



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 July 30, 2009

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$1,646,429 for the year ended June 30, 2008. The receipts included \$191,787 in property tax, \$331,165 from tax increment financing, \$173,676 from charges for service, \$277,971 from operating grants, contributions and restricted interest, \$613,975 from local option sales tax, \$27,135 from unrestricted interest on investments and \$30,720 from other general receipts.

Disbursements for the year totaled \$1,367,719, and included \$314,155 for debt service, \$218,627 for capital projects and \$172,127 for culture and recreation. Also, disbursements for business type activities totaled \$139,393.

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>.

###

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

JUNE 30, 2008

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-11
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	14-15
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	19
Notes to Financial Statements		20-25
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		28-29
Notes to Required Supplementary Information – Budgetary Reporting		30
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	32-33
Schedule of Indebtedness	2	34-35
Note Maturities	3	36-37
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		39-40
Schedule of Findings		41-44
Staff		45

City of Central City

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2008)		
Don Gray	Mayor	Jan 2008
Bernice Boots	Council Member	Jan 2008
Jay Gallery	Council Member	Jan 2008
Jason Levenhagen	Council Member	Jan 2010
Denise McGovern	Council Member	Jan 2010
Chris Arthur	Council Member	Jan 2010
LaNeil McFadden	City Administrator	Indefinite
William J. Sueppel	Attorney	Indefinite
(After January 2008)		
Don Gray	Mayor	Jan 2012
Chris Arthur	Council Member	(Resigned)
Dave Welter (Appointed)	Council Member	Jan 2010
Jason Levenhagen	Council Member	Jan 2010
Denise McGovern	Council Member	Jan 2010
Carol Peterson	Council Member	Jan 2012
Mike Robinson	Council Member	Jan 2012
LaNeil McFadden	City Administrator	Indefinite
William J. Sueppel	Attorney	Indefinite

City of Central City



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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Central City, 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 Central City'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.

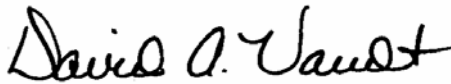
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not 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, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Central City 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 May 19, 2009 on our consideration of the City of Central City'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 11 and 28 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Central City's basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2007, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 19, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Central City 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.

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

2008 FINANCIAL HIGHLIGHTS

- The City's total cash basis net assets increased 26.4%, or approximately \$279,000, from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities increased approximately \$274,000 and the assets of the business type activities increased approximately \$5,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the City sewer system. 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 Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

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

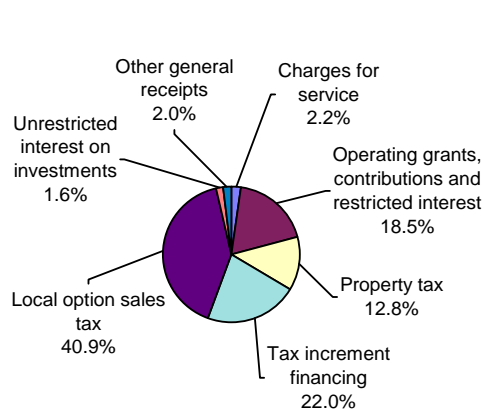
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

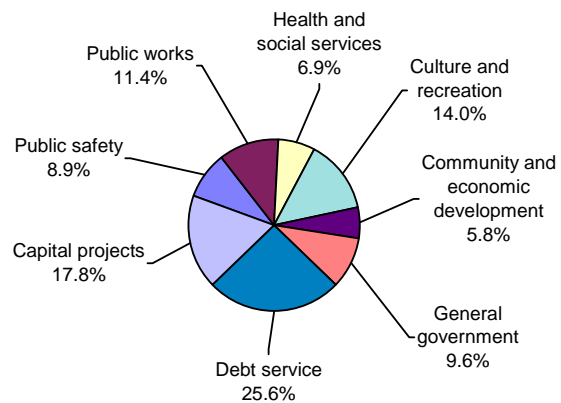
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$947,000 to approximately \$1,221,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2008
Receipts:	
Program receipts:	
Charges for service	\$ 33,257
Operating grants, contributions and restricted interest	277,971
General receipts:	
Property tax	191,787
Tax increment financing	331,165
Local option sales tax	613,975
Unrestricted interest on investments	23,310
Other general receipts	30,720
Total receipts	<u>1,502,185</u>
Disbursements:	
Public safety	109,761
Public works	139,954
Health and social services	84,168
Culture and recreation	172,127
Community and economic development	71,626
General government	117,908
Debt service	314,155
Capital projects	218,627
Total disbursements	<u>1,228,326</u>
Change in cash basis net assets	273,859
Cash basis net assets beginning of year	<u>946,782</u>
Cash basis net assets end of year	<u>\$ 1,220,641</u>

