

CITY OF ADEL

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

JUNE 30, 2009

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City of Adel

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James F. Peters	Mayor	Jan 2010
Jon McAvoy	Council Member	Jan 2010
Art Kirk	Council Member	Jan 2012
Mike Haynes	Council Member	Jan 2012
Dale Swanson	Council Member	Jan 2010
Don Price	Council Member	Jan 2012
Chad Bird	Administrator	At will
Mary Sue Hibbs	City Clerk	At will
Audra Sorber	Financial Officer	At will
John Reich	Attorney	At will

City of Adel

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

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

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

As described in Note 1, these primary government 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.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units.

In our opinion, the primary government 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 Adel as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

However, the primary government financial statements, because they do not include the financial data of the component unit of the City of Adel do not purport to, and do not, present fairly the results of the cash transactions of the funds of the City of Adel as of and for the year ended June 30, 2009, and its indebtedness at June 30, 2009, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2009 on our consideration of the City of Adel'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 15 and 32 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise the City of Adel's primary government financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the primary government financial statements for the five years ended June 30, 2008 (none of which are presented herein) and expressed unqualified opinions on those primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the primary government financial statements. Such information has been subjected to the auditing procedures applied in our audit of the primary government financial statements and, in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

November 15, 2009
Ames, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS – FY09

The City of Adel provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of financial activities focuses on current year activities and should be read in conjunction with the City's financial statements, which follow.

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 overview of the City's financial activities.

The Government-wide Financial Statements 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 non-major governmental funds.

Basis of Accounting

The City of Adel, along with many Iowa cities, maintains its financial records on the basis of cash receipts and disbursements. The financial statements of the City are prepared on that basis. The cash basis of accounting does not take into consideration 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 (GAAP). Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting. However, because the City of Adel has used the cash basis of accounting for many years, this report does show activities for a full 12 month period and can be easily compared to other 12 month reporting periods.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

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.

It should be noted that when major projects take place, financing and expenditures may occur in different fiscal years. For example: the 2006 Street & Utility Project was financed with short-term temporary bonds in FY07 and the majority of those funds were also spent in FY07, thereby inflating some of the cash balances beyond their normal levels. These types of conditions will be addressed when reporting the financial highlights.

The City has two kinds of funds:

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, which includes the Special Street Reserve 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.

Proprietary funds account for the City's Enterprise Funds. These proprietary funds are used to report business type activities. The City maintains separate funds for water, sewer and garbage/recycling, considered to be major proprietary funds of the City.

GOVERNMENT FINANCIAL STATEMENTS

All receipts and disbursements for the City of Adel are categorized as either governmental activities or business-type activities. As a tool in understanding the Statement of Activities, an explanation of government accounting follows:

Governmental Funds - Most of the city's basic services are reported in governmental funds. These are categorized during the budgeting process and subsequently the annual report as general, special revenue, debt service and capital projects. The following funds further detail revenue and expenditures.

Public Safety: includes police operations, fire protection, building inspections and animal control.

Public Works: includes roads, bridges, sidewalks, street cleaning, equipment, street lighting, snow removal, some tree care and traffic control.

Culture and Recreation: includes library services, museum, parks, pool and cemetery.

Community and Economic Development: includes activities in the urban renewal area including the industrial park funded by tax increment financing.

General Government: includes mayor, council, elections, general legal services, city hall, and general liability insurance.

Debt Service: includes bond payments for general obligation and street and storm sewer construction.

Capital Projects: This fund is utilized in two different ways:

1. Expenditures for construction/reconstruction projects that are reimbursed with bond proceeds, tax increment financing or other funds. Some projects are financed as internal debts.
2. Capital Improvements set aside funds for vehicle/equipment replacement, building maintenance, office equipment, playground equipment, as well as water

and sewer improvement funds which can also be classified as internal service funds. These accounts are funded annually through the budgeting process. By setting aside money for future purchases, the taxpayer realizes savings by eliminating bond and interest costs and the city is able to upgrade its equipment and facilities.

Business-type activities: The City charges customers for these services. They are self-sufficient proprietary funds. Expenditures from these funds include operations, transfers and debt payments. Fees for all the enterprise services are combined on monthly billing statements to individual customers.

Water-Revenues to support the operation and maintenance of the City's water plant and distribution system are derived from billings to customers based on individual usage as well as interest on investments and connection fees. Rates charged for services reflect cost of operations and maintenance, debt payments and funding for future improvements.

Sewer-Revenues to support the operation and maintenance of the City's sewer system are derived from billings to customers based on water usage as well as interest and connection fees. Rates charged for services reflect the cost of operations and maintenance, debt payments as well as funding for future improvements.

Garbage/Recycling-The City contracts for collection of residential garbage and recycling service. Recycling contracts for residential customers include curbside recycling for cardboard, paper, plastic, glass, and metal in containers provided by the City. Yard waste collection is also provided by contract. Residential customers are billed based on that contract with the addition of the per capita landfill fee. The City also contracts for commercial collection of cardboard and paper in the business district and bills those customers accordingly. Revenues are used to pay contracts, purchase recycle containers and pay for services provided by city staff.

2009 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased by 4.5%, from fiscal 2008 to fiscal 2009. Urban Renewal Tax Increment funds and general property tax receipts were slightly higher, while state issued Road Use Tax funds were slightly lower than in FY08.

Property tax revenue (including TIF) increased 6% or approximately \$109,550 and the City's valuation increased 11.9%. The City's property tax levy, however, decreased from \$15.81 to \$14.27 per thousand (a 10.9% drop).

- Total Governmental Fund disbursements increased from fiscal year 2008 to 2009 by \$705,807 or 26.9%. The majority of the increase in disbursements in the general fund can be attributed to new equipment in City Hall, parks, and recreation departments.
- The City's total cash basis net assets decreased by \$401,037 over 2008. Governmental activities decreased approximately \$455,313 due to increases in capital projects and recreational activities. The assets of the business type activities increased by approximately \$54,276.

PROPERTY TAX DISTRIBUTION - Another important question asked of City finances is, “What services are provided by property tax dollars?” Property taxes accounted for 68.6% of the funding for governmental activities in FY09 an increase of 1% over the previous year. The following table shows how property taxes are distributed to each fund, the % of your total tax that is allocated to each fund as well as other revenues used to support each fund.

