 12, 2012. Annual debt service requirements are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	4.50%	\$ 34,125	6,912	41,037
2010	4.50	34,125	5,377	39,502
2011	4.50	34,125	3,842	37,967
2012	4.50	34,125	2,310	36,435
2013	4.50	34,125	770	34,895
Total		<u>\$170,625</u>	<u>19,211</u>	<u>189,836</u>

(5) 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 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2008 was \$10,644, equal to the required contribution for the year.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2008, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 10,300
Sick leave	<u>14,600</u>
Total	<u>\$ 24,900</u>

This liability has been computed based on rates of pay in effect at June 30, 2008.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 41,292
Debt Service	Special Revenue: Local Option Sales Tax	30,000
	Enterprise: Water	1,075
Enterprise: Sewer	General	3,200
Total		<u>\$ 75,567</u>

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

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$2,399 during the year ended June 30, 2008.

(9) Risk Management

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 563 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 current members' 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's contributions to the Pool for the year ended June 30, 2008 were \$12,877.

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 member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' 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, 2008, settled claims have not exceeded the risk pool or reinsurance 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 casualty 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 casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

(10) Construction Contracts

On April 4, 2007, the City entered into a construction contract totaling \$500,000 for a water well project. At June 30, 2008, \$35,794 had been paid for work completed. The unpaid contract balance totaled \$464,206 and will be paid as work on the project is completed. \$250,000 of the total contract will be funded through a grant from Pottawattamie County.

City of Treynor

Required Supplementary Information

City of Treynor
 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, 2008

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 236,099	-
Other city tax	114,842	-
Licenses and permits	4,152	-
Use of money and property	28,653	12,247
Intergovernmental	120,331	-
Charges for service	690	274,754
Miscellaneous	22,718	3,473
Total receipts	527,485	290,474
Disbursements:		
Public safety	59,344	-
Public works	128,409	-
Culture and recreation	86,217	-
General government	113,721	-
Debt service	63,182	-
Capital projects	109,261	-
Business type activities	-	274,822
Total disbursements	560,134	274,822
Excess (deficiency) of receipts over (under) disbursements	(32,649)	15,652
Other financing sources, net	247,875	2,125
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	215,226	17,777
Balances beginning of year	563,586	397,391
Balances end of year	\$ 778,812	415,168

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
236,099	235,204	235,204	895
114,842	106,582	106,582	8,260
4,152	2,205	2,205	1,947
40,900	5,000	5,000	35,900
120,331	118,000	386,928	(266,597)
275,444	275,530	275,530	(86)
26,191	17,600	23,200	2,991
817,959	760,121	1,034,649	(216,690)
59,344	60,722	60,722	1,378
128,409	180,552	182,826	54,417
86,217	54,276	99,444	13,227
113,721	118,832	129,432	15,711
63,182	63,183	63,183	1
109,261	80,000	637,356	528,095
274,822	257,362	291,532	16,710
834,956	814,927	1,464,495	629,539
(16,997)	(54,806)	(429,846)	412,849
250,000	-	250,000	-
233,003	(54,806)	(179,846)	412,849
960,977	614,628	960,976	1
1,193,980	559,822	781,130	412,850

City of Treynor

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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, two budget amendments increased budgeted disbursements by \$649,568. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted.

Other Supplementary Information

City of Treynor

Statement of Indebtedness

As of and for the year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Water improvement - water treatment	Jun 6, 1997	6.75%	\$ 375,000
Water improvement - drinking water	May 20, 2003	3.00	150,000
Water improvement - well construction	Dec 19, 2007	3.60 - 4.00	250,000
Total			
Revenue notes:			
Water - drinking water	May 20, 2003	3.00%	\$ 150,000
Loan agreement:			
Community Center	Jun 1, 2004	4.50%	\$ 273,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
15,000	-	15,000	-	508
64,000	-	3,000	61,000	1,920
-	250,000	-	250,000	-
\$ 79,000	250,000	18,000	311,000	2,428
<hr/>				
127,000	-	6,000	121,000	3,810
<hr/>				
204,750	-	34,125	170,625	8,470
<hr/>				

