

**SAMPLE CASH CITY**

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

**JUNE 30, 2011**

Office of  
**AUDITOR  
OF STATE**  
State Capitol Building • Des Moines, Iowa



**David A. Vaudt, CPA**  
Auditor of State







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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Fellow CPAs:

This sample report is presented by the Office of Auditor of State as required by Chapter 11 of the Code of Iowa. In developing this report, we have made every effort to ensure the highest professional standards have been followed while attempting to provide meaningful and useful information to the citizens, our ultimate client.

Audits of governmental subdivisions should be performed in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and, if applicable, the Single Audit Act Amendments of 1996 and Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

This sample report has been prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The format displays the basic financial statements, required and other supplementary information and the Schedule of Findings and Questioned Costs which are necessary to meet the requirements of this office. The detail presented in the financial statements and supplementary information is the minimum breakdown that will be acceptable subject, of course, to materiality considerations. If the auditor and the local government feel more detail is necessary to provide a fair presentation, this of course will be welcome. A sample such as this cannot present all situations which you may encounter, so the auditor's professional judgment must be used in determining the additional information to be shown as well as the footnotes to be presented.

We have included as attachments to this letter some information related to municipal utility audits. We have also included illustrations of note disclosure for a city's participation in the Municipal Fire and Police Retirement System of Iowa (note X) and Iowa Communities Assurance Pool (ICAP), a local government risk pool (note Y).

Cities with \$500,000 or more of federal expenditures are required to receive a Single Audit in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Any questions concerning Single Audit requirements should be directed to the City's cognizant or oversight agency.

In accordance with OMB Circular A-133, the reporting package and Data Collection Form shall be submitted to the central clearinghouse the earlier of 30 days after issuance of the audit report or 9 months after the reporting period. The Office of Management and Budget has designated the United States Department of Commerce, Bureau of the Census as the Single Audit Clearinghouse. The Data Collection Form and reporting package must be submitted using the Clearinghouse's Internet Data Entry System at <http://harvester.census.gov/sac>. The system requires the reporting package be uploaded in a single PDF file. Both the auditee and auditor contacts receive automated emails from the Federal Audit Clearinghouse as verification of the submission. In addition, reporting packages or notifications of audit should be submitted to grantor pass-through entities in accordance with the filing requirements of the Circular.

In December 2008, the Securities and Exchange Commission adopted an amendment to its Rule 15c2-12 governing ongoing disclosure by municipalities to the bond markets. The amendment was effective July 1, 2009 and widened those issuers subject to the ongoing filing requirements and now virtually any municipality which issues more than one million dollars of securities per issue is subject to an ongoing filing responsibility. The amendment requires, in part, all continuing disclosure submissions must be provided to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. In addition, submissions must be in an electronic format (PDF) and, effective January 1, 2010, such filings must be in a word-searchable PDF (not scanned) format.

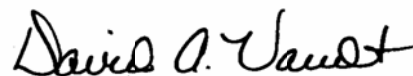
The findings on compliance, items IV-A-11 through IV-G-11 and IV-H-11 (if applicable), detail those items which are to be included regardless of whether there are any instances of non-compliance or not. Any instances of non-compliance in other areas should also be reported.

We have also included a page for listing the staff actually performing the audit. Although we have found this page to be helpful, you are not required to use it.

As required by Chapter 11 of the Code of Iowa, the news media are to be notified of the issuance of the audit report by the CPA firm, unless the firm has made other arrangements with the City for the notification. We have developed a standard news release to be used for this purpose. The news release may be completed by the City and a copy should be sent to this office with two copies of the audit report sent by the CPA firm. Report filing requirements are detailed on the attached listing. We will make a copy of the audit report and news release available to the news media in this office.

In accordance with Chapter 11 of the Code of Iowa, this office is to be notified immediately regarding any suspected embezzlement or theft.

Finally, I would like to express my appreciation to all CPA firms who are providing audit or other services to local governments. Together, we are able to provide a significant benefit to all taxpayers in the state.



DAVID A. VAUDT, CPA  
Auditor of State

**Office of Auditor of State**  
**Report Filing Requirements**

**Paper Copy Submission**

Two paper copies of the audit report, including the management letter(s) if issued separately, are required to be filed with this office upon release to the City within nine months following the end of the fiscal year subject to audit. In addition to the copies of the audit report, a copy of the CPA firm's per diem audit billing, including total cost and hours, and a copy of the news release or media notification should be sent to:

Office of Auditor of State  
State Capitol Building  
Room 111  
1007 East Grand Avenue  
Des Moines, Iowa 50319-0001

**Electronic Submission**

The City or CPA firm must also e-mail a PDF copy of the audit report to the Auditor of State's Office at:

[SubmitReports@auditor.state.ia.us](mailto:SubmitReports@auditor.state.ia.us)

If you are unable to e-mail the file, you may mail a CD containing the PDF file to this office. You may direct any questions about submitting the electronic copy of the audit report to the above e-mail address.

**Filing Fee Submission**

The filing fee should be mailed separately to:

Office of Auditor of State  
PO Box 333  
Des Moines, Iowa 50302-0333

The designated budget strata and applicable filing fees are as follows:

Budgeted Expenditures in Millions of Dollars	Filing Fee Amount
Under 1	\$100.00
At least 1 but less than 3	\$175.00
At least 3 but less than 5	\$250.00
At least 5 but less than 10	\$425.00
At least 10 but less than 25	\$625.00
25 and over	\$850.00

## **Additional Footnotes**

The Municipal Fire and Police Retirement System note and the Iowa Communities Assurance Pool information in the Risk Management note have been updated. The notes are as follows:

### **(X) Pension and Retirement System**

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report which includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, IA 50266.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, can not be less than 17% of earnable compensation. Contribution requirements are established by state statute. The City's contributions to the Plan for the years ended June 30, 2011, 2010 and 2009 were \$\_\_\_\_\_, \$\_\_\_\_\_ and \$\_\_\_\_\_, respectively, which (met) exceeded the required contribution for each year.

### **(Y) Risk Management**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2011 were \$\_\_\_\_\_.

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The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The City also carries commercial insurance purchased from other insurers for coverage associated with \_\_\_\_\_ in the amount of \$\_\_\_\_\_ and \$\_\_\_\_\_, respectively. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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## **Information Related to Municipal Utility Audits**

Municipal Utility audit report format should include the following:

1. Officials
2. Independent Auditor's Report
3. Management's Discussion and Analysis
4. Financial Statements
5. Required Supplementary Information (comparison of budget to actual)
6. Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
7. Schedule of Findings:

Findings Related to the Financial Statements

Other Findings Related to Required Statutory Reporting:

- a. Certified Budget
- b. Questionable Disbursements
- c. Travel Expense
- d. Business Transactions
- e. Bond Coverage
- f. Board Minutes
- g. Deposits and Investments
- h. Revenue Bonds/Notes (if applicable)
- i. Telecommunication Services (if applicable)

If applicable, findings (a) through (i) are to be included regardless of whether there are any instances of non-compliance or not. See additional notes number 4 for more information relating to finding (i) on telecommunication services.

Municipal Utilities may be component units of a City, which may affect the Independent Auditor's Report and the footnote disclosure of the reporting entity.