Fund	Property Tax	% of total Property Tax	Other Revenue Source	Total
Public Safety	\$683,167	26.9% ↓	\$97,679	\$780,846
Public Works	\$79,498	3.1% ↑	\$292,493	\$371,991
Culture & Recreation	\$373,837	14.7% ↑	\$149,538	\$523,375
Economic Development	\$136,508	5.4% ↓	\$9,005	\$145,513
General Government	\$241,372	9.5% ↑	\$10,902	\$252,274
Debt Service	\$700,572	27.5% ↓	\$0	\$700,572
Capital Projects	\$328,128	12.9% ↑	\$220,642	\$548,770
Unallocated funds	--	%		--
Total (including TIF)	\$2,543,082	100.0%	\$780,259	\$3,323,341

GOVERNMENT - WIDE FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	Year ended June 30,
	2009
Receipts and transfers:	
Program receipts:	
Charges for service	\$ 320,718
Intergovernmental (Operating grants, contributions, and restricted interest.)	459,541
Capital grants, contributions, and restricted interest	-0-
General receipts:	
Property tax	1,512,564
Tax increment financing	445,748
Other taxes	6,439
Unrestricted grants and contributions	-0-
Note proceeds	-0-
Unrestricted investment earnings and rent	49,501
Other general receipts	16,517
Other financing sources	57,000
Total receipts and transfers	2,868,028
Disbursements:	
Public safety	780,846
Public works	371,991
Health and social services	-0-
Culture and recreation	523,375
Community and economic development	145,513
General government	252,274
Debt service	700,572
Capital projects	548,770
Total disbursements	3,323,341
 Increase in cash basis net assets	 (455,313)
Cash basis net assets beginning of year	638,277
Cash basis net assets end of year	\$ 182,964

Changes in Cash Basis Net Assets of Business Type Activities

	<u>Year ended June 30,</u>
	<u>2009</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	534,086
Sewer	468,089
Garbage/Recycling	208,694
Capital grants, contributions & restricted interest	-
General receipts:	
Unrestricted interest on investments	9,082
Bond proceeds	-
Other general receipts	7,652
Total receipts	1,227,603
Disbursements and transfers:	
Water	490,951
Sewer	430,346
Garbage/Recycling	195,030
Transfers	57,000
Total disbursements and transfers	1,208,327
Increase (decrease) in cash balance	54,276
Cash basis net assets beginning of year	737,041
Cash basis net assets end of year	\$ 791,317

Total business type activities receipts for the fiscal year FY09 were \$1,227,603 compared to \$1,214,768 last year. Total disbursements and transfers for the fiscal year increased by \$71,186 to total of \$1,173,327 mainly due to major communication equipment purchases and miscellaneous equipment.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As The City of Adel completed the year, its governmental funds reported a combined fund balance of \$182,964. This balance then reflects a decrease of \$455,313 from last year's total of \$638,277. The reasons for change in the overall fund balances may be attributed to various minor issues such as equipment purchases, major repairs etc. There have been several minor capital project this past year. The following are other major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$265,185 from the prior year to \$9,436. This decrease in fund balance is due to decreased amounts of revenue (misc.) and an increase in cultural and recreational disbursements.
- The Road Use Tax Fund cash balance decreased by \$31,620 during the fiscal year. The City used this money to undertake various major street projects such as crack sealing on some concrete streets and construction of a salt and sand storage building.
- The Urban Renewal Tax Increment Fund cash balance of \$4,532 decreased from the previous year as this account did not have much special or new activity. This change of \$16,912 is attributed to the normal fluctuations in revenues based on local valuations in the Urban Renewal Area and may also reflect increased operations activity in the fund.

- **The Capital Projects Fund:**

Internal Debt projects (Public Safety Building - \$60,000 and 2006 Street Project - \$30,582) were reduced drastically. These transfers are ongoing and will be made until the internal debt is retired. In future years, funds will be rolled together to retire other internal fund deficits at a faster pace.

Capital Improvements fund balances had decreases due to capital improvements, these capital expenditures off-set normal transfers in to the funds for this fiscal year. Staff and Council have worked to increase some of the funds to plan for larger capital projects. Funds continue to be transferred from Water and Sewer funds for future utility improvements.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$5,993 to \$381,586, due to a more modest scheduled CPI rate increase and a couple of major communication improvement projects scheduled for the year. Substantial transfers were made to the Water Department for future system improvements and debt service.
- The Sewer Fund cash balance increased by \$50,544 to \$319,155 due to a scheduled CPI rate increase and a couple minor projects and repairs. Substantial transfers were made to the Sewer Department for future system improvements and debt service.
- Garbage/Recycling Fund increased by \$9,725 to \$90,576. The city will continue to improve services throughout the community and recently added streamlined curbside recycling.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 12th, 2009 and provided for changes in the revenue and disbursements in various city funds.

DEBT ADMINISTRATION

At June 30, 2009, the City had approximately \$6,484,470 in bonds and other long-term debt, compared to approximately \$7,037,470 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2008	2009
	\$	
General obligation capital loan notes	6,364,000	5,963,000
Tax Increment Financing bonds	-0-	-0-
Revenue bonds and notes	623,470	496,470
Special assessment bonds	50,000	25,000
Bank Notes	-	-
Lease purchase agreement	-	-
Total	<u>\$ 7,037,470</u>	<u>6,484,470</u>

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. This also includes Tax Increment Revenue Bonds. FY09 debt is \$5,963,000. This debt, however, remains below the constitutional debt limit of \$10,453,610. The City of Adel is currently utilizing 61.34% of its debt limit.

TIF REBATES

The City has a 10-year decreasing tax rebate agreement with United Brick and Tile Company for its expansion at the brick plant, which increased their property values by \$1.75 million. The sixth rebate was paid in FY09 in the amount of \$33,428.64 which represented 50% of the increased taxes paid by the company as a result of the expansion. Next year's rebate will be in the amount of \$26,507.73 or 40% of the increased taxes. Rebates will continue to be paid, reducing by 10% each year until 2013.

