

CITY OF ADEL

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

JUNE 30, 2010

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City of Adel

Officials

Before January 2010

<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

After January 2010

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James F. Peters	Mayor	Jan 2012
Jon McAvoy	Council Member	Jan 2012
Art Kirk	Council Member	Jan 2012
Mike Haynes	Council Member	Jan 2012
Dale Swanson	Council Member	Jan 2014
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, 2010, 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, 2010, 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, 2010, and its indebtedness at June 30, 2010, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 23, 2011 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.

The City has not presented Management's Discussion and Analysis which introduces the primary government financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the primary government financial statements.

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 six years ended June 30, 2009 (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.

Cline DeVries & Allen, LLP
May 23, 2011
Ames, Iowa

Basic Financial Statements

City of Adel

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2010

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 775,402	84,439	62,308	-
Public works	345,804	14,855	313,398	-
Health and social services	-	-	-	-
Culture and recreation	531,748	178,591	-	-
Community and economic development	120,609	-	-	-
General government	230,178	6,971	3,358	-
Debt service	705,798	-	-	-
Capital projects	604,318	-	22,293	-
Total governmental activities	3,313,857	284,856	401,357	-
Business type activities:				
Water	460,983	526,116	-	-
Sewer	373,188	458,922	-	-
Storm Water	-	25,335	-	-
Garbage/Recycling	195,903	214,653	-	-
Total business type activities	1,030,074	1,225,026	-	-
Total	\$ 4,343,931	1,509,882	401,357	-
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				
Bond proceeds, net				
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
(628,655)	-	(628,655)
(17,551)	-	(17,551)
-	-	-
(353,157)	-	(353,157)
(120,609)	-	(120,609)
(219,849)	-	(219,849)
(705,798)	-	(705,798)
(582,025)	-	(582,025)
(2,627,644)	-	(2,627,644)
-	65,133	65,133
-	85,734	85,734
-	25,335	25,335
-	18,750	18,750
-	194,952	194,952
(2,627,644)	194,952	(2,432,692)
1,168,650	-	1,168,650
473,457	-	473,457
379,481	-	379,481
2,578	-	2,578
2,723	-	2,723
-	-	-
3,016	301	3,317
45,235	-	45,235
21,609	7,000	28,609
272	-	272
2,534,588	-	2,534,588
77,000	(77,000)	-
4,708,609	(69,699)	4,638,910
2,080,965	125,253	2,206,218
182,964	791,317	974,281
\$ 2,263,929	916,570	3,180,499
S	(649)	(649)
S	(4,416)	(4,416)
S	64,227	575,828
S	-	46,246
2,204,767	358,723	2,563,490
\$ 2,263,929	916,570	3,180,499

City of Adel

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

As of and for the year ended June 30, 2010

	Special Revenue		
	General	Urban Renewal Tax Increment	Road Use Tax
Receipts:			
Property tax	\$ 887,133	-	-
Tax increment financing collections	-	473,457	-
Other city tax	5,301	-	-
Licenses and permits	20,082	-	-
Use of money and property	48,208	-	-
Intergovernmental	89,511	-	313,398
Charges for service	125,736	-	-
Special assessments	-	-	-
Miscellaneous	36,596	-	-
Total receipts	1,212,567	473,457	313,398
Disbursements:			
Operating:			
Public safety	570,241	-	-
Public works	42,835	-	302,969
Culture and recreation	445,616	-	-
Community and economic development	53,893	66,716	-
General government	171,333	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,283,918	66,716	302,969
Excess (deficiency) of receipts over (under) disbursements	(71,351)	406,741	10,429
Other financing sources (uses):			
Bond proceeds	-	-	-
Sale of fixed assets	272	-	-
Operating transfers in	15,000	-	-
Operating transfers out	(29,000)	(398,777)	(32,000)
Total other financing sources (uses)	(13,728)	(398,777)	(32,000)
Net change in cash balances	(85,079)	7,964	(21,571)
Cash balances beginning of year	9,436	(12,380)	20,922
Cash balances end of year	\$ (75,643)	(4,416)	(649)
Cash Basis Fund Balances			
Reserved:			
Debt service	\$ -	-	-
Unreserved:			
General fund	(75,643)	-	-
Special revenue funds	-	(4,416)	(649)
Debt service funds	-	-	-
Capital projects funds	-	-	-
Total cash basis fund balances	\$ (75,643)	(4,416)	(649)

See notes to financial statements.