Municipal Utility audits must meet the reporting and filing requirements prescribed in Chapter 11 of the Code of Iowa and must be performed in accordance with the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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## Sample Cash City

### Outline of Major Changes

- A. Revised the governmental fund financial statements and disclosures for implementation of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.
- B. Revised the Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 for implementation of SAS No. 117.
- C. Revised the Iowa Public Employees Retirement System (IPERS) note disclosure (Note 4) for changes in the contribution rates effective July 1, 2010.

### Additional Notes

- 1. If the City has deposits in credit unions at June 30, 2011, Note 2 should be modified to indicate whether the deposits were covered by federal depository insurance, collateralized with securities or letters of credit held by the City or the City's agent in the City's name or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa.
  - 2. Also attached is a sample Corrective Action Plan for Federal Audit Findings (See **Sample A**) and a sample Summary Schedule of Prior Federal Audit Findings (See **Sample B**). These are provided for illustrative purposes only and are not required to be bound in the regular audit or filed with our office.
  - 3. The attached sample Corrective Action Plan refers the user to the City's response to the auditor's comment for the detailed corrective action planned. If the City's response to the auditor's comment does not include the details of its planned corrective action, this information should be included in the Corrective Action Plan itself.
  - 4. Under Chapter 388.10 of the Code of Iowa, a city or municipal utility providing telecommunications services has the responsibility to comply with various financial and operating provisions as well as the responsibility for annual certification of compliance with these provisions. Chapter 11.6(1) of the Code of Iowa requires the audit of a city which owns or operates a municipal utility providing telecommunications services to include an audit of the city's compliance with Chapter 388.10. In any year in which the city or utility is not audited, the city or utility must contract with the Auditor of State or a certified public accountant to "attest to the certification."
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Based on an audit of the city or utility, a statutory comment on compliance with Chapter 388.10 should be included in the audit report. If the utility is audited as part of the city, the required comment would be included in the city report. If the utility is audited separately, the required comment would be included in the utility report. These audit reports must be filed with the Auditor of State and the appropriate filing fee paid as provided in Chapter 11 of the Code of Iowa.

In a year when the city or utility is not audited, the attestation report should indicate compliance with the provisions of Chapter 388.10. These attestation reports are public records, by law, and are to be filed with this Office. These reports are not subject to the payment of a filing fee.

Following are sample audit report comments for reporting on telecommunication services.

**No non-compliance noted – for separate Utility audit or City audit which includes the Utility:**

Telecommunication Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.

**Non-compliance noted – for separate Utility audit or City audit which includes the Utility:**

Telecommunication Services – The City (or Utility) did not consistently allocate the cost of use of City (or Utility) employees, equipment and other services used by the telecommunication municipal utility as required by Chapter 388.10 of the Code of Iowa. The allocation of costs to the utility was based on time studies of certain City (or Utility) employees, but the percentage allocations included mathematical errors. The errors resulted in an understatement of telecommunication services expenses of \$7,616 for the year ended June 30, 2011.

Recommendation – A corrective transfer of \$7,616 should be made from the Telecommunication Services Fund to the Gas Fund.

Response – A corrective transfer will be made.

Conclusion – Response accepted.

5. Following is an example footnote for an early retirement or other benefit plan or policy that meets the definition of a “termination benefit” as defined by GASB Statement No. 47.

**Sample Note – Termination Benefits**

In September 2009, the City approved a voluntary early retirement plan for employee. The plan was only offered to employees for one year. Eligible employees must have completed at least fifteen years of full-time service to the City and must have reached the age of fifty-five on or before June 30, 2010. The application for early retirement was subject to approval by the City Council.

Early retirement benefits equal 60% of the employee’s salary in effect during the employee’s last year of employment, with a maximum retirement benefit of \$30,000.

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The policy requires early retirement benefits be paid in three equal installments beginning January 1, 2011. The second and third payments will be paid July 1, 2011 and July 1, 2012, respectively.

At June 30, 2011, the City has obligations to eleven participants with a total liability of \$171,285. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$85,642.

**Additional Notes (continued)**

**Sample A**

Sample Entity

Corrective Action Plan for Federal Audit Findings

Year ended June 30, 2011

Comment Number	Comment Title	Corrective Action Plan	Contact Person, Title, Phone Number	Anticipated Date of Completion
III-A-11	Unsupported Expenditures	The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs.	Tom Claim, Sample Entity Administrator, (515) YYY-XXXX	Documentation to support expenditures will be maintained effective immediately. The questioned costs were returned to the Iowa Department of Economic Development on October 3, 2011.
III-B-11	Segregation of Duties over Federal Revenues	The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs.	Julie Ledger, Sample Entity Treasurer, (515) YYY-XXXX	November 2, 2011
III-C-11	Financial Reporting	As reported in our response to the auditor's comment, we have implemented an independent process which requires review by the Sample Entity Program Director, effective immediately. In addition, beginning with the December, 2011 quarterly report, we will submit federal financial reports within the required time frame.	Joe Smith, Program Director, (515) YYY-XXXX	Review procedures have been implemented.  Timely report filing will begin with the quarter ending December, 2011.

**Additional Notes (continued)****Sample B**

Sample Entity

## Summary Schedule of Prior Federal Audit Findings

Year ended June 30, 2011

Comment Reference	Comment Title	Status	If not corrected, provide planned corrective action or other explanation
III-C-08 III-B-09 III-B-10	Minority Business Enterprise/ Women Business Enterprise (MBE/WBE)	No longer valid; does not warrant further action.	Over two years have passed since the reporting of this audit finding. The Grantor Agency has not followed up on this finding, nor has a management decision been issued on its part.
III-A-09 III-A-10	Segregation of Duties over Federal Revenues	Not corrected.	Plan to segregate duties for custody, recordkeeping and reconciling among Sample Entity staff.
III-C-09 III-C-10	Capital Assets	Corrective action taken.	
III-D-10	Financial Reporting	Partially corrected.	Review procedures have been implemented. Timely report filing will begin with the quarter ending December, 2011.





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**STATE OF IOWA**

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**NEWS RELEASE**

Contact:

FOR RELEASE \_\_\_\_\_

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

The City's receipts totaled \$\_\_\_\_\_ for the year ended June 30, 2011, a(n) \_\_\_ percent increase (decrease) from the prior year. The receipts included \$\_\_\_\_\_ in property tax, \$\_\_\_\_\_ from tax increment financing collections, \$\_\_\_\_\_ from charges for service, \$\_\_\_\_\_ from operating grants, contributions and restricted interest, \$\_\_\_\_\_ from capital grants, contributions and restricted interest, \$\_\_\_\_\_ from local option sales tax, \$\_\_\_\_\_ from unrestricted interest on investments, \$\_\_\_\_\_ from bond proceeds and \$\_\_\_\_\_ from other general receipts.

Disbursements for the year totaled \$\_\_\_\_\_, a(n) \_\_\_ percent increase (decrease) from the prior year, and included \$\_\_\_\_\_ for \_\_\_ a \_\_\_, \$\_\_\_\_\_ for \_\_\_ b \_\_\_, and \$\_\_\_\_\_ for \_\_\_ c \_\_\_. (a,b,c – functions with three highest disbursement totals) Also, disbursements for business type activities totaled \$\_\_\_\_\_.

The significant increase (decrease in receipts and disbursements is due primarily to\_\_\_\_\_.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.