In 2006 the City of Adel also entered into a second 10-year decreasing tax rebate agreement with United Brick & Tile for continued expansion at the brick plant, which further increased their property values by almost \$800,000. The first rebate under this new agreement was due in FY09 and was for 100%, or will be \$24,181.20. Next year's rebate for 90% will be in the amount of \$30,815.18, a slight increase due to a re-assessment by the Dallas County Assessor's Office.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Adel considered many factors when setting the fiscal year 2009 budget, tax rates, and fees that will be charged for various City activities. Park user fees were continued to fund the playground equipment capital projects.

When adopting the budget for fiscal year 2009, it was recommended that departments submit budget requests essentially the same as the previous year. Because of these efforts of staff and the directive from the City Council, the City of Adel tax levy rate decreased slightly, to \$14.27 from

\$15.81 per thousand of taxable value. Taxable valuations throughout the city increased by \$11.7 million due to new construction and re-assessments by the Dallas County Assessor.

Property valuation serves as the basis for calculating property taxes. Since 1978, residential, commercial, industrial and agricultural classifications have been subject to an assessment limitation order, or rollback, that limits annual growth in property values to 4%. A further restriction is that the growth of residential property cannot exceed that of agricultural property. Residential property for FY09 was taxed at 44.0803% of its value, an increase of 1.4% from FY08.

This puts an additional tax burden on commercial properties, raising economic development issues.

Revenues from road use tax will increase due to the DOT formula of payment for the per capita of the city. Road Use Tax Fund revenues for FY09 were \$85.40 per capita.

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 Chad Bird, City Administrator or Audra Sorber, City Finance Officer, 301 S. 10th Street, P.O. Box 248, Adel, Iowa.



Basic Financial Statements

City of Adel

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2009

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 780,846	97,679	-	-
Public works	371,991	-	292,493	-
Health and social services	-	-	-	-
Culture and recreation	523,375	110,243	39,295	-
Community and economic development	145,513	9,005	-	-
General government	252,274	10,902	-	-
Debt service	700,572	-	-	-
Capital projects	548,770	92,889	127,753	-
Total governmental activities	3,323,341	320,718	459,541	-
Business type activities:				
Water	490,951	534,086	-	-
Sewer	430,346	468,089	-	-
Garbage/Recycling	195,030	208,694	-	-
Total business type activities	1,116,327	1,210,869	-	-
Total	\$ 4,439,668	1,531,587	459,541	-
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Mobile home tax				
Franchise taxes				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investments				
Rent				
Miscellaneous				
Sale of assets				
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				
Urban renewal purposes				
Debt service				
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
(683,167)	-	(683,167)
(79,498)	-	(79,498)
-	-	-
(373,837)	-	(373,837)
(136,508)	-	(136,508)
(241,372)	-	(241,372)
(700,572)	-	(700,572)
(328,128)	-	(328,128)
(2,543,082)	-	(2,543,082)
-	43,135	43,135
-	37,743	37,743
-	13,664	13,664
-	94,542	94,542
(2,543,082)	94,542	(2,448,540)
1,117,603	-	1,117,603
445,748	-	445,748
394,961	-	394,961
2,379	-	2,379
4,060	-	4,060
-	-	-
7,526	9,082	16,608
41,975	-	41,975
16,517	7,652	24,169
-	-	-
57,000	(57,000)	-
2,087,769	(40,266)	2,047,503
(455,313)	54,276	(401,037)
638,277	737,041	1,375,318
\$ 182,964	791,317	974,281
\$ 20,922	-	20,922
(12,380)	-	(12,380)
101,767	657,020	758,787
-	-	-
72,655	134,297	206,952
\$ 182,964	791,317	974,281

City of Adel

**Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2009**

	Special Revenue			
	General	Urban Renewal Tax Increment	Road Use Tax	Employee Benefits
Receipts:				
Property tax	\$ 848,270	-	-	230,175
Tax increment financing collections	-	445,748	-	-
Other city tax	6,439	-	-	-
Licenses and permits	30,964	-	-	-
Use of money and property	47,568	-	-	-
Intergovernmental	39,295	-	292,493	-
Charges for service	147,264	-	-	-
Special assessments	-	-	-	-
Miscellaneous	31,589	-	-	-
Total receipts	<u>1,151,389</u>	<u>445,748</u>	<u>292,493</u>	<u>230,175</u>
Disbursements:				
Operating:				
Public safety	643,994	-	-	128,446
Public works	43,847	-	322,813	5,331
Culture and recreation	446,463	-	-	67,195
Community and economic development	90,630	54,883	-	-
General government	177,776	-	-	65,953
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>1,402,710</u>	<u>54,883</u>	<u>322,813</u>	<u>266,925</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(251,321)</u>	<u>390,865</u>	<u>(30,320)</u>	<u>(36,750)</u>
Other financing sources (uses):				
Note proceeds	-	-	-	-
Sale of fixed assets	-	-	-	-
Operating transfers in	20,000	-	-	-
Operating transfers out	(33,864)	(407,777)	(1,300)	-
Total other financing sources (uses)	<u>(13,864)</u>	<u>(407,777)</u>	<u>(1,300)</u>	<u>-</u>
Net change in cash balances	<u>(265,185)</u>	<u>(16,912)</u>	<u>(31,620)</u>	<u>(36,750)</u>
Cash balances beginning of year	<u>274,621</u>	<u>4,532</u>	<u>52,542</u>	<u>136,034</u>
Cash balances end of year	<u>\$ 9,436</u>	<u>(12,380)</u>	<u>20,922</u>	<u>99,284</u>
Cash Basis Fund Balances				
Reserved:				
Debt service	\$ -	-	-	-
Unreserved:				
General fund	9,436	-	-	-
Special revenue funds	-	(12,380)	20,922	99,284
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Total cash basis fund balances	<u>\$ 9,436</u>	<u>(12,380)</u>	<u>20,922</u>	<u>99,284</u>

See notes to financial statements.