Exhibit B

<u>Debt Service</u>	<u>Capital Project</u>	<u>Other</u>	
<u>General</u>	<u>2010</u>	<u>Nonmajor</u>	
<u>Obligation</u>	<u>Street</u>	<u>Governmental</u>	
<u>Bonds</u>	<u>Project</u>	<u>Funds</u>	<u>Total</u>
372,508	-	279,937	1,539,578
-	-	-	473,457
-	-	-	5,301
-	-	-	20,082
-	-	43	48,251
-	-	22,293	425,202
-	-	4,989	130,725
-	-	8,553	8,553
-	-	95,217	131,813
<u>372,508</u>	<u>-</u>	<u>411,032</u>	<u>2,782,962</u>
-	-	205,161	775,402
-	-	-	345,804
-	-	86,132	531,748
-	-	-	120,609
-	-	58,845	230,178
679,298	-	26,500	705,798
-	323,148	281,170	604,318
<u>679,298</u>	<u>323,148</u>	<u>657,808</u>	<u>3,313,857</u>
<u>(306,790)</u>	<u>(323,148)</u>	<u>(246,776)</u>	<u>(530,895)</u>
-	2,534,588	-	2,534,588
-	-	-	272
304,107	-	233,000	552,107
-	-	(15,330)	(475,107)
<u>304,107</u>	<u>2,534,588</u>	<u>217,670</u>	<u>2,611,860</u>
(2,683)	2,211,440	(29,106)	2,080,965
<u>(35,974)</u>	<u>-</u>	<u>200,960</u>	<u>182,964</u>
<u>(38,657)</u>	<u>2,211,440</u>	<u>171,854</u>	<u>2,263,929</u>
(38,657)	-	-	(38,657)
-	-	-	(75,643)
-	-	116,183	111,118
-	-	102,884	102,884
-	2,211,440	(47,213)	2,164,227
<u>(38,657)</u>	<u>2,211,440</u>	<u>171,854</u>	<u>2,263,929</u>

City of Adel

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

As of and for the year ended June 30, 2010

	Enterprise Funds				Total
	Water	Sewer	Storm Water	Garbage/ Recycling	
Operating receipts:					
Charges for service	\$ 526,116	458,922	25,335	214,653	1,225,026
Miscellaneous	7,000	-	-	-	7,000
Total operating receipts	533,116	458,922	25,335	214,653	1,232,026
Operating disbursements:					
Business type activities	411,255	277,497	-	195,903	884,655
Excess (deficiency) of operating receipts over (under) operating disbursements	121,861	181,425	25,335	18,750	347,371
Non-operating receipts (disbursements):					
Interest on investments	126	137	-	38	301
Debt service	(49,728)	(95,691)	-	-	(145,419)
Total non-operating receipts (disbursements)	(49,602)	(95,554)	-	38	(145,118)
Excess (deficiency) of receipts over (under) disbursements	72,259	85,871	25,335	18,788	202,253
Other financing sources (uses):					
Operating transfers in	-	25,000	-	-	25,000
Operating transfers out	(61,000)	(36,000)	-	(5,000)	(102,000)
Total other financing sources (uses)	(61,000)	(11,000)	-	(5,000)	(77,000)
Net change in cash balances	11,259	74,871	25,335	13,788	125,253
Cash balances beginning of year	381,586	319,155	-	90,576	791,317
Cash balances end of year	\$ 392,845	394,026	25,335	104,364	916,570
Cash Basis Fund Balances					
Reserved for debt service/other purposes	\$ 230,250	281,351	-	-	511,601
Unreserved	162,595	112,675	25,335	104,364	404,969
Total cash basis fund balances	\$ 392,845	394,026	25,335	104,364	916,570

See notes to financial statements.

City of Adel

City of Adel

Notes to Financial Statements

June 30, 2010

(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 the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable 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 categories. 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.

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.

Capital Project:

The 2010 Street Project is used to account for improvements done to the City's streets.

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.