City of Treynor

Note Maturities

Year ended June 30, 2008

Year Ending June 30,	General Obligation Notes				
	Water Improvement - Drinking Water		Water Improvement - Well Construction		Total
	Issued May 20, 2003		Issued December 19, 2007		
	Interest Rates	Amount	Interest Rates	Amount	
2009	3.00%	\$ 3,000	3.60%	\$ 20,000	
2010	3.00	3,000	3.65	25,000	28,000
2011	3.00	3,000	3.70	25,000	28,000
2012	3.00	4,000	3.75	25,000	29,000
2013	3.00	4,000	7.80	30,000	34,000
2014	3.00	4,000	3.85	30,000	34,000
2015	3.00	4,000	3.90	30,000	34,000
2016	3.00	4,000	3.95	30,000	34,000
2017	3.00	4,000	4.00	35,000	39,000
2018	3.00	4,000			4,000
2019	3.00	4,000			4,000
2020	3.00	5,000			5,000
2021	3.00	5,000			5,000
2022	3.00	5,000			5,000
2023	3.00	5,000			5,000
Total		<u>\$ 61,000</u>		<u>\$ 250,000</u>	<u>\$311,000</u>

See accompanying independent auditor's report.

Revenue Notes		
Water -		
Drinking Water		
Year	Issued May 20, 2003	
Ending	Interest	
June 30,	Rates	Amount
2009	3.00%	\$ 6,000
2010	3.00	7,000
2011	3.00	7,000
2012	3.00	7,000
2013	3.00	7,000
2014	3.00	8,000
2015	3.00	8,000
2016	3.00	8,000
2017	3.00	8,000
2018	3.00	8,000
2019	3.00	9,000
2020	3.00	9,000
2021	3.00	9,000
2022	3.00	10,000
2023	3.00	10,000
Total		<u>\$121,000</u>

City of Treynor



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

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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 and each major fund of the City of Treynor, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 2, 2009. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we are unable to satisfy ourselves as to the distribution by fund of the total fund balances at July 1, 2007. 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 Treynor'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 Treynor's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Treynor's internal control over financial reporting.

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

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 Treynor'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 Treynor's financial statements that is more than inconsequential will not be prevented or detected by the City of Treynor'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 Treynor'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 item (A) is a material weakness.

Compliance and Other Matters

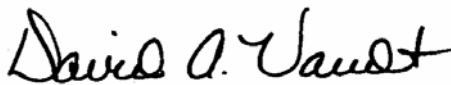
As part of obtaining reasonable assurance about whether the City of Treynor's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 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.

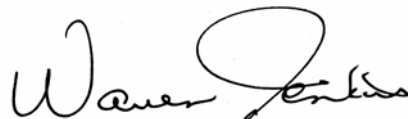
The City of Treynor's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Treynor's responses and, accordingly, we express no opinion on them.

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 Treynor and other parties to whom the City of Treynor 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 Treynor 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

March 2, 2009

City of Treynor
Schedule of Findings
Year ended June 30, 2008

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. The collection, deposit and the posting of receipts to the cash receipts journal are performed by the same person.

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.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- B) Electronic Data Processing Systems – The following weaknesses in the City's computer-based systems were noted:

- 1) The City does not have a written policy requiring passwords to be changed every 60 to 90 days
- 2) The City does not utilize a time out and/or logoff function to protect a terminal if left unattended.
- 3) The City does not have a disaster recovery plan

Recommendation – The City should develop written policies addressing the above items in order to improve the City's control over computer-based systems.

Response – We will draft a written disaster recovery plan and we will begin using a screen saver password set to log-off after 15 minutes of inactivity. We will also consider changing passwords periodically.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Treynor

Schedule of Findings

Year ended June 30, 2008

Other Findings Related to Statutory Reporting:

- (1) Certified Budget – During the year ended June 30, 2008, disbursements did not exceed the amount budgeted for any function.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979, were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Charles Killion, Mayor, Sales Representative for Automated Business Forms	Office supplies	<u>\$ 2,399</u>

In accordance with Chapter 362.5(11) of the Code of Iowa, the transaction with the Mayor does not appear to represent a conflict of interest since the total transactions were less than \$2,500 during the year.

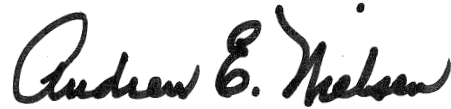
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Notes – No instances of non-compliance with the revenue note resolution were noted.

City of Treynor

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Shannan M. Hoffman, Staff Auditor
Michael T. Stephens, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State