Exhibit B

Debt Service			Capital Projects			Other	Total
General Obligation Bonds	1998 Paving	2002 Street Utility	Industrial Park	Capital Improvement Sewer	Water Upgrade	Nonmajor Governmental Funds	
367,595	-	-	-	-	-	37,588	1,483,628
-	-	-	-	-	-	-	445,748
-	-	-	-	-	-	-	6,439
-	-	-	-	-	-	-	30,964
-	-	-	1,933	-	-	1,570	51,071
-	-	-	-	-	-	127,753	459,541
-	-	-	-	-	-	6,118	153,382
-	10,567	16,799	-	-	-	-	27,366
-	-	-	-	341	-	120,959	152,889
367,595	10,567	16,799	1,933	341	-	293,988	2,811,028
-	-	-	-	-	-	8,406	780,846
-	-	-	-	-	-	-	371,991
-	-	-	-	-	-	9,717	523,375
-	-	-	-	-	-	-	145,513
-	-	-	-	-	-	8,545	252,274
672,597	27,975	-	-	-	-	-	700,572
-	-	-	45,029	46,208	35,198	422,335	548,770
672,597	27,975	-	45,029	46,208	35,198	449,003	3,323,341
(305,002)	(17,408)	16,799	(43,096)	(45,867)	(35,198)	(155,015)	(512,313)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
300,842	-	-	-	20,000	20,000	151,164	512,006
-	-	(12,065)	-	-	-	-	(455,006)
300,842	-	(12,065)	-	20,000	20,000	151,164	57,000
(4,160)	(17,408)	4,734	(43,096)	(25,867)	(15,198)	(3,851)	(455,313)
(31,814)	74,268	76,147	175,929	115,897	70,391	(310,270)	638,277
(35,974)	56,860	80,881	132,833	90,030	55,193	(314,121)	182,964
(35,974)	56,860	80,881	-	-	-	-	101,767
-	-	-	-	-	-	-	9,436
-	-	-	-	-	-	56,167	163,993
-	-	-	-	-	-	-	-
-	-	-	132,833	90,030	55,193	(370,288)	(92,232)
(35,974)	56,860	80,881	132,833	90,030	55,193	(314,121)	182,964

City of Adel

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

As of and for the year ended June 30, 2009

	Enterprise Funds			
	Water	Sewer	Garbage/ Recycling	Total
Operating receipts:				
Charges for service	\$ 534,086	468,089	208,694	1,210,869
Miscellaneous	7,652	-	-	7,652
Total operating receipts	541,738	468,089	208,694	1,218,521
Operating disbursements:				
Business type activities	439,624	332,026	195,030	966,680
Excess (deficiency) of operating receipts over (under) operating disbursements	102,114	136,063	13,664	251,841
Non-operating receipts (disbursements):				
Interest on investments	4,220	3,801	1,061	9,082
Debt service	(51,327)	(98,320)	-	(149,647)
Total non-operating receipts (disbursements)	(47,107)	(94,519)	1,061	(140,565)
Excess (deficiency) of receipts over (under) disbursements	55,007	41,544	14,725	111,276
Other financing sources (uses):				
Operating transfers in	-	40,000	-	40,000
Operating transfers out	(61,000)	(31,000)	(5,000)	(97,000)
Total other financing sources (uses)	(61,000)	9,000	(5,000)	(57,000)
Net change in cash balances	(5,993)	50,544	9,725	54,276
Cash balances beginning of year	387,579	268,611	80,851	737,041
Cash balances end of year	\$ 381,586	319,155	90,576	791,317
Cash Basis Fund Balances				
Reserved for debt service	\$ 279,978	377,042	-	657,020
Unreserved	101,608	(57,887)	90,576	134,297
Total cash basis fund balances	\$ 381,586	319,155	90,576	791,317

See notes to financial statements.

City of Adel

City of Adel

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

The City of Adel is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1848 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/recycling service for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Adel has included all funds, organizations, agencies, boards, commissions and authorities, except for its component unit, the South Dallas County Landfill Agency. 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 primary government 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.

These primary government financial statements present the City of Adel (the primary government) and exclude the component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. It has not been included in these primary government financial statements which present the primary government only. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its administrative office.

Component Unit

The South Dallas County Landfill Agency is a component unit of the City of Adel and is not presented in these primary government financial statements. It is legally separate from the City, but is financially accountable to the City. The Landfill is governed by a one member Board appointed by the City Council and the Landfill's operating budget is subject to the approval of the City Council.

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: Central Iowa Regional Transportation and Planning Alliance (CIRTPA) Board, Adel Enterprises, Adel Partners, Metropolitan Advisory Council and the Greater Dallas County Development Alliance.

B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

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

The Employee Benefits Fund is used to receipt property taxes in and pay the benefits of employees of the General and Road Use Tax Funds.

Debt Service:

The General Obligation Bond Fund is used to account for the payment of interest and principal on the City's general obligation long-term debt.

The 1998 Paving Fund is used to account for special assessments collected in connection with this project.

The 2002 Street Utility Fund is used to account for special assessments collected in connection with this project.

Capital Projects:

The Industrial Park Project is used to account for improvements done for expansion and development of the City's Industrial Park.

The Capital Improvement Sewer Fund is used to account for future capital improvements within the City's sewer system.

The Water Upgrade Fund is used to account for upgrades and improvements to the water utility.

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.

The Garbage/Recycling Fund accounts for the contract hauling of the City's garbage and recyclable items.

C. Measurement Focus and Basis of Accounting

The City of Adel maintains its financial records on the basis of cash receipts and disbursements and the primary government 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 primary government 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, 2009, disbursements exceeded the amounts budgeted in the public safety, public works, community and economic development, capital projects, general government, and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2009, the City had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$426,675 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Credit risk - The City's investment in the Iowa Public Agency Investment Trust is unrated.