Receipts by Source



Disbursements by Function



<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	\$ 73,512
Sewer	66,907
General receipts:	
Unrestricted interest on investments	3,825
Total receipts	<u>144,244</u>
Disbursements:	
Water	71,615
Sewer	67,778
Total disbursements	<u>139,393</u>
Change in cash basis net assets	4,851
Cash basis net assets beginning of year	<u>108,487</u>
Cash basis net assets end of year	<u>\$ 113,338</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Central City completed the year, its governmental funds reported a combined fund balance of \$1,220,641, an increase of \$273,859 above last year's total of \$946,782. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$76,082 over the prior year to \$498,240. The increase was due to an increase local option sales tax from the prior year. The City intends to use these receipts to help offset future property tax increases.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$172,795 at the end of the fiscal year, an increase of \$35,848 over the previous year. The increase was the result of incremental property tax generated from the increased taxable valuation in the district.
- The Capital Projects Fund cash balance increased \$184,561 from the prior year to \$365,081 at the end of the fiscal year. This increase was due to a transfer of local option sales tax from the General Fund during the year.
- The Debt Service Fund did not report a cash balance for the prior year or the end of the year. Transfers in to the Debt Service Fund equaled the debt payments for the fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$3,084 to \$67,874 during the fiscal year.
- The Sewer Fund cash balance increased \$1,767 to \$45,464 during the fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 14, 2008 and resulted in an increase in disbursements, primarily relating to capital projects.

The City's receipts were \$158,128 more than budgeted. This was primarily due to an increase in local option sales tax receipts.

The actual disbursements for the business type activities, capital projects and culture and recreation functions were \$313,975, \$181,373 and \$63,499, respectively, less than the amended budget. This was primarily due to the City not starting a sewer project and not completing other capital projects.

The City exceeded the amounts budgeted in the public safety and debt service functions for the year ended June 30, 2008 due to unexpected flooding which caused the public safety function to exceed the budget. The debt service overage was simply an error in the amount.

DEBT ADMINISTRATION

At June 30, 2008, the City had \$2,783,536 in notes and other long-term debt outstanding, including \$1,068,879 of development agreements.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and development agreement debt of \$2,018,879, less cash on hand in the Special Revenue, Urban Renewal Tax Increment Fund of \$172,795 at June 30, 2008, equals \$1,846,084, which is below its constitutional debt limit of \$2,646,752.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Central City'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.

These indicators were taken into account when adopting the budget for fiscal year 2009. Amounts available for appropriation in the operating budget are \$1,884,720, a decrease of 3.6% from the final 2008 budget. The City has added no major new programs or initiatives to the 2009 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$80,000 by the close of 2009.

