



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

June 23, 2009

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$280,602 for the year ended June 30, 2008. The receipts included \$63,350 in property tax, \$14,777 from tax increment financing, \$102,766 from charges for service, \$49,791 from operating grants, contributions and restricted interest, \$3,095 from capital grants, contributions and restricted interest, \$25,178 from local option sales tax, \$10,496 from unrestricted interest on investments and \$11,149 from other general receipts.

Disbursements for the year totaled \$274,597, and included \$66,319 for culture and recreation, \$56,654 for general government and \$40,865 for public works. Also, disbursements for business type activities totaled \$64,124.

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

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

JUNE 30, 2008

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City of Marble Rock

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2008)		
J. R. Ackley	Mayor	Jan 2008
Jerry Engelhardt	Mayor Pro tem	Jan 2008
Beverly Fisher	Council Member	Jan 2008
Max Handley	Council Member	Jan 2010
Donald Hutzell	Council Member	Jan 2010
Tracy Merfeld	Council Member	Jan 2010
Sandra Winters	Clerk/Treasurer	Indefinite
Richard Vickers	Attorney	Indefinite
(After January 2008)		
Doug Merfeld	Mayor	Jan 2012
Jerry Engelhardt	Mayor Pro tem	Jan 2012
Max Handley	Council Member	Jan 2010
Donald Hutzell	Council Member	Jan 2010
Tracy Merfeld	Council Member	Jan 2010
Steven Wells	Council Member	Jan 2012
Sandra Winters	Clerk/Treasurer	Indefinite
Greg Lievens	Attorney	(Resigned)
Mark Walk (Appointed)	Attorney	Indefinite

City of Marble Rock



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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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Marble Rock, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Marble Rock's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2007.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2007, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Marble Rock as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

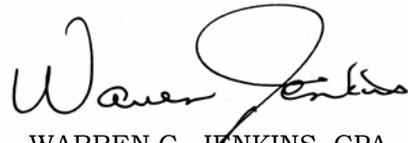
In accordance with Government Auditing Standards, we have also issued our report dated June 3, 2009 on our consideration of the City of Marble Rock's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marble Rock's basic financial statements. Other supplementary information included in Schedule 1 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



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 3, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Marble Rock provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities increased approximately \$19,000 to \$333,561 at June 30, 2008.
- The cash basis net assets of the City's business type activities decreased approximately \$13,000 to \$128,301 at June 30, 2008.

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 City's outstanding debt.

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 water and sewer systems. 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 and 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$314,679 to \$333,561. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

Year ended
June 30, 2008

Receipts:

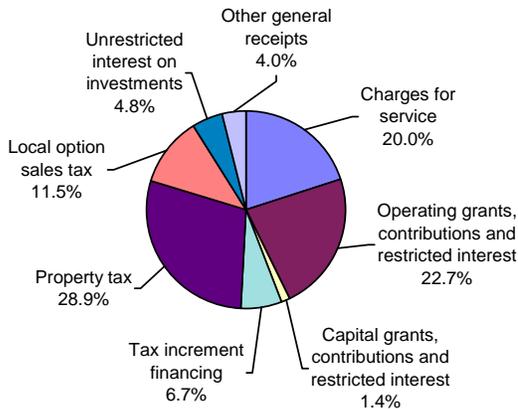
Program receipts:	
Charges for service	\$ 43,856
Operating grants, contributions and restricted interest	49,791
Capital grants, contributions and restricted interest	3,095
General receipts:	
Property tax	63,350
Tax increment financing	14,777
Local option sales tax	25,178
Unrestricted interest on investments	10,496
Other general receipts	8,812
Total receipts	<u>219,355</u>

Disbursements:

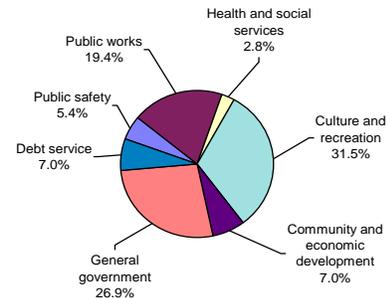
Public safety	11,444
Public works	40,865
Health and social services	5,795
Culture and recreation	66,319
Community and economic development	14,687
General government	56,654
Debt service	14,709
Total disbursements	<u>210,473</u>