(3) **Bonds and Notes Payable**

Year Ending June 30,	General Obligation Notes		Revenue Bonds and Notes		Special Assessment Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	423,000	254,098	127,000	19,393	25,000	1,500	575,000	274,991
2011	440,000	237,917	138,000	14,827	-	-	578,000	252,744
2012	455,000	221,301	58,000	9,650	-	-	513,000	230,951
2013	470,000	203,622	64,000	7,250	-	-	534,000	210,872
2014	485,000	184,863	64,000	4,552	-	-	549,000	189,415
2015-2019	2,435,000	605,262	45,470	3,645	-	-	2,480,470	608,907
2020-2024	1,255,000	159,073	-	-	-	-	1,255,000	159,073
Total	\$ 5,963,000	1,866,136	496,470	59,317	25,000	1,500	6,484,470	1,926,953

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

The resolutions providing for the issuance of the water and sewer revenue bonds and notes include the following provisions:

- a) The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly cash transfers shall first be made to an operation and maintenance fund in an amount equal to current expenses of the month plus an amount equal to one-twelfth of the expenses payable on an annual basis.
- c) Sufficient monthly cash transfers shall be made to separate water and sewer revenue bond sinking accounts for the purpose of making the bond and note principal and interest payments when due.
- d) Additional monthly cash transfers shall be made to separate water and sewer reserve accounts until specific monthly balances have been accumulated.
- e) Additional monthly cash transfers of \$750 shall be made to a water revenue bond improvement account until a minimum of \$45,000 is accumulated. This account is restricted for the purpose of paying the cost of capital improvements and extensions to the municipal waterworks plant and system provided that no deficiency exists in the amounts required to be paid into the water revenue bond sinking account, and to call and redeem such bonds issued hereunder or as may be thereafter issued when subject to redemption prior to maturity.

General Obligation Refunding Capital Loan Notes

On April 15, 2005, the City issued \$1,610,000 of general obligation refunding capital loan notes, with interest rates ranging from 3.10% to 4.15%, for a crossover refunding of \$95,000 in principal on the GO Capital Loan Notes dated March 1, 2000, and \$1,470,000 in principal for the GO Capital Loan Notes dated November 1, 2000. The City entered into an escrow agreement whereby the proceeds from general obligation refunding notes were converted into U.S. Securities. These securities were placed in an escrow account for the purpose of paying \$95,000 in principal and \$1,470,000 in principal on the refunded general obligation capital loan notes on the crossover date of June 1, 2007 and the interest from April 15, 2005 to and including June 1, 2007 on the refunding capital loan notes. After the principal and interest on

all of the outstanding notes have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the City.

Annual debt service requirements to maturity of the general obligation refunding capital loan notes are as follows:

Year Ending June 30,	General Obligation Capital Refunding Notes	
	Principal	Interest
	<hr/>	
2010	100,000	54,190
2011	145,000	50,790
2012	150,000	45,715
2013	155,000	40,315
2014	160,000	34,580
2015-2018	705,000	73,715
Total	<u>\$1,415,000</u>	<u>\$299,305</u>

During the year ended June 30, 2009, \$100,000 of the general obligation refunding capital loan notes were retired.

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$68,611, \$58,486 and \$51,727, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation 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 termination payments payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 44,525

This liability has been computed based on rates of pay in effect at June 30, 2009.

(6) Settlement Agreement

On September 29, 1998, the Adel City Council approved a settlement agreement regarding the City of Adel's closure/post-closure costs which have been incurred in the past and those that are expected to be incurred in the future, based upon population and use of certain areas of the South Dallas County Landfill. Under the agreement, the City agreed to pay to the landfill the sum of \$39,592 per year for thirty years for future closure/post-closure costs, and \$27,553 per year for five years to reimburse the landfill agency for closure/post-closure costs already incurred. Also included in the settlement agreement is an indemnification provision. The other cities which execute the settlement agreement will have their annual contributions fixed at a "not to exceed" level.

(7) Interfund Transfers

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Urban Renewal Tax Increment	\$ 15,000
	Enterprise:	
	Garbage	5,000
		20,000
Special Revenue:		
Police Academy	General	864
Debt Service:	Special Revenue:	
General Obligation Bonds	Urban Renewal Tax Increment	288,777
General Obligation Bonds	Debt Service:	
	2002 Street Utility	12,065
		300,842
Capital Projects:	Special Revenue:	
Brickyard Road Project	Urban Renewal Tax Increment	4,000
Public Safety Building	Urban Renewal Tax Increment	60,000
Building Maintenance	Road Use Tax	1,300
	Enterprise:	
Vehicle Replacement	Water	40,000
Vehicle Replacement	Sewer	10,000
Building Maintenance	Water	1,000
Building Maintenance	Sewer	1,000
Vehicle Replacement	General	25,000
	Enterprise:	
Water Upgrade	Water	20,000
Capital Improvement Sewer	Sewer	20,000
Fire Equipment Upgrade	General	4,000
Building Maintenance	General	4,000
		190,300
Enterprise:	Special Revenue:	
Sewer	Urban Renewal Tax Increment	40,000
Total		\$ 552,006

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 a business transaction between the City and City employees of \$2,975. The transaction was for equipment rental.

(9) South Dallas County Landfill Agency

The City of Adel is currently the sole participant in the South Dallas County Landfill Agency. The Agency was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. The Agency is governed by a board composed of an elected representative of the governed body of the participating governmental jurisdiction.

The Agency may not be accumulating sufficient financial resources and the municipalities may be obligated for a proportionate share of the debt, therefore, the City may have an ongoing financial obligation.

Complete financial statements for the Agency can be obtained from the Agency.

(10) 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.

(11) Deficit Fund Balances

The City had the following deficit balances at June 30, 2009:

Debt Service Fund	General Obligation Bonds	\$ 35,974
Special Revenue Funds	Urban Renewal Tax Increment	12,380
	Short Term Projects	1,592
	Island Park Improvements	883
	Fire	477
Capital Projects Funds	Sidewalk Project	14,199
	Public Safety Building	192,142
	2006 Street Improvements	163,699
	Brickyard Road	1,000
	Demolition	56,062