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**SAMPLE CASH CITY**

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

**JUNE 30, 2011**

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## Sample Cash City

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rosemary Jones	Mayor	Jan 2012
Dan Parks	Mayor Pro tem	Jan 2012
Kevin Linden	Council Member	Jan 2012
Alan Notchwood	Council Member	Jan 2012
Rose Arnoldson	Council Member	Jan 2014
Betty Dager	Council Member	Jan 2014
Sarah Greene	Council Member	Jan 2014
Tom Taylor	Council Member	Jan 2014
Alan Mead	Finance Director	Indefinite
Marilyn Martin	Clerk/Treasurer	Indefinite
Carl Pearce	Attorney	Indefinite

**Sample Cash City**



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STATE OF IOWA

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Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sample Cash City, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of Sample Cash City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sample Cash City as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 22, 2011 on our consideration of Sample Cash City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on 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 13 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sample Cash City's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DAVID A. VAUDT, CPA  
Auditor of State

September 22, 2011

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Sample Cash City provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2011 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 34.4%, or approximately \$700,000, from fiscal year 2010 to fiscal year 2011. Property tax increased approximately \$48,000 and bond proceeds increased \$515,000.
- Disbursements of the City's governmental activities increased 5.2%, or approximately \$90,000, in fiscal year 2011 from fiscal year 2010. Public safety, debt service and capital projects disbursements increased approximately \$16,000, \$34,000 and \$63,000, respectively.
- The City's total cash basis net assets increased 75%, or approximately \$1,712,000, from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased approximately \$956,000 and the assets of the business type activities increased approximately \$756,000.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

## **BASIS OF ACCOUNTING**

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

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

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

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

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

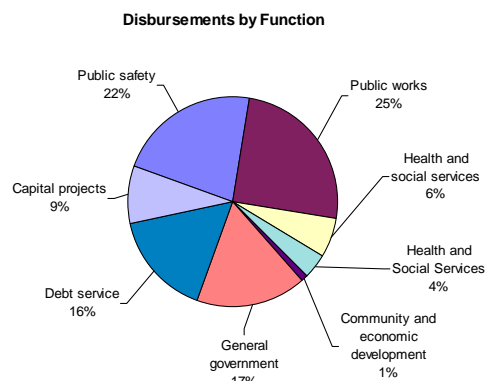
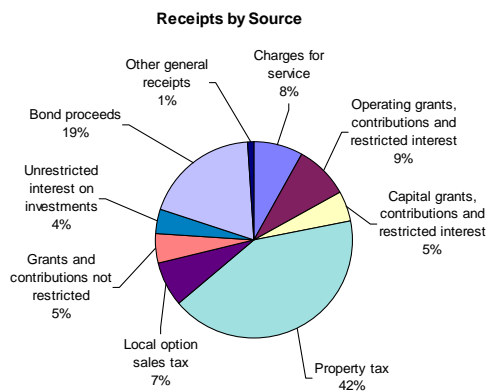
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from approximately \$1.689 million to approximately \$2.645 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service	\$ 206	198
Operating grants, contributions and restricted interest	247	222
Capital grants, contributions and restricted interest	125	40
General receipts:		
Property tax	1,182	1,134
Local option sales tax	190	188
Grants and contributions not restricted to specific purposes	133	128
Unrestricted interest on investments	112	94
Bond proceeds	515	-
Other general receipts	25	31
<b>Total receipts</b>	<b>2,735</b>	<b>2,035</b>
Disbursements:		
Public safety	396	380
Public works	455	501
Health and social services	104	97
Culture and recreation	74	75
Community and economic development	16	12
General government	309	296
Debt service	281	247
Capital projects	171	108
<b>Total disbursements</b>	<b>1,806</b>	<b>1,716</b>
Change in cash basis net assets before transfers	929	319
Transfers, net	27	22
Change in cash basis net assets	956	341
Cash basis net assets beginning of year	1,689	1,348
Cash basis net assets end of year	<b>\$ 2,645</b>	<b>1,689</b>



The City's total receipts for governmental activities increased 34.4%, or approximately \$700,000. The total cost of all programs and services increased approximately \$90,000, or 5.2%, with no new programs added this year. The significant increase in receipts was primarily the result of proceeds received from the issuance of urban renewal tax increment financing revenue bonds.

The City increased property tax rates for fiscal year 2011 an average of 4%. This increase, the first in three years, raised the City's property tax receipts approximately \$48,000 in fiscal year 2011. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase an additional \$50,000 next year.

The cost of all governmental activities this year was approximately \$1.807 million compared to approximately \$1.716 million last year. However, as shown in the Statement of Activities and Net Assets on pages 16-17, the amount taxpayers ultimately financed for these activities was only \$1.229 million because some of the cost was paid by those directly benefited from the programs (\$206,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$372,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2011 from approximately \$460,000 to approximately \$577,000, principally due to receiving grant proceeds to complete the City Hall renovation project.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 656	640
Sewer	473	458
Capital grants, contributions and restricted interest	535	478
General receipts:		
Unrestricted interest on investments	9	7
Bond proceeds	750	-
Other general receipts	46	49
Total receipts	<u>2,469</u>	<u>1,632</u>
Disbursements:		
Water	591	588
Sewer	1,095	955
Total disbursements	<u>1,686</u>	<u>1,543</u>
Change in cash basis net assets before transfers	783	89
Transfers, net	<u>(27)</u>	<u>(22)</u>
Change in cash basis net assets	756	67
Cash basis net assets beginning of year	603	536
Cash basis net assets end of year	<u>\$ 1,359</u>	<u>603</u>

Total business type activities receipts for the fiscal year were approximately \$2.469 million compared to approximately \$1.632 million last year. This significant increase was due primarily to the receipt of \$750,000 in sewer construction general obligation bond proceeds. The cash balance increased approximately \$756,000 from the prior year because most of the bond proceeds received will not be spent until next fiscal year for the approved sewer construction project. Total disbursements for the fiscal year increased 9.3% to approximately \$1.686 million.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As Sample Cash City completed the year, its governmental funds reported a combined fund balance of \$2,634,039, an increase of more than \$950,000 above last year's total of \$1,679,848. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$239,808 from the prior year to \$1,555,623. Approximately \$95,000 of this increase was due to local option sales tax received for the first time this fiscal year. The City intends to use these receipts to help offset future property tax increases.
- The Special Revenue, Road Use Tax Fund cash balance increased \$122,922 to \$333,330. This increase was also attributable to approximately \$95,000 of local option sales tax received this fiscal year. The City intends to use this money to upgrade the condition of all City roads.
- The Special Revenue, Urban Renewal Tax Increment Fund was established in the previous fiscal year to account for a major urban renewal project within the City's business district. At the end of the fiscal year, the cash balance was \$636,340, an increase of \$595,029 from the previous year. The increase was the result of proceeds of \$515,000 received from the issuance of urban renewal tax increment financing revenue bonds. These proceeds will be used for various construction and refurbishing projects within the urban renewal district. The bonds and interest will be redeemed with incremental property tax generated from the increased taxable valuation in the district.
- The Debt Service Fund cash balance increased \$45,093 to \$56,583. This increase was due to an increase in property tax. Bond principal and interest payments increased \$34,058 in fiscal year 2011.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance increased \$64,050 to \$190,101, due primarily to an increase in the sale of water and reductions in debt service payments over the prior year.
- The Enterprise, Sewer Fund cash balance increased \$690,535 to \$1,160,340, due primarily to the receipt of \$750,000 in general obligation bond proceeds.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget two times. The first amendment was approved on March 15, 2011 and resulted in an increase in operating disbursements related to a cost overrun of approximately \$10,000 on various maintenance projects involving City Hall. The second amendment was approved on May 19, 2011 to provide for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$49,990 more than budgeted. This was primarily due to the City receiving more in sewer and water charges for service than anticipated, even after the amendments.