Change in cash basis net assets before transfers	8,882
Transfers, net	<u>10,000</u>
Change in cash basis net assets	18,882
Cash basis net assets beginning of year	<u>314,679</u>
Cash basis net assets end of year	<u><u>\$ 333,561</u></u>

Receipts by Source



Disbursements by Function



<u>Changes in Cash Basis Net Assets of Business Type Activities</u>	
	<u>Year ended June 30, 2008</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 26,645
Sewer	32,265
General receipts:	
Other general receipts	2,337
Total receipts	<u>61,247</u>
Disbursements:	
Water	29,525
Sewer	34,599
Total disbursements	<u>64,124</u>
Change in cash basis net assets before transfers	(2,877)
Transfers, net	<u>(10,000)</u>
Change in cash basis net assets	(12,877)
Cash basis net assets beginning of year	<u>141,178</u>
Cash basis net assets end of year	<u>\$ 128,301</u>

The cash balance decreased by approximately \$13,000 from the prior year, primarily due to the repayment of a loan of \$10,000 from the Special Revenue, Urban Renewal Tax Increment Fund to the Proprietary, Sewer Fund.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Marble Rock completed the year, its governmental funds reported a combined fund balance of \$333,561, an increase of approximately \$19,000 over last year's total of \$314,679. 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 \$1,681 from the prior year to \$250,135.
- The Special Revenue, Road Use Tax Fund cash balance increased \$10,594 to \$57,985 during the fiscal year. This increase was attributable to approximately \$25,000 from 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, Employee Benefits Fund cash balance increased \$788 to \$19,622 during the fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$543 to \$29,179.
- The Sewer Fund cash balance decreased \$12,334 to \$99,122, due primarily to the repayment of a loan of \$10,000 from the Special Revenue, Urban Renewal Tax Increment Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 5, 2008 and resulted in an increase in operating disbursements of approximately \$58,000, primarily due to street repair, utilities, water repair/analysis, radio purchases and community center disbursements. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$939 less than budgeted. Total disbursements were \$44,825 less than the amended budget.

The City did not exceed the amounts budgeted for any function for the year ended June 30, 2008.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Marble Rock's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates and fees charged for various City activities. One of those factors is the economy.

These indicators were taken into account when adopting the budget for fiscal year 2009. Amounts available for appropriation in the operating budget are \$283,137, a decrease of 11.4% from the final 2008 budget. The City has added no major new programs or initiatives to the 2009 budget.

If these estimates are realized, the City's budgeted cash balance is expected to be \$411,144 by the close of 2009.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sandra Winters, City Clerk, 105 Main Street, Marble Rock, Iowa 50653.

City of Marble Rock

Basic Financial Statements

City of Marble Rock

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2008

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 11,444	-	4,791	3,095
Public works	40,865	15,929	27,933	-
Health and social services	5,795	-	-	-
Culture and recreation	66,319	22,233	17,067	-
Community and economic development	14,687	-	-	-
General government	56,654	5,694	-	-
Debt service	14,709	-	-	-
Total governmental activities	210,473	43,856	49,791	3,095
Business type activities:				
Water	29,525	26,645	-	-
Sewer	34,599	32,265	-	-
Total business type activities	64,124	58,910	-	-
Total primary government	\$ 274,597	102,766	49,791	3,095
Component Unit:				
Marble Rock Community Fire Company	\$ 31,895	-	39,964	-
General Receipts:				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Employee benefits				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			Component Unit
Governmental Activities	Business Type Activities	Total	Marble Rock Community Fire Company
(3,558)	-	(3,558)	-
2,997	-	2,997	-
(5,795)	-	(5,795)	-
(27,019)	-	(27,019)	-
(14,687)	-	(14,687)	-
(50,960)	-	(50,960)	-
(14,709)	-	(14,709)	-
(113,731)	-	(113,731)	-
-	(2,880)	(2,880)	-
-	(2,334)	(2,334)	-
-	(5,214)	(5,214)	-
(113,731)	(5,214)	(118,945)	-
-	-	-	8,069
\$ 63,350	-	63,350	-
14,777	-	14,777	-
25,178	-	25,178	-
10,496	-	10,496	-
8,812	2,337	11,149	-
10,000	(10,000)	-	-
132,613	(7,663)	124,950	-
18,882	(12,877)	6,005	8,069
314,679	141,178	455,857	30,877
\$ 333,561	128,301	461,862	38,946
\$ 57,985	-	57,985	-
19,622	-	19,622	-
5,819	-	5,819	-
250,135	128,301	378,436	38,946
\$ 333,561	128,301	461,862	38,946