Required Supplementary Information

City of Adel
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property tax	\$ 1,483,628	-	1,483,628	1,411,376	1,418,382	65,246
Tax increment financing collections	445,748	-	445,748	469,645	469,645	(23,897)
Other city tax	6,439	-	6,439	44,697	44,697	(38,258)
Licenses and permits	30,964	-	30,964	57,625	57,625	(26,661)
Use of money and property	49,501	9,082	58,583	85,600	213,353	(154,770)
Intergovernmental	459,541	-	459,541	338,662	345,089	114,452
Charges for service	153,382	1,210,869	1,364,251	1,403,387	1,426,103	(61,852)
Special assessments	28,936	-	28,936	107,500	108,338	(79,402)
Miscellaneous	152,889	7,652	160,541	92,300	115,922	44,619
Total receipts	2,811,028	1,227,603	4,038,631	4,010,792	4,199,154	(160,523)
Disbursements:						
Public safety	780,846	-	780,846	764,308	778,655	(2,191)
Public works	371,991	-	371,991	306,909	342,149	(29,842)
Culture and recreation	523,375	-	523,375	512,777	527,039	3,664
Community and economic development	145,513	-	145,513	98,518	112,528	(32,985)
General government	252,274	-	252,274	181,439	241,194	(11,080)
Debt service	700,572	-	700,572	700,396	701,871	1,299
Capital projects	548,770	-	548,770	249,000	488,075	(60,695)
Business type activities	-	1,116,327	1,116,327	1,109,648	1,108,205	(8,122)
Total disbursements	3,323,341	1,116,327	4,439,668	3,922,995	4,299,716	(139,952)
Excess (deficiency) of receipts over (under) disbursements	(512,313)	111,276	(401,037)	87,797	(100,562)	(300,475)
Other financing sources, net	57,000	(57,000)	-	-	11,677	(11,677)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(455,313)	54,276	(401,037)	87,797	(88,885)	(312,152)
Balances beginning of year	638,277	737,041	1,375,318	1,226,772	1,226,772	148,546
Balances end of year	\$ 182,964	791,317	974,281	1,314,569	1,137,887	(163,606)

See accompanying independent auditors' report.

City of Adel

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds and Proprietary 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 receipts and disbursements by \$188,362 and \$376,721, respectively. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the public safety, public works, community and economic development, capital projects, general government and business type functions.

Other Supplementary Information

City of Adel

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

As of and for the year ended June 30, 2009

	Special Revenue							
	Flex Plan	Library Memorial	Island Park Improvements	Fire	Police	Police DARE	Police Academy	Police Equipment
Receipts:								
Property tax	\$ -	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Other city tax	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Charges for service	-	-	-	-	-	-	-	-
Miscellaneous	8,459	6,266	3,152	25	-	1,026	-	1,173
Total receipts	8,459	6,266	3,152	25	-	1,026	-	1,173
Disbursements:								
Operating:								
Public safety	720	-	-	4,111	-	-	35	3,540
Public works	-	-	-	-	-	-	-	-
Culture and recreation	700	4,802	2,677	-	-	-	-	-
General government	8,545	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Business type	-	-	-	-	-	-	-	-
Total disbursements	9,965	4,802	2,677	4,111	-	-	35	3,540
Excess (deficiency) of receipts over (under) disbursements	(1,506)	1,464	475	(4,086)	-	1,026	(35)	(2,367)
Other financing sources (uses):								
Sale of fixed assets	-	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-	864	-
Operating transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses):	-	-	-	-	-	-	864	-
Net change in cash balances	(1,506)	1,464	475	(4,086)	-	1,026	829	(2,367)
Cash balances beginning of year	12,414	10,016	(1,358)	3,609	10	47	3,836	5,163
Cash balances end of year	\$ 10,908	11,480	(883)	(477)	10	1,073	4,665	2,796
Cash Basis Fund Balances								
Reserved:								
Debt service funds	\$ -	-	-	-	-	-	-	-
Unreserved:								
Special revenue funds	10,908	11,480	(883)	(477)	10	1,073	4,665	2,796
Capital projects funds	-	-	-	-	-	-	-	-
Total cash basis fund balances	\$ 10,908	11,480	(883)	(477)	10	1,073	4,665	2,796

See accompanying independent auditors' report.

Special Revenue					Capital Projects			
Short Term Projects	Park Impact Fees	Emergency Levy	Historical Musuem	Refunds	Pool Improvement	Disc Golf	Brickyard Road	Sidewalk Project
-	-	7,006	-	-	-	-	-	-
-	-	-	-	-	-	-	-	1,570
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	2,548	-	-	-
17,174	640	20	1,788	5,812	-	-	-	-
17,174	640	7,026	1,788	5,812	2,548	-	-	1,570
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	1,538	-	-	-	-	-
-	-	-	-	-	-	-	-	-
11,563	-	-	-	-	-	-	5,000	15,419
11,563	-	-	1,538	-	-	-	5,000	15,419
5,611	640	7,026	250	5,812	2,548	-	(5,000)	(13,849)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	4,000	-
-	-	-	-	-	-	-	4,000	-
5,611	640	7,026	250	5,812	2,548	-	(1,000)	(13,849)
(7,203)	-	(1,106)	1,097	14,468	5,501	324	-	(350)
(1,592)	640	5,920	1,347	20,280	8,049	324	(1,000)	(14,199)
-	-	-	-	-	-	-	-	-
(1,592)	640	5,920	1,347	20,280	-	-	-	-
-	-	-	-	-	8,049	324	(1,000)	(14,199)
(1,592)	640	5,920	1,347	20,280	8,049	324	(1,000)	(14,199)

City of Adel

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

As of and for the year ended June 30, 2009

	Capital			
	Public Safety Building	Sewer Refund Project	Fire Equipment Upgrade	Capital Improvement Park
Receipts:				
Property tax	\$ -	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Other city tax	-	-	-	-
Special assessments	-	-	-	-
Charges for service	-	-	-	3,570
Miscellaneous	-	-	-	-
Total receipts	-	-	-	3,570
Disbursements:				
Operating:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
General government	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Business type	-	-	-	-
Total disbursements	-	-	-	-
Excess (deficiency) of receipts over (under) disbursements	-	-	-	3,570
Other financing sources (uses):				
Sale of fixed assets	-	-	-	-
Operating transfers in	60,000	-	4,000	-
Operating transfers out	-	-	-	-
Total other financing sources (uses):	60,000	-	4,000	-
Net change in cash balances	60,000	-	4,000	3,570
Cash balances beginning of year	(252,142)	678	6,500	(2,670)
Cash balances end of year	\$ (192,142)	678	10,500	900
Cash Basis Fund Balances				
Reserved:				
Debt service funds	\$ -	-	-	-
Unreserved:				
Special revenue funds	-	-	-	-
Capital projects funds	(192,142)	678	10,500	900
Total cash basis fund balances	\$ (192,142)	678	10,500	900

See accompanying independent auditors' report.