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 LaNeil McFadden, City Administrator, 137 4th Street N, Central City, Iowa 52214

City of Central City

Basic Financial Statements

City of Central City

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2008

		Program Receipts	
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 109,761	1,532	57,207
Public works	139,954	27,302	99,123
Health and social services	84,168	-	101,059
Culture and recreation	172,127	665	20,582
Community and economic development	71,626	-	-
General government	117,908	3,758	-
Debt service	314,155	-	-
Capital projects	218,627	-	-
Total governmental activities	1,228,326	33,257	277,971
Business type activities:			
Water	71,615	73,512	-
Sewer	67,778	66,907	-
Total business type activities	139,393	140,419	-
Total	\$ 1,367,719	173,676	277,971

General Receipts:

- Property and other city tax levied for general purposes
- Tax increment financing
- Local option sales tax
- Unrestricted interest on investments
- Miscellaneous

Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

- Urban renewal purposes
- Capital projects
- Other purposes

Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(51,022)	-	(51,022)
(13,529)	-	(13,529)
16,891	-	16,891
(150,880)	-	(150,880)
(71,626)	-	(71,626)
(114,150)	-	(114,150)
(314,155)	-	(314,155)
(218,627)	-	(218,627)
(917,098)	-	(917,098)
-	1,897	1,897
-	(871)	(871)
-	1,026	1,026
(917,098)	1,026	(916,072)
191,787	-	191,787
331,165	-	331,165
613,975	-	613,975
23,310	3,825	27,135
30,720	-	30,720
1,190,957	3,825	1,194,782
273,859	4,851	278,710
946,782	108,487	1,055,269
\$ 1,220,641	113,338	1,333,979
\$ 172,795	-	172,795
365,081	-	365,081
184,525	-	184,525
498,240	113,338	611,578
\$ 1,220,641	113,338	1,333,979

City of Central City

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	Urban Renewal Tax Increment	Capital Projects
Receipts:			
Property tax	\$ 158,860	-	-
Tax increment financing	-	331,165	-
Local option sales tax	613,975	-	-
Licenses and permits	9,592	-	-
Use of money and property	15,873	3,039	3,188
Intergovernmental	109,265	-	-
Charges for service	27,968	-	-
Miscellaneous	46,388	-	-
Total receipts	981,921	334,204	3,188
Disbursements:			
Operating:			
Public safety	109,761	-	-
Public works	75,849	-	-
Health and social services	65,961	-	-
Culture and recreation	163,547	-	-
Community and economic development	6,000	65,626	-
General government	84,721	-	-
Debt service	-	-	-
Capital projects	-	-	218,627
Total disbursements	505,839	65,626	218,627
Excess (deficiency) of receipts over (under) disbursements	476,082	268,578	(215,439)
Other financing sources (uses):			
Operating transfers in	-	-	400,000
Operating transfers out	(400,000)	(232,730)	-
Total other financing sources (uses)	(400,000)	(232,730)	400,000
Net change in cash balances	76,082	35,848	184,561
Cash balances beginning of year	422,158	136,947	180,520
Cash balances end of year	\$ 498,240	172,795	365,081
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	-
Unreserved, designated for			
Central City Fire Department Volunteers	11,759	-	-
Unreserved, undesignated:			
General fund	486,481	-	-
Special revenue funds	-	172,795	-
Capital projects fund	-	-	365,081
Total cash basis fund balances	\$ 498,240	172,795	365,081

See notes to financial statements.

Debt Service	Nonmajor	Total
-	32,927	191,787
-	-	331,165
-	-	613,975
-	-	9,592
-	3,459	25,559
-	146,391	255,656
-	-	27,968
-	95	46,483
-	182,872	1,502,185
-	-	109,761
-	64,105	139,954
-	18,207	84,168
-	8,580	172,127
-	-	71,626
-	33,187	117,908
271,195	42,960	314,155
-	-	218,627
271,195	167,039	1,228,326
(271,195)	15,833	273,859
271,195	-	671,195
-	(38,465)	(671,195)
271,195	(38,465)	-
-	(22,632)	273,859
-	207,157	946,782
-	184,525	1,220,641
-	42,960	42,960
-	-	11,759
-	-	486,481
-	141,565	314,360
-	-	365,081
-	184,525	1,220,641

City of Central City

City of Central City

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

As of and for the year ended June 30, 2008

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 73,512	66,907	140,419
Operating disbursements:			
Business type activities	71,615	67,778	139,393
Excess (deficiency) of operating receipts over (under) operating disbursements	1,897	(871)	1,026
Non-operating receipts:			
Interest on investments	1,187	2,638	3,825
Excess of receipts over disbursements	3,084	1,767	4,851
Cash balances beginning of year	64,790	43,697	108,487
Cash balances end of year	\$ 67,874	45,464	113,338
Cash Basis Fund Balances			
Unreserved	\$ 67,874	45,464	113,338

See notes to financial statements.