City of Marble Rock

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

As of and for the year ended June 30, 2008

	Special		
	General	Road Use Tax	Employee Benefits
Receipts:			
Property tax	\$ 40,053	-	21,033
Tax increment financing	-	-	-
Other city tax	29,842	-	777
Licenses and permits	165	-	-
Use of money and property	10,135	546	-
Intergovernmental	14,982	27,933	-
Charges for service	20,119	-	-
Miscellaneous	35,288	-	3,705
Total receipts	<u>150,584</u>	<u>28,479</u>	<u>25,515</u>
Disbursements:			
Operating:			
Public safety	11,444	-	-
Public works	22,912	3,176	-
Health and social services	5,795	-	-
Culture and recreation	66,319	-	-
Community and economic development	10,332	-	4,355
General government	56,654	-	-
Debt service	-	14,709	-
Total disbursements	<u>173,456</u>	<u>17,885</u>	<u>4,355</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(22,872)</u>	<u>10,594</u>	<u>21,160</u>
Other financing sources (uses):			
Operating transfers in	24,553	-	-
Operating transfers out	-	-	(20,372)
Total other financing sources (uses)	<u>24,553</u>	<u>-</u>	<u>(20,372)</u>
Net change in cash balances	1,681	10,594	788
Cash balances beginning of year	248,454	47,391	18,834
Cash balances end of year	<u>\$ 250,135</u>	<u>57,985</u>	<u>19,622</u>
Cash Basis Fund Balances			
Unreserved, designated:			
Library	\$ 178,821	-	-
Community center	15,480	-	-
Parks	1,045	-	-
Unreserved, undesignated:			
General fund	54,789	-	-
Special revenue funds	-	57,985	19,622
Total cash basis fund balances	<u>\$ 250,135</u>	<u>57,985</u>	<u>19,622</u>

See notes to financial statements.

Revenue	
Nonmajor	
Urban	
Renewal	
Tax Increment	Total
-	61,086
14,777	14,777
-	30,619
-	165
-	10,681
-	42,915
-	20,119
-	38,993
14,777	219,355

-	11,444
14,777	40,865
-	5,795
-	66,319
-	14,687
-	56,654
-	14,709
14,777	210,473

-	8,882
---	-------

10,000	34,553
(4,181)	(24,553)
5,819	10,000

5,819	18,882
-------	--------

-	314,679
---	---------

5,819	333,561
-------	---------

-	178,821
-	15,480
-	1,045

-	54,789
5,819	83,426

5,819	333,561
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City of Marble Rock

City of Marble Rock

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

As of and for the year ended June 30, 2008

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 26,645	32,265	58,910
Operating disbursements:			
Business type activities	29,525	34,599	64,124
Deficiency of operating receipts under operating disbursements	(2,880)	(2,334)	(5,214)
Non-operating receipts:			
Miscellaneous	2,337	-	2,337
Deficiency of receipts under disbursements	(543)	(2,334)	(2,877)
Operating transfers out	-	(10,000)	(10,000)
Net change in cash balances	(543)	(12,334)	(12,877)
Cash balances beginning of year	29,722	111,456	141,178
Cash balances end of year	\$ 29,179	99,122	128,301
Cash Basis Fund Balances			
Unreserved	\$ 29,179	99,122	128,301

See notes to financial statements.

City of Marble Rock

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

The City of Marble Rock is a political subdivision of the State of Iowa located in Floyd County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Marble Rock 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.

These financial statements present the City of Marble Rock (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because it could be misleading to exclude it or it is so intertwined with the City that it is, in substance, the same as the City.