Projects								
Ball Diamond	2008 Flood Repair	Office Replacement	2006 Street Improvements	Building Maintenance	Subdrain/ Asphalt	Demoliton	Vehicle Replacement	Total
-	-	-	30,582	-	-	-	-	37,588
-	-	-	-	-	-	-	-	1,570
-	127,753	-	-	-	-	-	-	127,753
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	6,118
-	-	-	-	-	50	-	75,374	120,959
-	127,753	-	30,582	-	50	-	75,374	293,988
-	-	-	-	-	-	-	-	8,406
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	9,717
-	-	-	-	-	-	-	-	8,545
-	-	-	-	-	-	-	-	-
-	106,755	1,681	-	-	-	56,062	225,855	422,335
-	-	-	-	-	-	-	-	-
-	106,755	1,681	-	-	-	56,062	225,855	449,003
-	20,998	(1,681)	30,582	-	50	(56,062)	(150,481)	(155,015)
-	-	-	-	-	-	-	-	-
-	-	-	-	7,300	-	-	75,000	151,164
-	-	-	-	-	-	-	-	-
-	-	-	-	7,300	-	-	75,000	151,164
-	20,998	(1,681)	30,582	7,300	50	(56,062)	(75,481)	(3,851)
322	(19,284)	1,681	(194,281)	22,742	-	-	79,716	(310,270)
322	1,714	-	(163,699)	30,042	50	(56,062)	4,235	(314,121)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	56,167
322	1,714	-	(163,699)	30,042	50	(56,062)	4,235	(370,288)
322	1,714	-	(163,699)	30,042	50	(56,062)	4,235	(314,121)

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Capital loan notes	Jan 14, 2000	4.75-5.35%	\$ 300,000
Capital loan notes	Oct 1, 2002	3.00-5.00%	1,000,000
Capital loan notes	Jun 1, 2004	2.25-5.30%	2,600,000
Capital loan notes	Apr 15, 2005	3.10-4.15%	1,610,000
Capital loan notes	Feb 28, 2007	3.65-4.15%	1,800,000
Total			
Revenue notes:			
Sewer revenue capital loan notes	May 1, 2003	1.50-3.50%	\$ 575,000
1997 State revolving sewer revenue loan	Jun 26, 1997	3.00%	309,000
Water	Jun 15, 2006	3.95-4.40%	310,000
Total			
Special assessment notes:			
Street improvement capital loan notes	Mar 1, 2000	5.20-6.00%	\$ 215,000

See accompanying independent auditors' report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
74,000	-	36,000	38,000	3,959	-
750,000	-	70,000	680,000	34,450	-
2,295,000	-	110,000	2,185,000	105,010	-
1,515,000	-	100,000	1,415,000	57,440	-
1,730,000	-	85,000	1,645,000	68,038	-
\$ 6,364,000	-	401,000	5,963,000	268,897	-
230,000	-	75,000	155,000	7,600	-
123,470	-	12,000	111,470	3,720	-
270,000	-	40,000	230,000	11,327	-
\$ 623,470	-	127,000	496,470	22,647	-
\$ 50,000	-	25,000	25,000	2,975	-

City of Adel
Bond and Note Maturities

June 30, 2009

Year Ending June 30,	General Obligation Notes			
	Capital Loan Notes Issued Jan 14, 2000		Capital Loan Notes Issued Oct 1, 2002	
	Interest Rates	Amount	Interest Rates	Amount
2010	5.35	\$ 38,000	4.20	\$ 75,000
2011		-	4.35	80,000
2012		-	4.50	80,000
2013		-	4.60	85,000
2014		-	4.70	85,000
2015		-	4.80	90,000
2016		-	4.90	90,000
2017		-	5.00	95,000
2018		-		-
2019		-		-
2020		-		-
2021		-		-
2022		-		-
2023		-		-
2024		-		-
Total		<u>\$ 38,000</u>		<u>\$ 680,000</u>

Year Ending June 30,	Revenue Bonds and Notes						
	Sewer Revenue						
	Water Issued Jun 15, 2006		Capital Loan Notes Issued May 1, 2003		State Revolving Loan Issued Jun 26, 1997		Total
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2010	4.05	\$ 40,000	3.30	\$ 75,000	3.92	\$ 12,000	\$ 127,000
2011	4.15	45,000	3.50	80,000	3.92	13,000	138,000
2012	4.20	45,000		-	3.92	13,000	58,000
2013	4.30	50,000		-	3.92	14,000	64,000
2014	4.40	50,000		-	3.92	14,000	64,000
2015		-		-	3.92	15,000	15,000
2016		-		-	3.92	15,000	15,000
2017		-		-	3.92	15,470	15,470
Total		<u>\$ 230,000</u>		<u>\$ 155,000</u>		<u>\$ 111,470</u>	<u>\$ 496,470</u>

See accompanying independent auditors' report.

Capital Loan Notes Issued Jun 1, 2004		Capital Loan Notes Issued Apr 15, 2005		Capital Loan Notes Issued Feb 28, 2007		Total
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
3.55	\$ 115,000	3.40	\$ 100,000	3.70	\$ 95,000	\$ 423,000
3.75	120,000	3.50	145,000	3.75	95,000	440,000
3.95	120,000	3.60	150,000	3.75	105,000	455,000
4.10	125,000	3.70	155,000	3.80	105,000	470,000
4.25	130,000	3.80	160,000	3.85	110,000	485,000
4.40	135,000	3.90	165,000	3.85	110,000	500,000
4.55	140,000	4.00	170,000	3.90	120,000	520,000
4.65	150,000	4.10	180,000	3.95	120,000	545,000
4.75	160,000	4.15	190,000	4.00	155,000	505,000
4.85	165,000		-	4.05	200,000	365,000
4.95	150,000		-	4.10	210,000	360,000
5.05	160,000		-	4.15	220,000	380,000
5.15	165,000		-		-	165,000
5.25	175,000		-		-	175,000
5.30	175,000		-		-	175,000
	<u>\$ 2,185,000</u>		<u>\$ 1,415,000</u>		<u>\$ 1,645,000</u>	<u>\$5,963,000</u>