Even with the budget amendments, total disbursements were \$8,765 more than the amended budget. However, actual disbursements for the public safety, culture and recreation and community and economic development functions were \$78,830, \$44,081 and \$44,197, respectively, less than the amended budget. This was primarily due to the City delaying equipment purchases for the police, fire and parks departments and the City did not contribute the full amount budgeted to the Anywhere Development Committee.

The City exceeded the amounts budgeted in the general government and business type activities functions for the year ended June 30, 2011 due to higher costs for City Hall maintenance projects and sewer construction engineering costs not budgeted.

## **DEBT ADMINISTRATION**

At June 30, 2011, the City had \$3,695,000 in bonds and other long-term debt outstanding, compared to \$2,815,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30,	
	2011	2010
General obligation bonds	\$ 1,535	885
Special assessment bonds and notes	-	60
Urban renewal tax increment financing revenue bonds	515	-
Revenue notes	1,490	1,680
Anticipatory warrants	155	190
Total	\$ 3,695	2,815

Debt increased as a result of issuing general obligation bonds for a sewer construction project. In addition, the City issued urban renewal tax increment financing revenue bonds for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City.

The City continues to carry a general obligation bond rating of A3 assigned by national rating agencies to the City's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$2,205,000 is significantly below its constitutional debt limit of approximately \$12 million.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Sample Cash City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the City now stands at 5.0% versus 5.6% a year ago. This compares with the State's unemployment rate of 6.5% and the national rate of 9.0%.

These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are approximately \$4.0 million, an increase of 3% over the final fiscal year 2011 budget. Property tax (benefiting from the fiscal year 2011 rate increases and increases in assessed valuations) and proceeds from the urban renewal tax increment financing revenue bonds are expected to lead this increase. The City will use these increases in receipts to finance programs we currently offer and to defray a portion of the costs of carrying out a major urban renewal project of the City. Budgeted disbursements are expected to rise approximately \$600,000. Increased health care costs, increases in street construction and maintenance and the urban renewal project represent the largest increases. The City has added no major new programs or initiatives to the fiscal year 2012 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$600,000 by the close of fiscal year 2012.

## **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 Marilyn Martin, City Clerk, 101 Main Street, Sample Cash City, Iowa 50XXX-XXXX.

**Sample Cash City**

## **Basic Financial Statements**

Sample Cash City

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2011

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 396,016	19,246	13,679	-
Public works	455,040	60,576	222,634	-
Health and social services	103,739	100,511	-	-
Culture and recreation	73,797	5,684	10,670	-
Community and economic development	15,803	-	-	-
General government	309,591	19,470	-	-
Debt service	281,258	-	-	-
Capital projects	171,540	-	-	125,000
Total governmental activities	1,806,784	205,487	246,983	125,000
Business type activities:				
Water	591,235	655,995	-	-
Sewer	1,094,350	473,048	-	535,000
Total business type activities	1,685,585	1,129,043	-	535,000
Total	\$ 3,492,369	1,334,530	246,983	660,000

<b>General Receipts and Transfers:</b>	
Property and other city tax levied for:	
General purposes	
Debt service	
Tax increment financing	
Local option sales tax	
Grants and contributions not restricted to specific purposes	
Unrestricted interest on investments	
Bond proceeds	
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	

<b>Cash Basis Net Assets</b>	
Restricted:	
Nonexpendable:	
Cemetery perpetual care	
Expendable:	
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
(363,091)	-	(363,091)
(171,830)	-	(171,830)
(3,228)	-	(3,228)
(57,443)	-	(57,443)
(15,803)	-	(15,803)
(290,121)	-	(290,121)
(281,258)	-	(281,258)
(46,540)	-	(46,540)
(1,229,314)	-	(1,229,314)
-	64,760	64,760
-	(86,302)	(86,302)
-	(21,542)	(21,542)
(1,229,314)	(21,542)	(1,250,856)
840,136	-	840,136
246,071	-	246,071
95,832	-	95,832
190,470	-	190,470
132,976	-	132,976
112,075	8,261	120,336
515,000	750,000	1,265,000
6,888	46,629	53,517
18,540	-	18,540
27,300	(27,300)	-
2,185,288	777,590	2,962,878
955,974	756,048	1,712,022
1,688,795	603,176	2,291,971
\$ 2,644,769	1,359,224	4,003,993
\$ 11,500	-	11,500
333,330	-	333,330
636,340	-	636,340
56,583	242,516	299,099
87,203	-	87,203
1,519,813	1,116,708	2,636,521
\$ 2,644,769	1,359,224	4,003,993

Sample Cash City

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

As of and for the year ended June 30, 2011

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
<b>Receipts:</b>			
Property tax	\$ 741,677	-	-
Tax increment financing	-	-	95,832
Other city tax	41,421	-	-
Licenses and permits	16,254	-	-
Use of money and property	109,642	1,000	-
Intergovernmental	147,941	222,634	-
Charges for service	110,417	-	-
Special assessments	3,216	-	-
Miscellaneous	29,096	-	-
Total receipts	1,199,664	223,634	95,832
<b>Disbursements:</b>			
<b>Operating:</b>			
Public safety	368,900	-	-
Public works	246,509	195,947	-
Health and social services	97,243	-	-
Culture and recreation	70,872	-	-
Community and economic development	-	-	15,803
General government	292,407	-	-
Debt service	-	-	-
Capital projects	25,000	-	-
Total disbursements	1,100,931	195,947	15,803
Excess of receipts over disbursements	98,733	27,687	80,029
<b>Other financing sources (uses):</b>			
Bond proceeds	-	-	515,000
Sale of capital assets	18,540	-	-
Operating transfers in	122,535	95,235	-
Operating transfers out	-	-	-
Total other financing sources (uses)	141,075	95,235	515,000
Net change in cash balances	239,808	122,922	595,029
Cash balances beginning of year, as restated	1,315,815	210,408	41,311
Cash balances end of year	\$ 1,555,623	333,330	636,340
<b>Cash Basis Fund Balances</b>			
Nonspendable - Cemetary perpetual care	\$ -	-	-
<b>Restricted for:</b>			
Urban renewal purposes	-	-	636,340
Debt service	-	-	-
Streets	-	333,330	-
Other purposes	-	-	-
Assigned for fire station	50,000	-	-
Unassigned	1,505,623	-	-
Total cash basis fund balances	\$ 1,555,623	333,330	636,340

See notes to financial statements.

Debt Service	Nonmajor	Total
237,754	55,048	1,034,479
-	-	95,832
8,317	192,460	242,198
-	-	16,254
-	2,433	113,075
-	125,000	495,575
-	-	110,417
-	59,576	62,792
-	2,200	31,296
<u>246,071</u>	<u>436,717</u>	<u>2,201,918</u>
-	27,820	396,720
-	12,991	455,447
-	6,496	103,739
-	3,047	73,919
-	-	15,803
-	17,734	310,141
200,978	80,280	281,258
-	146,540	171,540
<u>200,978</u>	<u>294,908</u>	<u>1,808,567</u>
<u>45,093</u>	<u>141,809</u>	<u>393,351</u>
-	-	515,000
-	-	18,540
-	-	217,770
-	(190,470)	(190,470)
-	(190,470)	560,840
45,093	(48,661)	954,191
11,490	100,824	1,679,848
<u>56,583</u>	<u>52,163</u>	<u>2,634,039</u>
-	11,500	11,500
-	-	636,340
56,583	-	56,583
-	-	333,330
-	87,203	87,203
-	-	50,000
-	(46,540)	1,459,083
<u>56,583</u>	<u>52,163</u>	<u>2,634,039</u>

**Sample Cash City**

Sample Cash City

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Governmental Funds

As of and for the year ended June 30, 2011

**Total governmental funds cash balances (page 19)** \$ 2,634,039

***Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the assets of the Internal Service Fund are included in governmental activities in the Statement of Activities and Net Assets.