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

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, 2010, disbursements exceeded the amounts budgeted in the public safety, culture

and recreation, community and economic development, and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2010 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, 2010, the City had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$362,170 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		Revenue Bonds		Total	
	Notes Principal	Interest	and Notes Principal	Interest	Principal	Interest
2011	2,915,000	262,706	138,000	14,827	3,053,000	277,533
2012	475,000	223,221	58,000	9,650	533,000	232,871
2013	490,000	205,062	64,000	7,250	554,000	212,312
2014	505,000	185,823	64,000	4,552	569,000	190,375
2015	520,000	165,507	15,000	1,803	535,000	167,310
2016-2020	2,295,000	500,441	30,470	1,842	2325470	502283
2021-2024	895,000	98,867	-	-	895,000	98,867
Total	\$ 8,095,000	1,641,627	369,470	39,924	8,464,470	1,681,551

Annual debt service requirements to maturity for general obligation notes and revenue bonds and 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
2011	\$ 145,000	\$ 50,790
2012	150,000	45,715
2013	155,000	40,315
2014	160,000	34,580
2015	165,000	28,500
2016-2018	540,000	45,215
Total	<u>\$1,315,000</u>	<u>\$245,115</u>

During the year ended June 30, 2010, \$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 4.30% of their annual covered salary and the City is required to contribute 6.65% 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, 2010, 2009 and 2008 were \$75,902, \$68,611 and \$58,486, 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, 2010, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 47,505

This liability has been computed based on rates of pay in effect at June 30, 2010.

(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	\$ 10,000
	Enterprise: Garbage	<u>5,000</u>
		<u>15,000</u>
Debt Service: General Obligation Bonds General Obligation Bonds	Special Revenue: Urban Renewal Tax Increment Debt Service: 2002 Street Utility	288,777 <u>15,330</u> <u>304,107</u>
Capital Projects: Vehicle Replacement Public Safety Building Building Maintenance	Special Revenue: Road Use Tax Urban Renewal Tax Increment Road Use Tax	30,000 75,000 2,000
Vehicle Replacement Vehicle Replacement Building Maintenance Building Maintenance Vehicle Replacement	Enterprise: Water Sewer Water Sewer General	35,000 15,000 1,000 1,000 25,000
Water Upgrade Capital Improvement Sewer Fire Equipment Upgrade	Enterprise: Water Sewer General	25,000 20,000 4,000 <u>233,000</u>
Enterprise: Sewer	Special Revenue: Urban Renewal Tax Increment	<u>25,000</u>
Total		<u>\$ 577,107</u>

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

(8) Related Party Transactions

The City did not have any related party transactions with City employees or City officials.

(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, 2010:

General Fund		\$75,643
Debt Service Fund	General Obligation Bonds	38,657
Special Revenue Funds	Urban Renewal Tax Increment	4,416
	Road Use Tax	649
	Fire	477
	Short Term Projects	1,855
Capital Projects Funds	Sidewalk Project	17,188
	Public Safety Building	117,142
	2006 Street Improvements	125,580
	Brickyard Road	1,000
	Demolition	67,004
	Capital Improvement Park	659
	Brownfield Project	7,830
	Evans View Paving	40,667
	Annexation	108,701

(12) Copier Lease

The City leases a copier under a 60 month lease which began July of 2005. The monthly payment including interest is \$108 and the City has the option to buy the copier for \$1 at the end of the lease. Future minimum payments under the lease agreement are as follows:

<u>Fiscal year ended</u>	<u>Payment</u>
June 30, 2010	\$ 648
Less amount representing interest	<u>(36)</u>
Future minimum payments	<u>\$ 612</u>