City of Central City

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

The City of Central City is a political subdivision of the State of Iowa located in Linn County. It was first incorporated in 1859 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Central City 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: Linn County Assessor's Conference Board, City Assessor's Conference Board, Linn County Emergency Management Commission, Linn County Landfill Commission and Linn County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

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

The City reports the following major governmental funds:

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

The Special Revenue, Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the payment of debt for urban renewal projects.

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 that are financed through enterprise funds.

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

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public safety and debt service functions.

(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, capital loan notes and revenue bonds are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 195,000	33,673	9,439	33,521	204,439	67,194
2010	170,000	27,554	9,863	33,097	179,863	60,651
2011	140,000	21,888	10,307	32,654	150,307	54,542
2012	145,000	16,964	10,681	32,279	155,681	49,243
2013	145,000	11,635	11,251	31,709	156,251	43,344
2014 - 2018	155,000	6,115	64,218	150,582	219,218	156,697
2019 - 2023	-	-	80,020	134,780	80,020	134,780
2024 - 2028	-	-	99,655	115,145	99,655	115,145
2029 - 2033	-	-	124,270	90,530	124,270	90,530
2034 - 2038	-	-	154,880	59,930	154,880	59,930
2039 - 2043	-	-	190,073	21,786	190,073	21,786
Total	\$ 950,000	117,829	764,657	736,013	1,714,657	853,842

Child Care Facility Revenue Notes

The City has pledged future customer receipts, net of specified operating disbursements, to repay \$790,000 of child care facility revenue notes issued in January 2004. Proceeds from the notes provided financing for the construction and furnishing of a child care facility. The notes are payable solely from customer net receipts and are payable through 2043. The total principal and interest remaining to be paid on the notes is \$1,500,670. For the current year, principal and interest paid and total customer net receipts were \$42,960 and \$29,697, respectively.

Annual principal and interest payments on the revenue notes are expected to require 145 percent of net receipts.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the ABC Childcare facility and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made by ABC Childcare to a revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers shall be made to a reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying, at maturity, principal or interest on the notes when insufficient money shall be available in the sinking account.
- (d) The source of payment is limited to revenues generated by the daycare facility and the notes do not constitute a general obligation of the City and should not be paid in any way from taxation.

- (e) The City is to enter into a Management and Use Payment Agreement with the Central City Community School District to provide for the use, management and operation of the daycare facility by the School. The agreement was signed on January 22, 2004.

(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 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2008 was \$13,666, equal to the required contribution for the year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time 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, sick leave and compensatory time termination payments payable to employees at June 30, 2008, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 9,000
Sick leave	8,500
Compensatory time	<u>3,700</u>
Total	<u>\$ 21,200</u>

These liabilities have been computed based on rates of pay in effect at June 30, 2008

(6) Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Special Revenue:	
	Road Use Tax	\$ 38,465
	Urban Renewal Tax Increment	<u>232,730</u>
		271,195
Capital Projects	General	<u>400,000</u>
Total		<u>\$ 671,195</u>

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

(7) Development Agreements

The City has entered into three development agreements to assist urban renewal projects.

The City agreed to rebate 65.71% of the incremental tax paid by developers in exchange for installation of certain improvements, including sanitary sewers and water mains, and improvements related to housing and residential development made by the developers. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developers will be rebated for a period of ten years, beginning December 1, 1999. The total to be paid by the City under these agreements is not to exceed \$2,150,000. One of the three developers irrevocably assigned any and all rights, title and interest to the proceeds of the development agreement to the parties which provided goods and services to the project listed in the assignment.

During the year ended June 30, 2008, the City rebated \$65,626 of incremental tax under these agreements and assignment. The maximum remaining balance for these agreements and the assignment at June 30, 2008 was \$1,068,879.