10,730

**Cash basis net assets of governmental activities (page 17)**

\$ 2,644,769

**Net change in cash balances (page 19)**

\$ 954,191

***Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with governmental activities.

1,783

**Change in cash basis net assets of governmental activities (page 17)**

\$ 955,974

See notes to financial statements.

**Exhibit D**

## Sample Cash City

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

As of and for the year ended June 30, 2011

	Enterprise			Internal Service
	Water	Sewer	Total	Employee Health
Operating receipts:				
Charges for service	\$ 655,995	473,048	1,129,043	78,015
Miscellaneous	-	-	-	3,321
Total operating receipts	<u>655,995</u>	<u>473,048</u>	<u>1,129,043</u>	<u>81,336</u>
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	16,932
Public works	-	-	-	9,792
Culture and recreation	-	-	-	2,932
General government	-	-	-	13,237
Business type activities	347,133	293,423	640,556	35,197
Total operating disbursements	<u>347,133</u>	<u>293,423</u>	<u>640,556</u>	<u>78,090</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>308,862</u>	<u>179,625</u>	<u>488,487</u>	<u>3,246</u>
Non-operating receipts (disbursements):				
Intergovernmental	-	535,000	535,000	-
Interest on investments	1,660	6,601	8,261	-
Miscellaneous	25,653	20,976	46,629	-
General obligation bond proceeds	-	750,000	750,000	-
Debt service	(244,825)	(86,667)	(331,492)	-
Capital projects	-	(715,000)	(715,000)	-
Net non-operating receipts (disbursements)	<u>(217,512)</u>	<u>510,910</u>	<u>293,398</u>	<u>-</u>
Excess of receipts over disbursements	<u>91,350</u>	<u>690,535</u>	<u>781,885</u>	<u>3,246</u>
Operating transfers out	<u>(27,300)</u>	<u>-</u>	<u>(27,300)</u>	<u>-</u>
Net change in cash balances	<u>64,050</u>	<u>690,535</u>	<u>754,585</u>	<u>3,246</u>
Cash balances beginning of year	<u>126,051</u>	<u>469,805</u>	<u>595,856</u>	<u>16,267</u>
Cash balances end of year	<u>\$ 190,101</u>	<u>1,160,340</u>	<u>1,350,441</u>	<u>19,513</u>
<b>Cash Basis Fund Balances</b>				
Restricted for debt service	\$ -	242,516	242,516	-
Unrestricted	<u>190,101</u>	<u>917,824</u>	<u>1,107,925</u>	<u>19,513</u>
Total cash basis fund balances	<u>\$ 190,101</u>	<u>1,160,340</u>	<u>1,350,441</u>	<u>19,513</u>

See notes to financial statements.

Sample Cash City

Reconciliation of the Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
to the Statement of Activities and Net Assets –  
Proprietary Funds

As of and for the year ended June 30, 2011

**Total enterprise funds cash balances (page 22)** \$ 1,350,441

***Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the assets of the Internal Service Fund are included in business type activities in the Statement of Activities and Net Assets.

8,783

**Cash basis net assets of business type activities (page 17)**

\$ 1,359,224

**Net change in cash balances (page 22)**

\$ 754,585

***Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with business type activities.

1,463

**Change in cash basis net assets of business type activities (page 17)**

\$ 756,048

See notes to financial statements.

Sample Cash City

Notes to Financial Statements

June 30, 2011

**(1) Summary of Significant Accounting Policies**

Sample Cash City is a political subdivision of the State of Iowa located in Sample County. It was first incorporated in 1902 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, Sample Cash City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Sample County Assessor's Conference Board, City Assessor's Conference Board, Sample County Emergency Management Commission, Sample County Landfill Commission and Sample County Joint E911 Service Board.

B. Basis of Presentation

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

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in 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 funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

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

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

The City reports the following major proprietary funds:

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

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

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

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

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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2011 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, 2011, the City had the following investments:

<u>Investment</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity</u>
Governmental National Mortgage Association (GNMA)	<u>\$ 200,000</u>	<u>202,000</u>	October 2011

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$150,000 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) to 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

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds		Urban Renewal Tax Increment Financing Revenue Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2012	\$ 110,000	104,512	-	36,050	190,000	76,550	300,000
2013	100,000	97,573	-	36,060	200,000	67,075	300,000	200,708
2014	110,000	91,000	20,000	35,700	210,000	56,925	340,000	183,625
2015	110,000	83,712	30,000	34,125	220,000	46,270	360,000	164,107
2016	110,000	76,425	35,000	32,025	220,000	34,910	365,000	143,360
2017-2021	590,000	268,508	210,000	118,825	300,000	65,950	1,100,000	453,283
2022-2026	405,000	75,350	220,000	36,050	150,000	23,850	775,000	135,250
Total	\$ 1,535,000	797,080	515,000	328,835	1,490,000	371,530	3,540,000	1,497,445

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund. However, \$10,000 of general obligation bond principal was paid from the Enterprise, Sewer Fund during the year ended June 30, 2011.

#### Urban Renewal Tax Increment Financing Revenue Bonds

The City issued \$515,000 of urban renewal tax increment financing (TIF) revenue bonds in December 2010 for the purpose of defraying a portion of the costs of various construction and refurbishing projects within the urban renewal district. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$843,835, payable through June 2025. For the current year, interest paid and total TIF receipts were \$15,803 and \$95,832, respectively.

#### Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$2,800,000 of water revenue notes issued in May 2002. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2017. Annual principal and interest payments on the notes are expected to require less than 80% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,355,550. For the current year, principal and interest paid and total customer net receipts were \$244,825 and \$308,862, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$500,000 of sewer revenue notes issued in June 2006. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2026. Annual principal and interest payments on the notes are expected to require less than 25 percent of net receipts. The total principal and

interest remaining to be paid on the notes is \$505,980. For the current year, principal and interest paid and total customer net receipts were \$40,704 and \$179,625, respectively.

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers of \$5,000 to a water reserve account and \$1,000 to a sewer revenue reserve account within the Enterprise Funds shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.
- (d) All funds remaining in the sewer account after the payment of all maintenance and operating expenses and required transfers shall be placed in a sewer revenue surplus account within the Enterprise Funds until a minimum of \$100,000 is accumulated. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for note and interest payments which the other accounts might be unable to make.

#### **(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 4.50% of their annual covered salary and the City is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$4,121, \$3,872 and \$3,792, respectively, equal to the required contributions for each year.

#### **(5) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 127 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$400 for single coverage and \$800 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$61,341 and plan members eligible for benefits contributed \$29,880 to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 8,000
Sick leave	<u>14,000</u>
Total	<u>\$ 22,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2011.

**(7) Anticipatory Warrants**

Anticipatory warrants are warrants which are legally drawn on City funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented for redemption.

