



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

David A. Vaudt, CPA  
Auditor of State

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NEWS RELEASE

FOR RELEASE

June 23, 2008

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an agreed upon procedures report on the City of Batavia, Iowa for the period July 1, 2005 through June 30, 2006. The agreed upon procedures were performed at the request of the City Council.

Vaudt recommended the City make corrections to the balances reported in the 2006 Annual Financial Report filed with the Office of Auditor of State and develop procedures to ensure payroll allocations are applied consistently and are based on the time spent for the administration of each fund. Vaudt also recommended the City improve management financial information provided to the City Council. The City's responses are included in the report.

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

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**CITY OF BATAVIA**  
**INDEPENDENT ACCOUNTANT'S REPORT ON**  
**APPLYING AGREED UPON PROCEDURES**  
**FOR THE PERIOD**  
**JULY 1, 2005 THROUGH JUNE 30, 2006**

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**City of Batavia**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tina McCoy	Mayor	Jan 2010
Steve Smith	Mayor Pro tem	Jan 2010
Jon Vice (appointed)	Council Member	Nov 2008
Andy Pearson	Council Member	Jan 2010
Lynda Yochum	Council Member	Jan 2010
Tom Drish	Council Member	Jan 2012
Heather Smith	Clerk	Indefinite
Michael Moreland	City Attorney	Indefinite

**City of Batavia**



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Independent Accountant's Report on Applying Agreed Upon Procedures

To the Honorable Mayor and  
Members of the City Council:

We have performed the following procedures, which were agreed to by the City of Batavia, solely to assist the City in evaluating the accuracy of the June 30, 2006 reported balances provided to the City Council by the City Clerk. In addition, while performing procedures related to the City Clerk's reported balances, we also performed procedures on the City's Annual Financial Report (AFR) for the year ended June 30, 2006. Management is responsible for the City of Batavia's Annual Financial Report.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed were as follows:

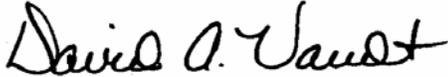
1. We reviewed City records for completeness and proper record keeping.
2. We reviewed available monthly financial reports and compared those reports to other City records.
3. We scheduled receipts and disbursements by fund from the City's bank statements for comparison to the available monthly City Clerk reports. We compiled monthly totals of receipts and disbursements for the period April through June 2006 when the City was without a permanent City Clerk. We determined totals and balances for the fiscal year ended June 30, 2006 for comparison to the City's 2006 AFR.
4. We obtained copies of bank statements for each month for the year ended June 30, 2006.
5. We obtained a listing from the Office of Treasurer of State of local option sales and services tax and road use tax allocations paid to the City for comparison to the amounts reported in the City's records.
6. We obtained a copy of the City's sewer revenue bond agreement to determine if bond payments, reserve requirements and other bond provisions had been met.

Based on the performance of the procedures described above, we identified recommendations for the City which are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to conduct an examination, the objective of which would be the expression of an opinion on the of the City's June 30, 2006 reported balances or the Annual Financial Report submitted to the Office of Auditor of State by the City of Batavia for the year ended June 30, 2006. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Batavia and other parties to whom the City of Batavia may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the assistance extended to us by personnel of the City of Batavia. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 3, 2008

**City of Batavia**

## **Detailed Recommendations**

City of Batavia

Detailed Recommendations

July 1, 2005 through June 30, 2006

- (A) Annual Financial Report – The City is required to annually submit an Annual Financial Report (AFR) to the Office of Auditor of State. The AFR provides information related to the City's receipts, disbursements and balances of all funds administered by the City. The AFR should be based upon actual receipt and disbursement activity and should agree with the City's financial records. The City reported an ending balance of \$440,261 on the 2006 AFR submitted which did not agree with the \$466,570 total available at June 30, 2006 determined from compiling the City's checking and savings accounts and certificates of deposit.

The City incorrectly reported \$22,390 of transfers between the City's checking account and the City's savings accounts to accumulate funds for the annual debt service payment on outstanding bonds payable as sanitary sewer account disbursements on the 2006 AFR. In addition, the amounts reported in the 2006 AFR did not include all interest received on the City's certificates of deposit and savings accounts, did not include July 2005 collections for garbage services and did not report disbursements for direct bank charges for returned items and check printing.

Recommendation – The City should make corrections and amend the 2006 Annual Financial Report balances. Adjustments or revisions to financial reports should be presented to the City Council for approval. If the Council concurs with the adjustments and revisions, the Council should approve a resolution to authorize the adjustments and revisions.

Response – We have included corrections for the 2006 AFR balances in our 2007 AFR. The ending balances reported for June 30, 2007 agree to our bank balances. The Council approved the 2007 AFR prior to publication and filing.

Conclusion – Response accepted.

- (B) Payroll Allocations – The salary of the City Clerk is allocated monthly to either the General Fund or the Road Use Tax Fund. However the allocation was not done on a consistent basis each month. Each fund was charged the entire monthly salary for certain months rather than an allocation based on time spent for each fund during the month.

Recommendation – The City should develop procedures to ensure payroll allocations are applied consistently and are based on the time spent for the administration of each fund.

Response – For fiscal year 2008 our payroll split was changed. The City Clerk's payroll is allocated to the General, Water, Sewer and Garbage Funds each month. The City's maintenance payroll is allocated to the General, Road Use Tax, Water and Sewer Funds each month.

Conclusion – Response accepted. The City should review the payroll allocation periodically for adjustment to actual time spent, as necessary.

City of Batavia

Detailed Recommendations

July 1, 2005 through June 30, 2006

- (C) Management Financial Information – The financial reports provided to the City Council consisted of a cash report for the month, which included beginning and end of month balances and total receipts and disbursements for the month by individual fund. The financial reports provided to the Council did not include summary totals of receipts and disbursements for the year or comparisons to the certified budget by disbursement function.

Recommendation – To provide better control over budgeted disbursements and provide the opportunity for timely amendment to the budget, the monthly financial reports provided to the Council should include totals of receipts and disbursements for the year for comparison to the certified budget by function.

Response – The City Clerk has been including year to date totals for the budget reports provided to the Council for review during the 2007 fiscal year.

Conclusion – Response accepted.

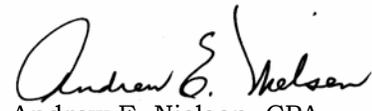
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City of Batavia

Staff

This agreed upon procedures engagement was performed by:

Ronald D. Swanson, CPA, Manager  
Paula J. Smothers, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State