(8) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Construction Contracts

The City entered into two construction contracts during the year ended June 30, 2008.

The City entered into a contract totaling \$135,399 for the Splash Pad. The City made payments totaling \$81,780 during the year. The balance remaining on the contract at June 30, 2008 totaled \$53,619.

The City entered into a contract totaling \$220,254 for the Recreational Trail. The City made payments totaling \$82,615 during the year. The balance remaining on the contract at June 30, 2008 totaled \$137,639.

(10) Contracts With Heritage Area Agency on Aging

The City is a subcontractor to the Heritage Agency on Aging of Kirkwood Community College. The City agrees to provide nutrition service at the facility located in Central City. The contractor reimbursed the City \$48,863 for actual expenses incurred under the terms of the contracts for the year ended June 30, 2008.

(11) Subsequent Event

On May 13, 2009 the City approved a loan agreement, not to exceed \$1,200,000, for a street project.

City of Central City

Required Supplementary Information

City of Central City
 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	\$ 191,787	-
Tax increment financing	331,165	-
Local option sales tax	613,975	-
Licenses and permits	9,592	-
Use of money and property	25,559	3,825
Intergovernmental	255,656	-
Charges for service	27,968	140,419
Miscellaneous	46,483	-
Total receipts	1,502,185	144,244
Disbursements:		
Public safety	109,761	-
Public works	139,954	-
Health and social services	84,168	-
Culture and recreation	172,127	-
Community and economic development	71,626	-
General government	117,908	-
Debt service	314,155	-
Capital projects	218,627	-
Business type activities	-	139,393
Total disbursements	1,228,326	139,393
Excess (deficiency) of receipts over (under) disbursements	273,859	4,851
Other financing sources, net	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	273,859	4,851
Balances beginning of year	946,782	108,487
Balances end of year	\$ 1,220,641	113,338

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
191,787	184,181	184,171	7,616
331,165	323,000	323,000	8,165
613,975	128,066	578,066	35,909
9,592	5,850	5,850	3,742
29,384	18,100	18,100	11,284
255,656	219,914	226,314	29,342
168,387	148,800	148,800	19,587
46,483	-	4,000	42,483
<u>1,646,429</u>	<u>1,027,911</u>	<u>1,488,301</u>	<u>158,128</u>
109,761	54,056	54,056	(55,705)
139,954	176,059	176,059	36,105
84,168	65,788	92,188	8,020
172,127	220,126	235,626	63,499
71,626	106,250	106,250	34,624
117,908	128,950	128,950	11,042
314,155	305,212	305,212	(8,943)
218,627	250,000	400,000	181,373
139,393	453,368	453,368	313,975
<u>1,367,719</u>	<u>1,759,809</u>	<u>1,951,709</u>	<u>583,990</u>
278,710	(731,898)	(463,408)	742,118
-	300,000	300,000	(300,000)
278,710	(431,898)	(163,408)	442,118
<u>1,055,269</u>	<u>923,241</u>	<u>1,045,602</u>	<u>9,667</u>
<u>1,333,979</u>	<u>491,343</u>	<u>882,194</u>	<u>451,785</u>

City of Central City

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, one budget amendment increased budgeted disbursements by \$191,900. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public safety and debt service functions.

Other Supplementary Information

City of Central City

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

As of and for the year ended June 30, 2008

	Road Use Tax	Employee Benefits	Special Building Trust
Receipts:			
Property tax	\$ -	32,927	-
Use of money and property	-	-	2,000
Intergovernmental	99,123	-	-
Miscellaneous	-	-	-
Total receipts	<u>99,123</u>	<u>32,927</u>	<u>2,000</u>
Disbursements:			
Operating:			
Public works	64,105	-	-
Health and social services	-	-	-
Culture and recreation	-	-	4,936
General government	-	33,187	-
Debt service	-	-	-
Total disbursements	<u>64,105</u>	<u>33,187</u>	<u>4,936</u>
Excess (deficiency) of receipts over (under) disbursements	35,018	(260)	(2,936)
Other financing uses:			
Operating transfers out	(38,465)	-	-
Net change in cash balances	(3,447)	(260)	(2,936)
Cash balances beginning of year	18,847	260	96,213
Cash balances end of year	<u>\$ 15,400</u>	<u>-</u>	<u>93,277</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	-
Unreserved:			
Special revenue funds	15,400	-	93,277
Total cash basis fund balances	<u>\$ 15,400</u>	<u>-</u>	<u>93,277</u>

See accompanying independent auditor's report.