Year Ending June 30,	Special Assessment Notes Street Improvement Capital Loan Notes Issued Mar 1, 2000	
	Interest Rates	Amount
2010	6.00	\$ 25,000
Total		<u>\$ 25,000</u>

City of Adel

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Six Years

	2009	2008	2007	2006	2005	2004
Receipts:						
Property tax	\$ 1,483,628	\$ 1,462,377	\$ 1,306,736	\$ 1,214,167	\$ 1,231,889	\$ 1,209,994
Tax increment financing collections	445,748	357,449	335,343	338,005	334,406	308,734
Other city tax	6,439	6,191	6,355	51,698	9,622	6,174
Licenses and permits	30,964	29,059	57,008	84,249	99,610	29,476
Use of money and property	49,501	122,458	127,168	101,573	58,328	26,892
Intergovernmental	459,541	342,075	326,922	329,448	345,590	341,249
Charges for service	153,382	129,482	129,033	105,163	164,373	119,810
Special assessments	28,936	36,679	206,648	50,291	22,553	47,615
Miscellaneous	152,889	202,769	125,962	432,106	151,494	740,112
Total	\$ 2,811,028	\$ 2,688,539	\$ 2,621,175	\$ 2,706,700	\$ 2,417,865	\$ 2,830,056
Disbursements:						
Operating:						
Public safety	\$ 780,846	\$ 676,871	\$ 613,718	\$ 550,119	\$ 527,147	\$ 602,796
Public works	371,991	318,469	346,757	291,767	338,276	382,280
Culture and recreation	523,375	470,579	408,423	435,096	345,241	359,094
Community and economic development	145,513	129,666	58,476	94,236	56,238	81,218
General government	252,274	184,558	187,673	215,456	255,105	187,818
Debt service	700,572	717,810	3,844,998	821,609	515,837	667,377
Capital projects	548,770	119,581	2,410,874	977,057	2,393,528	1,002,337
Total	\$ 3,323,341	\$ 2,617,534	\$ 7,870,919	\$ 3,385,340	\$ 4,431,372	\$ 3,282,920

See accompanying independent auditors' report.

City of Adel

Independent Auditors' Report
on Internal Control over Financial Reporting and on Compliance
and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with 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 Adel, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 15, 2009. Our report expressed unqualified opinions on the primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Adel'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 Adel's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Adel'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 we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Adel'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 Adel's financial statements that is more than inconsequential will not be prevented or detected by the City of Adel's internal control. We consider the deficiencies in internal control described in Part II of 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 Adel'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 reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items II-A-09 and II-B-09 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Adel's primary government 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 Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Adel'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 Adel'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 Adel and other parties to whom the City of Adel 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 Adel 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.

November 15, 2009
Ames, Iowa

City of Adel

Schedule of Findings

Year Ended June 30, 2009

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the primary government financial statements which 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.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including two material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

City of Adel

Schedule of Findings

Year Ended June 30, 2009

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-09 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. We noted that certain functions are not entirely segregated.

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.

II-B-09 Reconciliation of Utility Billings, Collections and Delinquencies - Utility billings, collections and delinquent accounts were not reconciled throughout the year. Also, utility collections were not reconciled to deposits.

Recommendation - Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor the delinquencies.

Response - We will implement the procedures as recommended.

Conclusion - Response accepted.

City of Adel

Schedule of Findings

Year Ended June 30, 2009

Part III: Other Findings Related to Statutory Reporting:

- III-A-09 **Certified Budget** - Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the public safety, public works, community and economic development, capital projects, general government, and business type functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Also, property tax askings shown on the original adopted budget that was published were \$1,411,376. When the budget was amended, the property taxes increased by \$7,006 to a total of \$1,418,382. Property tax askings should not change once the budget has been adopted. It appears this was just a typing error. The City did not actually request additional property tax funds from the County.

Recommendation - Although the budget was amended, it should have been amended in amounts sufficient to prevent the budget from being exceeded. Also, the City should review future budget amendments for typographical errors.

Response - We will do so.

Conclusion - Response accepted.

- III-B-09 **Questionable Disbursements** - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

- III-C-09 **Travel Expense** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- III-D-09 **Business Transactions** - We noted a business transaction between the City and a City employee totaling \$2,975. The transaction was for equipment rental from Cooks Construction which is owned by Jeff Cook, a City employee.

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with the employee appears to represent a conflict of interest since the transaction exceeded \$2,500.

Recommendation - The City should consult with legal counsel to determine the disposition of this matter.

Response - We will do so.

Conclusion - Response accepted.

III-E-09 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

III-F-09 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-09 Financial Condition - The City had the following deficit balances at June 30, 2009:

Special Revenue Fund - Urban Renewal Tax Increment	\$12,380
Island Park Improvements	883
Fire	477
Short term projects	1,592
Debt Service - General Obligation Bonds	35,974
Capital Project - Sidewalk Project	14,199
Brickyard Road	1,000
2006 Street Improvement	163,699
Public Safety Building	192,142
Demolition	56,062

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

Response - The deficits will be eliminated upon receipt of funds in the next fiscal year.

Conclusion - Response accepted.

III-H-09 Deposits and Investments - No instances of non-compliance with the City's investment policy were noted.

III-I-09 Revenue Bonds and Notes - The City has accumulated excess funds in both the water and sewer sinking accounts. The water revenue debt resolution states that the amount of carryover in the fund should not exceed the greater of one years earnings on the fund or 1/12 of the annual debt service amount. The sewer debt resolution states that excess money should be withdrawn and placed into the sewer revenue fund.

Recommendation - The City should comply with the requirements of the debt resolutions.

Response - We will do so.

Conclusion - Response accepted.

III-J-09

Cash - The City is has two outstanding checks that are over one year old. In accordance with Chapter 556.11 of the Code of Iowa, they should be reported to the State Treasurer's office.

Recommendation - The City should comply with Chapter 556.11 of the Code of Iowa.

Response - We will do so.

Conclusion - Response accepted.