Discretely Presented Component Unit

The Marble Rock Community Fire Company (Fire Company) was established to preserve life and property from and during fire and other emergencies as may occur in the Marble Rock Fire District and all other areas that may be covered by mutual aid agreements. The Fire Company is governed by a five member Board of Directors elected by and for its members. Title to all property of the Fire Company is held in the name of the Fire Company. Complete financial statements can be obtained from the Marble Rock Community Fire Company.

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: Floyd County Assessor's Conference Board, Floyd County Emergency Management Commission, Floyd County Landfill Commission and Floyd 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 and its component unit. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Employee Benefits Fund is used to account for employee benefits.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime

eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Bank Loan

On September 23, 2003, the City entered into a loan agreement with a local bank for \$65,000. The funds were used for street repair. The loan bears 4.9% per annum interest and is to be repaid in sixty monthly payments of \$1,226, including interest, beginning October 23, 2003 and ending September 23, 2008. The balance of the loan at June 30, 2008 was \$3,364.

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2008 was \$3,620, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation 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 payable to employees at June 30, 2008 is \$2,000, primarily relating to the General Fund. This liability has been computed based on rates of pay in effect at June 30, 2008.

(6) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Urban Renewal Tax Increment	\$ 4,181
	Employee Benefits	<u>20,372</u>
		24,553
Special Revenue:	Enterprise:	
Urban Renewal Tax Increment	Sewer	<u>10,000</u>
Total		<u><u>\$ 34,553</u></u>

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

(7) 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.

(8) Developer Agreement

The City agreed to rebate 100% of the incremental tax paid by Farmers Cooperative (the developer) in exchange for the costs of constructing a grain processing facility. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated beginning in the fiscal year ended June 30, 2003 for seven years. During the year ended June 30, 2008, \$14,777 was rebated to the developer, Farmers Cooperative.

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 61,086	-	61,086
Tax increment financing	14,777	-	14,777
Other city tax	30,619	-	30,619
Licenses and permits	165	-	165
Use of money and property	10,681	-	10,681
Intergovernmental	42,915	-	42,915
Charges for service	20,119	58,910	79,029
Miscellaneous	38,993	2,337	41,330
Total receipts	<u>219,355</u>	<u>61,247</u>	<u>280,602</u>
Disbursements:			
Public safety	11,444	-	11,444
Public works	40,865	-	40,865
Health and social services	5,795	-	5,795
Culture and recreation	66,319	-	66,319
Community and economic development	14,687	-	14,687
General government	56,654	-	56,654
Debt service	14,709	-	14,709
Business type activities	-	64,124	64,124
Total disbursements	<u>210,473</u>	<u>64,124</u>	<u>274,597</u>
Excess (deficiency) of receipts over (under) disbursements	8,882	(2,877)	6,005
Other financing sources, net	10,000	(10,000)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	18,882	(12,877)	6,005
Balances beginning of year	314,679	141,178	455,857
Balances end of year	<u>\$ 333,561</u>	<u>128,301</u>	<u>461,862</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
60,854	60,854	232
15,953	15,953	(1,176)
24,274	29,274	1,345
185	185	(20)
7,960	7,960	2,721
42,655	44,470	(1,555)
70,095	76,005	3,024
43,890	46,840	(5,510)
<u>265,866</u>	<u>281,541</u>	<u>(939)</u>
12,386	12,132	688
41,348	57,698	16,833
4,800	6,380	585
64,309	77,709	11,390
15,953	15,953	1,266
49,463	62,404	5,750
14,710	14,710	1
58,436	72,436	8,312
<u>261,405</u>	<u>319,422</u>	<u>44,825</u>
4,461	(37,881)	43,886
-	-	-
4,461	(37,881)	43,886
<u>435,058</u>	<u>456,023</u>	<u>(166)</u>
<u>439,519</u>	<u>418,142</u>	<u>43,720</u>

City of Marble Rock

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the discretely presented component unit. 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 and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$58,017. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted.