The City issued \$190,000 of anticipatory warrants, at 6.25% interest per annum, for sewer construction. As of June 30, 2011, \$35,000 of those anticipatory warrants had been redeemed, leaving an unpaid balance at June 30, 2011 of \$155,000.

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	\$ 95,235
	Local Option Sales Tax	
	Enterprise:	<u>27,300</u>
	Water	
		122,535
Special Revenue:	Special Revenue:	<u>95,235</u>
Road Use Tax	Local Option Sales Tax	
Total		<u>\$ 217,770</u>

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

**(9) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$106,783 during the year ended June 30, 2011.

**(10) Industrial Development Revenue Bonds**

The City has issued a total of \$13,500,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$12,800,000 is outstanding at June 30, 2011. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

**(11) 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.

**(12) Deficit Balance**

The Capital Projects Fund had a deficit balance of \$46,540 at June 30, 2011. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of state grants.

**(13) Litigation**

The City is subject to pending litigation seeking compensatory damages of approximately \$320,000 and punitive damages of approximately \$540,000. The probability of loss, if any, is undeterminable.

**(14) Subsequent Events**

In August 2011, the City issued \$500,000 of general obligation bonds and entered into construction contracts totaling \$468,520 for a water project. The City also entered into a construction contract for \$186,500 for a street project to be financed from road use tax funds.

**(15) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>General</u>	<u>Special Revenue, Emergency Levy</u>
Balances June 30, 2010, as previously reported	\$ 1,315,070	745
Change in fund type classification per implementation of GASB Statement No. 54	745	(745)
Balances July 1, 2010, as restated	<u>\$ 1,315,815</u>	<u>-</u>

**Sample Cash City**

**Required Supplementary Information**

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

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 1,034,479	-	-
Tax increment financing	95,832	-	-
Other city tax	242,198	-	-
Licenses and permits	16,254	-	-
Use of money and property	113,075	8,261	-
Intergovernmental	495,575	535,000	-
Charges for service	110,417	1,207,058	78,015
Special assessments	62,792	-	-
Miscellaneous	31,296	49,950	3,321
Total receipts	2,201,918	1,800,269	81,336
<b>Disbursements:</b>			
Public safety	396,720	16,932	16,932
Public works	455,447	9,792	9,792
Health and social services	103,739	-	-
Culture and recreation	73,919	2,932	2,932
Community and economic development	15,803	-	-
General government	310,141	13,237	13,237
Debt service	281,258	-	-
Capital projects	171,540	-	-
Business type activities	-	1,722,245	35,197
Total disbursements	1,808,567	1,765,138	78,090
Excess of receipts over disbursements	393,351	35,131	3,246
Other financing sources, net	560,840	722,700	-
Excess of receipts and other financing sources over disbursements and other financing uses	954,191	757,831	3,246
Balances beginning of year	1,679,848	612,123	16,267
Balances end of year	\$ 2,634,039	1,369,954	19,513

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,034,479	1,072,000	1,072,000	(37,521)
95,832	90,000	90,000	5,832
242,198	211,000	211,000	31,198
16,254	15,000	15,000	1,254
121,336	115,000	115,000	6,336
1,030,575	700,000	1,040,000	(9,425)
1,239,460	1,200,000	1,182,861	56,599
62,792	62,000	62,000	792
77,925	83,000	83,000	(5,075)
3,920,851	3,548,000	3,870,861	49,990
396,720	390,550	475,550	78,830
455,447	475,100	475,100	19,653
103,739	125,000	110,000	6,261
73,919	177,500	118,000	44,081
15,803	60,000	60,000	44,197
310,141	210,000	233,200	(76,941)
281,258	285,000	285,000	3,742
171,540	180,000	180,000	8,460
1,687,048	1,430,000	1,550,000	(137,048)
3,495,615	3,333,150	3,486,850	(8,765)
425,236	214,850	384,011	41,225
1,283,540	515,000	515,000	768,540
1,708,776	729,850	899,011	809,765
2,275,704	2,730,000	2,991,400	(715,696)
3,984,480	3,459,850	3,890,411	94,069

Sample Cash City

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$153,700. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the general government and business type activities functions.

**Other Supplementary Information**

Sample Cash City

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

As of and for the year ended June 30, 2011

	Special Revenue		
	CEBA Grant	Employee Benefits	Local Option Sales Tax
Receipts:			
Property tax	\$ -	55,048	-
Other city tax	-	1,990	190,470
Use of money and property	-	-	-
Intergovernmental	125,000	-	-
Special assessments	-	-	-
Miscellaneous	-	-	-
Total receipts	125,000	57,038	190,470
Disbursements:			
Operating:			
Public safety	-	27,820	-
Public works	-	12,991	-
Health and social services	-	6,496	-
Culture and recreation	-	1,069	-
General government	-	17,734	-
Debt service	-	-	-
Capital projects	100,000	-	-
Total disbursements	100,000	66,110	-
Excess (deficiency) of receipts over (under) disbursements	25,000	(9,072)	190,470
Other financing uses:			
Operating transfers out	-	-	(190,470)
Net change in cash balances	25,000	(9,072)	-
Cash balances beginning of year, as restated	-	32,016	-
Cash balances end of year	\$ 25,000	22,944	-
<b>Cash Basis Fund Balances</b>			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for other purposes	25,000	22,944	-
Unassigned	-	-	-
Total cash basis fund balances	\$ 25,000	22,944	-

See accompanying independent auditor's report.

Special Assessment Bonds/Notes	Library Building Trust	Capital Projects	Permanent		Total
			Cemetery Perpetual Care		
-	-	-	-	-	55,048
-	-	-	-	-	192,460
-	2,433	-	-	-	2,433
-	-	-	-	-	125,000
59,576	-	-	-	-	59,576
-	-	-	2,200	-	2,200
59,576	2,433	-	2,200	-	436,717
-	-	-	-	-	27,820
-	-	-	-	-	12,991
-	-	-	-	-	6,496
-	1,978	-	-	-	3,047
-	-	-	-	-	17,734
80,280	-	-	-	-	80,280
-	-	46,540	-	-	146,540
80,280	1,978	46,540	-	-	294,908
(20,704)	455	(46,540)	2,200	-	141,809
-	-	-	-	-	(190,470)
(20,704)	455	(46,540)	2,200	-	(48,661)
27,208	29,800	-	11,800	-	100,824
6,504	30,255	(46,540)	14,000	-	52,163
-	-	-	11,500	-	11,500
6,504	30,255	-	2,500	-	87,203
-	-	(46,540)	-	-	(46,540)
6,504	30,255	(46,540)	14,000	-	52,163