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, 2010

	Governmental	Proprietary	Net	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Net
	Actual	Actual				Variance
Receipts:						
Property tax	\$ 1,539,578	-	1,539,578	1,458,872	1,458,872	80,706
Tax increment financing collections	473,457	-	473,457	469,777	469,777	3,680
Other city tax	5,301	-	5,301	44,161	44,161	(38,860)
Licenses and permits	20,082	-	20,082	63,275	18,999	1,083
Use of money and property	48,251	301	48,552	70,600	59,335	(10,783)
Intergovernmental	425,202	-	425,202	333,412	457,000	(31,798)
Charges for service	130,725	1,225,026	1,355,751	1,378,490	1,376,504	(20,753)
Special assessments	8,553	-	8,553	95,000	65,003	(56,450)
Miscellaneous	131,813	7,000	138,813	84,550	132,596	6,217
Total receipts	<u>2,782,962</u>	<u>1,232,327</u>	<u>4,015,289</u>	<u>3,998,137</u>	<u>4,082,247</u>	<u>(66,958)</u>
Disbursements:						
Public safety	775,402	-	775,402	787,756	770,411	(4,991)
Public works	345,804	-	345,804	324,001	353,553	7,749
Culture and recreation	531,748	-	531,748	496,186	527,093	(4,655)
Community and economic development	120,609	-	120,609	97,332	110,946	(9,663)
General government	230,178	-	230,178	181,993	258,387	28,209
Debt service	705,798	-	705,798	709,223	709,223	3,425
Capital projects	604,318	-	604,318	105,000	453,445	(150,873)
Business type activities	-	1,030,074	1,030,074	1,111,875	1,030,139	65
Total disbursements	<u>3,313,857</u>	<u>1,030,074</u>	<u>4,343,931</u>	<u>3,813,366</u>	<u>4,213,197</u>	<u>(130,734)</u>
Excess (deficiency) of receipts over (under) disbursements	(530,895)	202,253	(328,642)	184,771	(130,950)	(197,692)
Other financing sources, net	2,611,860	(77,000)	2,534,860	-	-	2,534,860
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,080,965	125,253	2,206,218	184,771	(130,950)	2,337,168
Balances beginning of year	182,964	791,317	974,281	1,290,289	1,290,289	(316,008)
Balances end of year	<u>\$ 2,263,929</u>	<u>916,570</u>	<u>3,180,499</u>	<u>1,475,060</u>	<u>1,159,339</u>	<u>2,021,160</u>

See accompanying independent auditors' report.

City of Adel

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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 \$84,110 and \$399,831, respectively. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development and capital projects 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, 2010

	Special Revenue									
	Flex Plan	Employee Benefits	Library Memorial	Island Park Improvements	Fire	Police	Police DARE	Police Academy	Police Equipment	Short Term Projects
Receipts:										
Property tax	\$ -	241,818	-	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Other city tax	-	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-	-
Charges for service	-	-	-	-	-	-	-	-	-	-
Miscellaneous	12,860	-	7,798	2,556	1	-	500	1,244	38,004	22,54
Total receipts	12,860	241,818	7,798	2,556	1	-	500	1,244	38,004	22,54
Disbursements:										
Operating:										
Public safety	-	161,731	-	-	1	-	-	5,425	38,004	-
Public works	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	75,289	5,843	-	-	-	-	-	-	-
General government	17,018	41,827	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	22,80
Business type	-	-	-	-	-	-	-	-	-	-
Total disbursements	17,018	278,847	5,843	-	1	-	-	5,425	38,004	22,80
Excess (deficiency) of receipts over (under) disbursements	(4,158)	(37,029)	1,955	2,556	-	-	500	(4,181)	-	(26)
Other financing sources (uses):										
Sale of fixed assets	-	-	-	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses):	-	-	-	-	-	-	-	-	-	-
Net change in cash balances	(4,158)	(37,029)	1,955	2,556	-	-	500	(4,181)	-	(26)
Cash balances beginning of year	10,908	99,284	11,480	(883)	(477)	10	1,073	4,665	2,796	(1,59)
Cash balances end of year	\$ 6,750	\$ 62,255	13,435	1,673	(477)	10	1,573	484	2,796	(1,85)
Cash Basis Fund Balances										
Reserved:										
Debt service funds	\$ -	-	-	-	-	-	-	-	-	-
Unreserved:										
Special revenue funds	6,750	62,255	13,435	1,673	(477)	10	1,573	484	2,796	(1,85)
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Total cash basis fund balances	6,750	62,255	13,435	1,673	(477)	10	1,573	484	2,796	(1,85)

See accompanying independent auditors' report.