Revenue		
Library Trust	ABC Daycare	Total
-	-	32,927
823	636	3,459
-	47,268	146,391
95	-	95
918	47,904	182,872
-	-	64,105
-	18,207	18,207
3,644	-	8,580
-	-	33,187
-	42,960	42,960
3,644	61,167	167,039
(2,726)	(13,263)	15,833
-	-	(38,465)
(2,726)	(13,263)	(22,632)
26,114	65,723	207,157
23,388	52,460	184,525
-	42,960	42,960
23,388	9,500	141,565
23,388	52,460	184,525

City of Central City
 Schedule of Indebtedness
 Year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Street improvement	Nov 1, 2003	1.75-3.75%	\$ 950,000
Corporate purpose and refunding	Jul 1, 2004	2.00-4.30	745,000
Street equipment	Jun 1, 2005	2.95-3.40	170,000
Total			
Revenue notes:			
Childcare center	Jan 22, 2004	4.50%	\$ 500,000
Childcare center	Jan 22, 2004	4.25	290,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
640,000	-	85,000	555,000	20,582
435,000	-	110,000	325,000	16,348
105,000	-	35,000	70,000	3,465
<u>\$ 1,180,000</u>	<u>-</u>	<u>230,000</u>	<u>950,000</u>	<u>40,395</u>
489,826	-	5,551	484,275	21,989
283,774	-	3,392	280,382	12,028
<u>\$ 773,600</u>	<u>-</u>	<u>8,943</u>	<u>764,657</u>	<u>34,017</u>

City of Central City

Note Maturities

June 30, 2008

Year Ending June 30,	General Obligation Notes						Total
	Street Improvement		Corporate Purpose and Refunding		Street Equipment		
	Issued Nov 1, 2003		Issued Jul 1, 2004		Issued Jun 1, 2005		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2009	2.75%	\$ 85,000	3.50%	\$ 75,000	3.30%	\$ 35,000	195,000
2010	3.10	90,000	3.75	45,000	3.40	35,000	170,000
2011	3.25	90,000	4.00	50,000	-	-	140,000
2012	3.45	95,000	4.10	50,000	-	-	145,000
2013	3.60	95,000	4.20	50,000	-	-	145,000
2014	3.75	100,000	4.30	55,000	-	-	155,000
2015		-		-		-	-
2016		-		-		-	-
2017		-		-		-	-
2018		-		-		-	-
2019		-		-		-	-
2020		-		-		-	-
2021		-		-		-	-
2022		-		-		-	-
2023		-		-		-	-
2024		-		-		-	-
2025		-		-		-	-
2026		-		-		-	-
2027		-		-		-	-
2028		-		-		-	-
2029		-		-		-	-
2030		-		-		-	-
2031		-		-		-	-
2032		-		-		-	-
2033		-		-		-	-
2034		-		-		-	-
2035		-		-		-	-
2036		-		-		-	-
2037		-		-		-	-
2038		-		-		-	-
2039		-		-		-	-
2040		-		-		-	-
2041		-		-		-	-
2042		-		-		-	-
2043		-		-		-	-
		<u>\$ 555,000</u>		<u>\$ 325,000</u>		<u>\$ 70,000</u>	<u>\$ 950,000</u>

See accompanying independent auditor's report.