Other Supplementary Information

City of Marble Rock
Schedule of Indebtedness
Year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Bank loan: Street repair	Sep 23, 2003	4.90%	\$ 65,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
17,521	-	14,157	3,364	552

City of Marble Rock



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Marble Rock, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated June 3, 2009. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2007. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Marble Rock's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Marble Rock's financial statements that is more than inconsequential will not be prevented or detected by the City of Marble Rock's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Marble Rock's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A), (B), (D) and (G) are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Marble Rock during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 3, 2009

City of Marble Rock

Schedule of Findings

Year ended June 30, 2008

- (A) Segregation of Duties – One important element in designing internal control that safeguards assets and reasonably ensures the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check of those of another. One person has control over each of the following areas:

	Entity
(1) <u>Cash</u> – Receiving, recording, depositing and reconciling.	City, Marble Rock Community Fire Company, Community Center
(2) <u>Investments</u> – Investing, recording and custody.	City
(3) <u>Receipts</u> – Collecting, journalizing, depositing and posting.	City, Marble Rock Community Fire Company, Community Center
(4) <u>Disbursements</u> – Check writing, signing and posting.	City, Marble Rock Community Fire Company, Community Center
(5) <u>Payroll</u> – Recording sick/vacation leave, comparing time to payroll, preparing and approving input and receiving and distributing payroll.	City

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

Responses –

City - Since we have only one employee, the City Council Members will need to become more involved to look over the books showing the functions listed. Perhaps two Council Members at a time would be best to begin with as this will be a learning process.

Marble Rock Community Fire Company – We will do the best we can with what we have.

Community Center – We currently have two people doing deposits and the Treasurer reconciles all deposits. All disbursements are taken care of by the Treasurer and/or President. The Treasurer does all posting of transactions and reconciles at the end of each month. All of the records are reviewed by the rest of the Community Center Board at board meetings.

Conclusion – Responses accepted.

- (B) Chart of Accounts and Accounting Procedures Manual - The City has not fully implemented the Uniform Chart of Accounts for Iowa City Governments approved by the City Finance Committee on September 25, 2002. As a result, certain receipts and disbursements were not classified to the proper function in accordance with the Uniform Chart of Accounts. These were classified and resolved for audit purposes. Also, the City does not have an accounting procedures manual.

City of Marble Rock

Schedule of Findings

Year ended June 30, 2008

Recommendation – To provide better financial information and control, the City should follow the Uniform Chart of Accounts for Iowa City Governments. Also, the City should develop an accounting procedures manual.

Response – A new chart of accounts will be obtained and placed into effect July 1, 2009, and an accounting procedures manual will be developed. We hope to obtain a sample from another City to simplify development.

Conclusion – Response accepted.

- (C) Electronic Data Processing Systems – During our review of internal control, the existing control activities in the City’s computer-based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City’s computer-based systems were noted:

The City does not have written policies for:

- Establishing passwords for each user.
- Changing passwords every 60 to 90 days.
- Instructing employees about their responsibility to maintain password privacy, including not sharing their password with the employee’s supervisor.
- Internet usage.
- A disaster recovery plan.

Recommendation – The City should develop written policies addressing the above items to improve the City’s internal control over computer based systems.

Response – We will incorporate the requested written policies in our “Accounting Procedures Manual.” As for a disaster recovery plan, all important documents are kept in fireproof filing cabinets. A computer backup plan with files kept off site will be developed.

Conclusion – Response accepted.

- (D) Bank Reconciliations – Bank reconciliations are not prepared monthly and, therefore, are not reviewed by an independent person.

Recommendation – Bank reconciliations should be prepared monthly and should be reviewed by an independent person.

Responses –

City - Bank reconciliations will be prepared at the end of each month as soon as the bank statements are available. On a rotating basis, a different member of the City Council will review the check register and corresponding bank statement to see

City of Marble Rock

Schedule of Findings

Year ended June 30, 2008

that they agree. The Council will need to establish a schedule to do this along with other inspections.

Park Board – The City Clerk will handle this responsibility along with the City’s account.

Community Center – Bank reconciliations will be prepared monthly. On a rotating basis, a different member of the Community Center Board will review the check register and corresponding bank statement to see that they agree.

Library – The City Clerk will handle this responsibility along with the City’s account.

Marble Rock Community Fire Company – The Fire Company is a separate entity and includes four townships as well as the City of Marble Rock and is operated by a separate board. We will advise the Fire Company Treasurer of the request for action by their board.

Conclusion – Responses accepted.

(E) Record of Investments – A detailed record of investment transactions was not maintained.