Special Revenue				Debt Service		Capital Projects		
Park Impact Fees	Emergency Levy	Historical Musuem	Refunds	1998 Paving	2002 Street Utility	Industrial Park	Pool Improvement	Sidewalk Project
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	43	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	6,973	-	-	-	1,580
800	-	5,536	16	-	-	-	2,312	-
<u>800</u>	<u>-</u>	<u>5,536</u>	<u>16</u>	<u>6,973</u>	<u>-</u>	<u>43</u>	<u>2,312</u>	<u>1,580</u>
-	-	-	-	-	-	-	-	-
-	-	5,000	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	26,500	-	-	-	-
-	-	-	-	-	-	35,000	-	4,569
-	-	5,000	-	26,500	-	35,000	-	4,569
<u>800</u>	<u>-</u>	<u>536</u>	<u>16</u>	<u>(19,527)</u>	<u>-</u>	<u>(34,957)</u>	<u>2,312</u>	<u>(2,989)</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	(15,330)	-	-	-
-	-	-	-	-	(15,330)	-	-	-
<u>800</u>	<u>-</u>	<u>536</u>	<u>16</u>	<u>(19,527)</u>	<u>(15,330)</u>	<u>(34,957)</u>	<u>2,312</u>	<u>(2,989)</u>
<u>640</u>	<u>5,920</u>	<u>1,347</u>	<u>20,280</u>	<u>56,860</u>	<u>80,881</u>	<u>132,833</u>	<u>8,049</u>	<u>(14,199)</u>
<u>1,440</u>	<u>5,920</u>	<u>1,883</u>	<u>20,296</u>	<u>37,333</u>	<u>65,551</u>	<u>97,876</u>	<u>10,361</u>	<u>(17,188)</u>
-	-	-	-	37,333	65,551	-	-	-
1,440	5,920	1,883	20,296	-	-	-	-	-
-	-	-	-	-	-	97,876	10,361	(17,188)
<u>1,440</u>	<u>5,920</u>	<u>1,883</u>	<u>20,296</u>	<u>37,333</u>	<u>65,551</u>	<u>97,876</u>	<u>10,361</u>	<u>(17,188)</u>

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, 2010

	Capital Projects								
	Brickyard Road	Subdrain/ Asphalt	2006 Street Improvement	Public Safety Building	Disc Golf	2008 Flood Repair	Sewer Refund Project	Demolition	Fire Equipmen Upgrade
Receipts:									
Property tax	-	-	38,119	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	7,290	-	-	-
Other city tax	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-
Charges for service	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Total receipts	-	-	38,119	-	-	7,290	-	-	-
Disbursements:									
Operating:									
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	6,108	-	10,942	-
Business type	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	6,108	-	10,942	-
Excess (deficiency) of receipts over (under) disbursements	-	-	38,119	-	-	1,182	-	(10,942)	-
Other financing sources (uses):									
Sale of fixed assets	-	-	-	-	-	-	-	-	-
Operating transfers in	-	-	-	75,000	-	-	-	-	4,000
Operating transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses):	-	-	-	75,000	-	-	-	-	4,000
Net change in cash balances	-	-	38,119	75,000	-	1,182	-	(10,942)	4,000
Cash balances beginning of year	(1,000)	50	(163,699)	(192,142)	324	1,714	678	(56,062)	10,500
Cash balances end of year	(1,000)	50	(125,580)	(117,142)	324	2,896	678	(67,004)	14,500
Cash Basis Fund Balances									
Reserved:									
Debt service funds	-	-	-	-	-	-	-	-	-
Unreserved:									
Special revenue funds	-	-	-	-	-	-	-	-	-
Capital projects funds	(1,000)	50	(125,580)	(117,142)	324	2,896	678	(67,004)	14,500
Total cash basis fund balances	(1,000)	50	(125,580)	(117,142)	324	2,896	678	(67,004)	14,500

See accompanying independent auditors' report.

Capital Projects										
Capital Improvement Park	Ball Diamond	Capital Improvement Sewer	Vehicle Replacement	Building Maintenance	I Jobs Roads	Brownfield Project	Evans View Paving	Annexation	Water Upgrade	Total
-	-	-	-	-	-	-	-	-	-	279,937
-	-	-	-	-	-	-	-	-	-	43
-	-	-	-	-	15,003	-	-	-	-	22,293
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	8,553
2,677	-	-	-	-	-	-	-	-	-	4,989
-	-	-	3,358	-	-	-	-	-	-	95,217
2,677	-	-	3,358	-	15,003	-	-	-	-	411,032
-	-	-	-	-	-	-	-	-	-	205,161
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	86,132
-	-	-	-	-	-	-	-	-	-	58,845
-	-	-	-	-	-	-	-	-	-	26,500
4,236	-	7,474	2,650	4,075	-	7,830	40,667	108,701	26,111	281,170
-	-	-	-	-	-	-	-	-	-	-
4,236	-	7,474	2,650	4,075	-	7,830	40,667	108,701	26,111	657,808
(1,559)	-	(7,474)	708	(4,075)	15,003	(7,830)	(40,667)	(108,701)	(26,111)	(246,776)
-	-	-	-	-	-	-	-	-	-	-
-	-	20,000	105,000	4,000	-	-	-	-	25,000	233,000
-	-	-	-	-	-	-	-	-	-	(15,330)
-	-	20,000	105,000	4,000	-	-	-	-	25,000	217,670
(1,559)	-	12,526	105,708	(75)	15,003	(7,830)	(40,667)	(108,701)	(1,111)	(29,106)
900	322	90,030	4,235	30,042	-	-	-	-	55,193	200,960
(659)	322	102,556	109,943	29,967	15,003	(7,830)	(40,667)	(108,701)	54,082	171,854
-	-	-	-	-	-	-	-	-	-	102,884
-	-	-	-	-	-	-	-	-	-	116,183
(659)	322	102,556	109,943	29,967	15,003	(7,830)	(40,667)	(108,701)	54,082	(47,213)
(659)	322	102,556	109,943	29,967	15,003	(7,830)	(40,667)	(108,701)	54,082	171,854