Revenue Notes					
Childcare Center Issued Jan 22, 2004			Childcare Center Issued Jan 22, 2004		
Interest			Interest		
Rates	Amount		Rates	Amount	Total
4.50%	\$ 5,867		4.25%	\$ 3,572	9,439
4.50	6,136		4.25	3,727	9,863
4.50	6,418		4.25	3,889	10,307
4.50	6,655		4.25	4,026	10,681
4.50	7,019		4.25	4,232	11,251
4.50	7,341		4.25	4,415	11,756
4.50	7,678		4.25	4,606	12,284
4.50	7,977		4.25	4,777	12,754
4.50	8,398		4.25	5,013	13,411
4.50	8,783		4.25	5,230	14,013
4.50	9,187		4.25	5,457	14,644
4.50	9,559		4.25	5,667	15,226
4.50	10,048		4.25	5,939	15,987
4.50	10,510		4.25	6,196	16,706
4.50	10,992		4.25	6,465	17,457
4.50	11,453		4.25	6,721	18,174
4.50	12,024		4.25	7,036	19,060
4.50	12,576		4.25	7,341	19,917
4.50	13,154		4.25	7,659	20,813
4.50	13,720		4.25	7,971	21,691
4.50	14,388		4.25	8,337	22,725
4.50	15,049		4.25	8,698	23,747
4.50	15,741		4.25	9,075	24,816
4.50	16,433		4.25	9,452	25,885
4.50	17,219		4.25	9,878	27,097
4.50	18,010		4.25	10,306	28,316
4.50	18,837		4.25	10,753	29,590
4.50	19,681		4.25	11,207	30,888
4.50	20,607		4.25	11,705	32,312
4.50	21,553		4.25	12,221	33,774
4.50	22,543		4.25	12,741	35,284
4.50	23,569		4.25	13,288	36,857
4.50	24,662		4.25	13,869	38,531
4.50	25,795		4.25	14,470	40,265
4.50	24,693		4.25	14,443	39,136
	<u>\$ 484,275</u>			<u>\$ 280,382</u>	<u>\$ 764,657</u>

City of Central City



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, each major fund and the aggregate remaining fund information of the City of Central City, 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 May 19, 2009. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 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 Central City'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 Central City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Central City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies, including 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 Central 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 a misstatement of the City of Central City's financial statements that is more than inconsequential will not be prevented or detected by the City of Central City'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 Central City'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

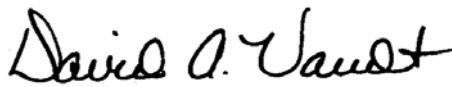
As part of obtaining reasonable assurance about whether the City of Central City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

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

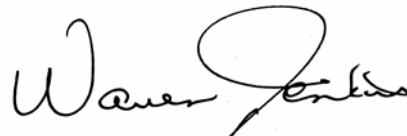
The City of Central City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Central City's responses and, accordingly, we express no opinion on them.

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 Central City and other parties to whom the City of Central City 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 Central City 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

May 19, 2009

City of Central City
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. For the City, one of two individuals has control over each of the following areas:

- (1) Receipts - collecting, depositing, journalizing, posting and reconciling.
- (2) Disbursements - check writing, signing and reconciling.
- (3) Utilities - billing, collecting and posting.
- (4) Payroll - preparation and distribution.

For the Central City Volunteer Fire Department, one individual has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements - preparing, recording and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City and the Volunteer Fire Department should review their control procedures to obtain the maximum internal control possible under the circumstances.

Response –

City and Central City Volunteer Fire Department:

We will review our internal controls to obtain the maximum internal control possible under the circumstances.

Conclusion – Response accepted.

- (B) Information Systems – The City does not have a written disaster recovery plan for its computer system.

Recommendation – The City should develop a written disaster recovery plan.

Response – We will prepare a written disaster recovery plan.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

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

Part III: Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the public safety and debt services functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The budget for the year ended June 30, 2008 was amended in May 2008 but the unexpected flooding in June of 2008 caused public safety to exceed the budgeted amount. The debt service function overage was simply an error in the amount. The City will amend the budget in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Don Gray, Mayor, part owner of Strategic Print Solutions	Copier maintenance	\$ 345

In accordance with Chapter 362.5(11) of the Code of Iowa, the above transactions with Don Gray do not appear to represent a conflict of interest since the cumulative amount was less than \$2,500 during the year.