Sample Cash City  
Schedule of Indebtedness  
Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Fire station improvement	Jun 1, 2001	3.70%	\$ 150,000
Bridge	Jun 1, 2001	5.50-6.25	100,000
Street improvement	Aug 1, 2001	3.50-3.90	320,000
Sanitary sewer	Sep 1, 2005	4.70-5.50	850,000
Sewer construction	Jul 1, 2010	8.70-9.50	750,000
Total			
Special assessment bonds:			
Street improvement	Apr 1, 2007	9.50%	\$ 110,000
Special assessment notes:			
Street improvement	Nov 1, 2006	6.10-6.40%	\$ 60,000
Urban renewal tax increment financing (TIF) revenue bonds			
	Dec 23, 2010	7.00%	\$ 515,000
Revenue notes:			
Water	May 1, 2002	4.95-5.15%	\$ 2,800,000
Sewer	Jun 1, 2006	5.30	500,000
Total			
Anticipatory warrants:			
Sewer construction	Varies	6.25%	\$ 190,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
30,000	-	15,000	15,000	555	-
50,000	-	5,000	45,000	2,933	45
180,000	-	10,000	170,000	7,180	325
625,000	-	20,000	605,000	32,135	900
-	750,000	50,000	700,000	68,175	-
<b>\$ 885,000</b>	<b>750,000</b>	<b>100,000</b>	<b>1,535,000</b>	<b>110,978</b>	<b>1,270</b>
30,000	-	30,000	-	10,178	300
30,000	-	30,000	-	10,102	-
-	515,000	-	515,000	15,803	-
1,310,000	-	170,000	1,140,000	74,825	280
370,000	-	20,000	350,000	20,704	370
<b>\$ 1,680,000</b>	<b>-</b>	<b>190,000</b>	<b>1,490,000</b>	<b>95,529</b>	<b>650</b>
190,000	-	35,000	155,000	10,963	-

Sample Cash City  
Bond and Note Maturities  
June 30, 2011

Year Ending June 30,	General Obligation Bonds					
	Fire Station Improvement		Bridge		Street Improvement	
	Issued Jun 1, 2001		Issued Jun 1, 2001		Issued Aug 1, 2001	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2012	3.70%	\$ 15,000	5.50%	\$ 5,000	3.50%	\$ 10,000
2013		-	5.75	5,000	3.50	15,000
2014		-	5.75	5,000	3.60	15,000
2015		-	5.75	5,000	3.60	15,000
2016		-	6.00	5,000	3.60	15,000
2017		-	6.00	5,000	3.70	20,000
2018		-	6.00	5,000	3.70	20,000
2019		-	6.25	5,000	3.80	20,000
2020		-	6.25	5,000	3.80	20,000
2021		-		-	3.90	20,000
2022		-		-		-
2023		-		-		-
2024		-		-		-
2025		-		-		-
Total		<u>\$ 15,000</u>		<u>\$ 45,000</u>		<u>\$ 170,000</u>

Year Ending June 30,	Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Revenue Notes				
	Issued Dec 23, 2010		Water		Sewer		Total
	Issued Dec 23, 2010		Issued May 1, 2002		Issued Jun 1, 2006		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2012	7.00%	\$ -	4.95%	\$ 170,000	5.30%	\$ 20,000	190,000
2013	7.00	-	5.05	180,000	5.30	20,000	200,000
2014	7.00	20,000	5.05	190,000	5.30	20,000	210,000
2015	7.00	30,000	5.15	200,000	5.30	20,000	220,000
2016	7.00	35,000	5.15	200,000	5.30	20,000	220,000
2017	7.00	40,000	5.15	200,000	5.30	20,000	220,000
2018	7.00	40,000		-	5.30	20,000	20,000
2019	7.00	40,000		-	5.30	20,000	20,000
2020	7.00	40,000		-	5.30	20,000	20,000
2021	7.00	50,000		-	5.30	20,000	20,000
2022	7.00	50,000		-	5.30	30,000	30,000
2023	7.00	50,000		-	5.30	30,000	30,000
2024	7.00	60,000		-	5.30	30,000	30,000
2025	7.00	60,000		-	5.30	30,000	30,000
2026		-		-	5.30	30,000	30,000
Total		<u>\$ 515,000</u>		<u>\$ 1,140,000</u>		<u>\$ 350,000</u>	<u>1,490,000</u>

See accompanying independent auditor's report.

Sanitary Sewer Issued Sep 1, 2005			Sewer Construction Issued Jul 1, 2010		Total
Interest			Interest		
Rates		Amount	Rates	Amount	
4.70%	\$	30,000	8.70%	\$ 50,000	110,000
4.70		30,000	8.70	50,000	100,000
4.90		40,000	9.00	50,000	110,000
4.90		40,000	9.00	50,000	110,000
4.90		40,000	9.00	50,000	110,000
5.15		40,000	9.00	50,000	115,000
5.15		40,000	9.00	50,000	115,000
5.25		40,000	9.25	50,000	115,000
5.25		50,000	9.25	50,000	125,000
5.25		50,000	9.25	50,000	120,000
5.25		50,000	9.25	50,000	100,000
5.25		50,000	9.25	50,000	100,000
5.50		50,000	9.50	50,000	100,000
5.50		55,000	9.50	50,000	105,000
	\$	<u>605,000</u>		<u>\$ 700,000</u>	<u>1,535,000</u>

Sample Cash City

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

For the Last Ten Years

	2011	2010	2009	2008
<b>Receipts:</b>				
Property tax	\$ 1,034,479	1,005,582	979,896	963,609
Tax increment financing	95,832	81,320	82,600	40,310
Other city tax	242,198	235,418	229,404	225,591
Licenses and permits	16,254	15,982	15,910	15,811
Use of money and property	113,075	94,280	100,101	98,212
Intergovernmental	495,575	412,310	469,812	448,100
Charges for service	110,417	97,300	107,300	106,819
Special assessments	62,792	63,411	64,250	61,310
Miscellaneous	31,296	20,517	38,595	15,911
<b>Total</b>	<b>\$ 2,201,918</b>	<b>2,026,120</b>	<b>2,087,868</b>	<b>1,975,673</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 396,720	380,300	372,444	372,444
Public works	455,447	500,616	502,640	502,640
Health and social services	103,739	97,311	98,128	98,128
Culture and recreation	73,919	75,244	71,311	71,311
Community and economic development	15,803	11,829	11,914	11,914
General government	310,141	298,411	292,498	292,498
Debt service	281,258	247,200	246,500	246,500
Capital projects	171,540	108,500	99,980	99,980
<b>Total</b>	<b>\$ 1,808,567</b>	<b>1,719,411</b>	<b>1,719,411</b>	<b>1,695,415</b>

See accompanying independent auditor's report.

2007	2006	2005	2004	2003	2002
958,791	949,203	930,219	920,917	911,708	902,591
40,108	39,707	38,913	38,524	38,139	37,757
224,463	222,218	217,774	215,596	213,440	211,306
15,732	15,575	15,263	15,111	14,959	14,810
97,721	96,744	94,809	93,861	92,922	91,993
445,860	441,401	432,573	428,247	423,965	419,725
106,285	105,222	103,118	102,086	101,066	100,055
61,003	60,393	59,186	58,594	58,008	57,428
15,831	15,673	15,360	15,206	15,054	14,903
1,965,794	1,946,136	1,907,215	1,888,142	1,869,261	1,850,568
370,582	366,876	359,538	355,943	352,384	348,860
500,127	495,126	485,223	480,371	475,567	470,811
97,637	96,661	94,728	93,780	92,843	91,914
70,954	70,245	68,840	68,152	67,470	66,795
11,854	11,736	11,501	11,386	11,272	11,160
291,036	288,125	282,363	279,539	276,744	273,976
245,268	242,815	237,959	235,579	233,223	230,891
99,480	98,485	96,516	95,550	94,595	93,649
1,686,938	1,670,069	1,636,668	1,620,300	1,604,098	1,588,056

**Schedule 5**

## Sample Cash City

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	11-CD-000	\$ 531,000
Federal Highway Administration:			
Iowa Department of Transportation:			
ARRA - Highway Planning and Construction	20.205	ESL-9999(999)--7S-82	4,000
U.S. Department of Education:			
Iowa Department of Transportation:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	S397A090016A	5,000
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1877-DRIA	15,000
Total			\$ 555,000

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Sample Cash City and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



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

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sample Cash City, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated September 22, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, 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 Sample Cash City'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 accompanying Schedule of Findings and Questioned Costs as items II-A-11, II-B-11 and II-C-11 to be material weaknesses.