City of Adel
 Schedule of Indebtedness
 Year ended June 30, 2010

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
Capital loan notes	June 29, 2010	2.40%	2,555,000
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
38,000	-	38,000	-	2,033	-
680,000	-	75,000	605,000	31,615	-
2,185,000	-	115,000	2,070,000	101,325	-
1,415,000	-	100,000	1,315,000	54,190	-
1,645,000	-	95,000	1,550,000	64,935	-
-	2,555,000	-	2,555,000	-	-
\$ 5,963,000	2,555,000	423,000	8,095,000	254,098	-
155,000	-	75,000	80,000	5,275	-
111,470	-	12,000	99,470	3,360	-
230,000	-	40,000	190,000	9,728	-
\$ 496,470	-	127,000	369,470	18,363	-
\$ 25,000	-	25,000	-	1,500	-

City of Adel
Bond and Note Maturities
June 30, 2010

Year Ending June 30,	General Obligation Notes			
	Capital Loan Notes		Capital Loan Notes	
	Issued Jun 29, 2010		Issued Oct 1, 2002	
	Interest Rates	Amount	Interest Rates	Amount
2011	2.40	2,475,000	4.35	80,000
2012	2.40	20,000	4.50	80,000
2013	2.40	20,000	4.60	85,000
2014	2.40	20,000	4.70	85,000
2015	2.40	20,000	4.80	90,000
2016		-	4.90	90,000
2017		-	5.00	95,000
2018		-		-
2019		-		-
2020		-		-
2021		-		-
2022		-		-
2023		-		-
2024		-		-
Total		<u>\$ 2,555,000</u>		<u>\$ 605,000</u>

Year Ending June 30,	Revenue Bonds and Notes						Total
	Sewer Revenue						
	Water		Capital Loan Notes		State Revolving Loan		
	Issued Jun 15, 2006		Issued May 1, 2003		Issued Jun 26, 1997		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
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>\$ 190,000</u>		<u>\$ 80,000</u>		<u>\$ 99,470</u>	<u>\$ 369,470</u>

See accompanying independent auditors' report.

<u>Capital Loan Notes</u> <u>Issued Jun 1, 2004</u>		<u>Capital Loan Notes</u> <u>Issued Apr 15, 2005</u>		<u>Capital Loan Notes</u> <u>Issued Feb 28, 2007</u>		<u>Total</u>
<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
3.75	120,000	3.50	145,000	3.75	95,000	2,915,000
3.95	120,000	3.60	150,000	3.75	105,000	475,000
4.10	125,000	3.70	155,000	3.80	105,000	490,000
4.25	130,000	3.80	160,000	3.85	110,000	505,000
4.40	135,000	3.90	165,000	3.85	110,000	520,000
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>\$ 2,070,000</u>		<u>\$ 1,315,000</u>		<u>\$ 1,550,000</u>	<u>\$8,095,000</u>