- (5) Bond Coverage – Surety bond coverage of City officials was not maintained for the year ended June 30, 2008. Chapter 64 of the Code of Iowa states all public officers, except as specifically provided, shall give bond.

Recommendation – The City should comply with the provisions contained in Chapter 64 of the Code of Iowa and periodically review its coverage for adequacy.

Response – The City thought provisions contained in Chapter 64 of the Code of Iowa were met through the City’s insurance coverage. The City will comply with those provisions and get surety bond coverage for City officials.

Conclusion – Response accepted.

City of Central City

Schedule of Findings

Year ended June 30, 2008

(6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

(7) Deposits and Investments – The interest rate on two certificates of deposit did not meet the minimum rate of interest set by the State Rate Setting Committee.

Recommendation – The City should seek reimbursement of the additional interest due on these certificates of deposit. Also, the City should ensure investments receive at least the minimum rate of interest set by the State Rate Setting Committee.

Response – The certificates of deposit cited were for the library board and they were unaware of the state rates. The City will check current allowable rates to ensure minimum rates are received.

Conclusion – Response acknowledged. However, the City should seek reimbursement of the additional interest due to the City.

(8) Official Depositories – A resolution naming official depositories has been approved by the City. However, maximum deposit amounts for each bank were not included on the depository resolution.

Recommendation – The City should adopt a new depository resolution which establishes maximum deposit amounts for each bank and ensure the official depositories adequately secure all uninsured deposits as required by Chapter 12C.2 of the Code of Iowa.

Response – The City will adopt a new depository resolution which establishes maximum deposit amounts for each bank and ensure the official depositories adequately secure all uninsured deposits.

Conclusion – Response accepted

(9) Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.

(10) Tax Increment Financing (TIF) – The City has tax increment financing (TIF) debt of \$1,948,879 outstanding at June 30, 2008. The City has cash on hand of \$172,795 at June 30, 2008 in the Special Revenue, Urban Renewal Tax Increment Fund to pay for the TIF debt outstanding.

The City's TIF Indebtedness Certification to the County Auditor dated November 28, 2006 included the original principal amount for general obligation notes dated July 1, 2004 of \$745,000 and November 1, 2003 of \$950,000, which should have been \$435,000 and \$640,000, respectively, and did not include any interest of \$341,348 and \$575,582, respectively. Also, the TIF Indebtedness Certification includes the original principal amount for the TIF development agreements.

City of Central City

Schedule of Findings

Year ended June 30, 2008

Recommendation – The City should complete Form 3 on the TIF Indebtedness Certification to the County Auditor to reduce the TIF indebtedness outstanding for the cash on hand at June 30, 2008 in the Special Revenue, Urban Renewal Tax Increment Fund.

The TIF Indebtedness Certification to the County Auditor dated November 28, 2006 should only include the unpaid principal as of November 28, 2006 and unpaid interest as required by the instructions. The City should complete Form 3 on the TIF Indebtedness Certification to the County Auditor to reduce the TIF indebtedness outstanding.

The City should consult bond counsel to determine the disposition of these issues.

Response – The City has consulted with bond counsel regarding the cash on hand in the TIF fund. Also, we will consult our bond counsel and adjust the TIF indebtedness certificate as needed.

Conclusion – Response accepted.

- (11) Separately Maintained Records – The City maintains separate bank accounts for the Central City Fire Department Volunteers. The financial transactions and the resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget or monthly financial reports. However, those financial transactions and the resulting balances are included in these financial statements.

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

Response – We are looking into forming our own nonprofit organization. If this is not done, we will comply.

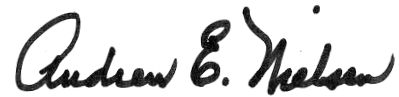
Conclusion – Response accepted.

City of Central City

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Billie Jo Heth, Senior Auditor II
Jacqui Gulick, 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