A significant deficiency is a deficiency, or a 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. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-D-11 and II-E-11 to be significant deficiencies.

## Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sample Cash City and other parties to whom Sample Cash City may report, including federal awarding agencies and pass-through entities, and 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 Sample Cash City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

DAVID A. VAUDT, CPA  
Auditor of State

September 22, 2011

**Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133**

**Sample Cash City**



OFFICE OF AUDITOR OF STATE  
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To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited Sample Cash City, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on Sample City's major federal program for the year ended June 30, 2011. Sample Cash City's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Sample Cash City's management. Our responsibility is to express an opinion on Sample Cash City's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sample Cash City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Sample Cash City's compliance with those requirements.

In our opinion, Sample Cash City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and is described as item III-A-11 in the accompanying Schedule of Findings and Questioned Costs.

Internal Control Over Compliance

The management of Sample Cash City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered Sample Cash City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sample Cash City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-B-11 to be a material weakness.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sample Cash City and other parties to whom Sample Cash City may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

DAVID A. VAUDT, CPA  
Auditor of State

September 22, 2011

Sample Cash City  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2011

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the 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.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Sample Cash City did not qualify as a low-risk auditee.

Sample Cash City

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- II-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

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

Response and Corrective Action Planned – We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the cash receipts listing, depositing and posting duties will be separated and spread among several employees and the Council will also start reviewing and tracing all deposits to cash receipts journal posting. We plan to implement these changes November 2, 2011.

Conclusion – Response accepted.

- II-B-11 Financial Reporting – During the audit, we identified a material amount of property tax misposted to the General Fund rather than the Debt Service Fund. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements.

Recommendation – The City should implement procedures to ensure property tax receipts are properly recorded in the City's financial statements.

Response – We will double check this in the future to avoid posting errors.

Conclusion – Response accepted.

- II-C-11 Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared. Also, utility collections were not reconciled to deposits.

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. 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 delinquencies.

Response – These procedures have been implemented as recommended.

Conclusion – Response accepted.

Sample Cash City

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

II-D-11 Credit Cards – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. Additionally, supporting documentation was not always available to support credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – Although we have not established a formal written policy detailing specifics on the use of City credit cards, we have unwritten guidelines. We will review procedures and guidelines and establish a written policy.

Conclusion – Response accepted.

II-E-11 Police Department Collections – The Police Department collects fines and fees, periodically remitting collections to the City Clerk for deposit. Documentation supporting these collections was inadequate to determine the amounts which should have been collected and remitted to the City Clerk for deposit.

Recommendation – To strengthen the control over the accountability of receipts generated by Police Department activities, the City should require all collections be made at the Clerk's office, thereby segregating the collection procedures from the control over original source documents. A further measure of control may be implemented by requiring an authorized independent person to verify collections with the original source documents on a periodic, unscheduled basis.

Response – We have completed a study of procedures and have made drastic changes in documents supporting charges and have required fees be collected at the City Clerk's office.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Sample Cash City  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2011

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

**CFDA Number 97.036: Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

**Pass-through Agency Number: FEMA-1877-DRIA**

**Federal Award Year: 2011**

**U.S. Department of Homeland Security**

**Passed through the Iowa Department of Public Defense**

III-A-11 Undocumented Costs – Supporting documentation was not available to substantiate \$11,279 of labor and equipment costs.

Recommendation – The City should implement procedures to ensure supporting documentation is retained. In addition, the City should review labor and equipment costs and reconcile to employee time records and invoices to ensure the accuracy of the final P.4 report.

Response and Corrective Action Planned – We will review and reconcile the daily activity summary reports and the employee time records for the completed work to date. We have also instituted additional employee time record keeping measures to facilitate this activity in the future.

Conclusion – Response accepted.

**INTERNAL CONTROL DEFICIENCIES:**

**CFDA Number 14.228: Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii**

**Pass-through Agency Number: 11-CD-000**

**Federal Award Year: 2011**

**U.S. Department of Housing and Urban Development**

**Passed through the Iowa Department of Economic Development**

III-B-11 Segregation of Duties over Federal Receipts – The City did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See item II-A-11.

Sample Cash City

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the general government and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

IV-B-11 Questionable Disbursements – Certain disbursements we believe 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 were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Anywhere Flower Shop	Flower arrangements for gifts	\$ 332
Anywhere Quick Shop	Pop and food for City employees	239

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response – We will comply with this recommendation.

Conclusion – Response accepted.

IV-C-11 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

Sample Cash City

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- IV-D-11 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Rosemary Jones, Mayor, Owner of Jones Construction	Construction, per bid	\$ 105,052
Kevin Linden, Council Member, Owner of Linden Welding	Repair and welding	1,295
J. J. Silver, Public Works Director, Part-owner of J. J.'s Hardware	Parts and supplies	436

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Council Member and Public Works Director do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year. The transaction with the Mayor does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(e) of the Code of Iowa.

- IV-E-11 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 the coverage is adequate for current operations.

- IV-F-11 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

The Council went into closed session on May 17, 2011. However, the minutes record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

Although minutes of Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also, the City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should publish minutes and annual individual salaries as required.

Response – We will comply with the Code requirements for closed sessions. We will publish minutes and salaries as required.

Conclusion – Response accepted.

Sample Cash City

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

IV-G-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

IV-H-11 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

IV-I-11 Payment of General Obligation Bonds – Certain general obligation bonds were paid from the Enterprise, Sewer Fund. Chapter 384.4 of the Code of Iowa states, in part “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.”

Recommendation – The City should transfer from the Enterprise, Sewer Fund to the Debt Service Fund for future funding contributions. Payment of the bonds should then be disbursed from the Debt Service Fund.

Response – We will transfer in the future as recommended.

Conclusion – Response accepted.

IV-J-11 Notice of Public Hearing for Public Improvements – The City did not publish a notice of public hearing on the Main Street sewer project as required by Chapters 26.12 and 362.3 of the Code of Iowa.

Recommendation – Before entering into a contract for a public improvement with an estimated total cost in excess of \$100,000, the Council should hold a public hearing and give notice at least four but not more than twenty days prior to the hearing.

Response – We will publish the appropriate notices in the future as required.

Conclusion – Response accepted.

IV-K-11 Sales Tax – Sales tax on sewer services provided to non-residential commercial operations was not uniformly assessed.

Recommendation – The City should uniformly assess sales tax on sewer services provided to non-residential commercial operations in accordance with section 701-26.72 of the Iowa Department of Revenue Administrative Rules and Regulations.

Response – This will be corrected.

Conclusion – Response accepted.

IV-L-11 Financial Condition – The Capital Projects Fund had a deficit balance of \$46,540 at June 30, 2011.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Sample Cash City

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Response – The deficit was due to construction costs incurred prior to receipt of a state grant. The deficit was subsequently eliminated.

Conclusion – Response accepted.

Sample Cash City

Staff

This audit was performed by:

Jerome Warning, CPA, Manager  
Janice Brinkley, CPA, Senior Auditor  
Stanley Hood, CPA, Assistant Auditor

Andrew E. Nielsen, CPA  
Deputy Auditor of State