City of Adel

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

For the Last Seven Years

	2010	2009	2008	2007	2006	2005	2004
Receipts:							
Property tax	\$ 1,539,578	\$ 1,483,628	\$ 1,462,377	\$ 1,306,736	\$ 1,214,167	\$ 1,231,889	\$ 1,209,994
Tax increment financing collections	473,457	445,748	357,449	335,343	338,005	334,406	308,734
Other city tax	5,301	6,439	6,191	6,355	51,698	9,622	6,174
Licenses and permits	20,082	30,964	29,059	57,008	84,249	99,610	29,476
Use of money and property	48,251	49,501	122,458	127,168	101,573	58,328	26,892
Intergovernmental	425,202	459,541	342,075	326,922	329,448	345,590	341,249
Charges for service	130,725	153,382	129,482	129,033	105,163	164,373	119,810
Special assessments	8,553	28,936	36,679	206,648	50,291	22,553	47,615
Miscellaneous	131,813	152,889	202,769	125,962	432,106	151,494	740,112
Total	\$ 2,782,962	\$ 2,811,028	\$ 2,688,539	\$ 2,621,175	\$ 2,706,700	\$ 2,417,865	\$ 2,830,056
Disbursements:							
Operating:							
Public safety	\$ 775,402	\$ 780,846	\$ 676,871	\$ 613,718	\$ 550,119	\$ 527,147	\$ 602,796
Public works	345,804	371,991	318,469	346,757	291,767	338,276	382,280
Culture and recreation	531,748	523,375	470,579	408,423	435,096	345,241	359,094
Community and economic development	120,609	145,513	129,666	58,476	94,236	56,238	81,218
General government	230,178	252,274	184,558	187,673	215,456	255,105	187,818
Debt service	705,798	700,572	717,810	3,844,998	821,609	515,837	667,377
Capital projects	604,318	548,770	119,581	2,410,874	977,057	2,393,528	1,002,337
Total	\$ 3,313,857	\$ 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, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated May 23, 2011. 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been indentified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Adel's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompany Schedule of Findings as items I-A-10, I-C-10, and I-D-10 to be material weaknesses. A significant deficiency is deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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, 2010 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.

May 23, 2011
Ames, Iowa

City of Adel

Schedule of Findings

Year Ended June 30, 2010

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) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (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, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- II-A-10 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-10 Utility Billings, Collections and Delinquencies - The City is not following their established procedures for shut-offs.

Recommendation - The procedures established by the Council should be followed.

Response - We will do so.

Conclusion - Response accepted.

- II-C-10 Clerk's Reports - Due to some posting errors, the City's June 30, 2010 clerk's report did not balance to the actual cash on hand and in banks.

Recommendation - The City should reconcile their records to the bank on a monthly basis and correct all errors monthly.

Response - Correcting entries were made and posted after June 30, 2010 to bring the City's records into balance with the bank.

Conclusion - Response accepted.

City of Adel

Schedule of Findings

Year Ended June 30, 2010

II-D-10 Checks Written - We noted a check that had a different payee on the check image than what was recorded in the general ledger. According to a City employee, this is not an isolated incident.

Recommendation - The City should contact their software company and get this type of error resolved.

Response - We will do so.

Conclusion - Response accepted.

City of Adel

Schedule of Findings

Year Ended June 30, 2010

Part III: Other Findings Related to Statutory Reporting:

- III-A-10 **Certified Budget** - Total budgeted disbursements as published do not match the budgeted disbursements as adopted by the Council. The discrepancy is in the public safety disbursements. The amount changed by \$7,516.

Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the public safety, culture and recreation, capital projects, and community and economic development 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.

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-10 **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-10 **Travel Expense** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- III-D-10 **Business Transactions** - No business transaction between the City and City officials were noted.

- III-E-10 **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-10 **Council Minutes** - No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-10 **Financial Condition** – The City had the following deficit balances at June 30, 2010:

General Fund	\$ 75,643
Special Revenue Funds:	
Urban Renewal Tax Increment Financing	4,416
Road Use Tax	649
Fire	477
Short Term Projects	1,855
Debt Service Fund:	
General Obligation Bonds	38,657
Capital Project Funds:	
Sidewalk Project	17,188
Brickyard Road	1,000
2006 Street Improvements	125,580
Public Safety Building	117,142
Demolition	67,004
Capital Park Improvement	659
Brownfield Project	7,830
Evans View Paving	40,667
Annexation	108,701

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-10 **Deposits and Investments** – No instances of non-compliance with the City's investment policy were noted.

III-I-10 **Revenue Bonds and Notes** – The City is in compliance with the provisions of the revenue bonds and notes.

III-J-10 **Cash** – The City has an outstanding check that is over one year old. In accordance with Chapter 556.11 of the Code of Iowa, this 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.

III-K-10 **Utility Billings** - The City has not passed an ordinance for garbage or recycling fees although the rates being used are being uniformly assessed.

Recommendation - The Council should pass an ordinance immediately for the rates being charged.

Response - We will do so.

Conclusion - Response accepted.

III-L-10 **Capital Projects** - The City has several capital project accounts that were inactive during the fiscal year.

Recommendation - The City should look into closing out the old projects.

Response - We will do so.

Conclusion - Response accepted.