Recommendation – A detailed record of investment transactions by fund should be maintained. This record should include investment number, purchase date, redemption date, interest rate and amount of principal and interest received.

Response – An investment ledger will be established. The City Council will begin reviewing City investments at each monthly Council meeting. The Library Board will be responsible for monitoring their investments with guidance from the City Clerk.

Conclusion – Response accepted.

(F) Invoices Not Marked Paid - Certain invoices were not properly marked paid to prevent possible duplicate payment of invoices.

Recommendation - All paid invoices should be marked or stamped paid with the date of payment to aid in preventing possible duplicate payment of invoices.

Responses –

City – Each paid invoice will be marked with the check number and date of payment. The Community Center will be asked to do the same. The Community Center will be asked to be more accountable to the City.

Community Center – Currently, all invoices are marked paid with the check number and date of payment.

Conclusion – Responses accepted.

City of Marble Rock
Schedule of Findings
Year ended June 30, 2008

- (G) Supporting Documentation for Disbursements – Certain disbursements did not have any supporting documentation.

Recommendation – The City should ensure all disbursements are accompanied by supporting documentation.

Responses –

City – The Library, Park and Community Center Boards will be advised by the Clerk no disbursements can be made without supporting documentation.

Community Center – We will only pay bills with documentation and then they will be marked paid along with the date of payment and check number.

Park Board – The Park Board books are handled by the City Clerk and no disbursement will be made without proper documentation.

Conclusion – Responses accepted.

- (H) Unused Checks – The City stores unused checks for the City and Library bank accounts in an unsecure location.

Recommendation – The City should store unused checks in a secure location.

Response – Unused checks have been moved to a secured location.

Conclusion – Response accepted.

- (I) Land Purchase – The City purchased land in January 2007 for \$15,000. The City did not obtain an independent valuation of the land purchased.

Recommendation – The City should ensure future purchases of land or property have been independently valued.

Response – We do not foresee any land purchases, but should this be required, we will have an offer to purchase based on a value established by the County Assessor and/or two real estate appraisers. We will also make this a matter of record in our written policies and procedures.

Conclusion – Response accepted.

City of Marble Rock

Schedule of Findings

Year ended June 30, 2008

- (J) Water Billings – The City periodically allows citizens to assist the maintenance employee with lawn mowing as an alternative to paying their water bill. One of the citizens was the husband of the City Clerk. This practice was not authorized by the Mayor or the Council.

Recommendation – The City should discontinue the practice of allowing citizens to mow lawns as a way of paying their water bill.

Response – This was a policy established many years ago to allow an individual who could not pay his water bill to work it off. This form of barter is no longer used. In fact, a temporary employee was hired last summer for grass mowing.

Conclusion – Response accepted.

- (K) Contracts – The Mayor entered into a contract with the Iowa Department of Transportation for a bridge project without the prior approval of the City Council, which was subsequently approved by the Council at a later date.

Recommendation – As required by City Code 2-9-1.5, “The City Council shall make or authorize the making of all contracts, and no contract shall bind or be obligatory upon the City unless either made by ordinance or resolution adopted by the City Council, or reduced to writing and approved by the City Council, or expressly authorized by ordinance or resolution adopted by the City Council.” The City should ensure all future contracts comply with the City Code.

Response – Should this happen again, the violation will be referred to the City Attorney.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Marble Rock
Schedule of Findings
Year ended June 30, 2008

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) 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.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

One council meeting was not preceded by proper notice as required by Chapter 21.4 of the Code of Iowa.

Recommendation – All meetings should be preceded by proper notice for the appropriate amount of time prescribed by the Code of Iowa.

Response – The City Clerk has been very good in seeing timely postings are done as outlined by the Code of Iowa. We believe an error was made when a special meeting was set without full involvement of the City Clerk.

Conclusion – Response accepted.

- (7) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Also, the interest rate on certain time certificates of deposit did not meet the minimum rate of interest set by the State Rate Setting Committee.

A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

The City should seek reimbursement of the additional interest due on these certificates of deposit. Also, the City should ensure investments receive at least the minimum rate of interest set by the State Rate Setting Committee and should record the interest added to the certificate of deposit when renewed.

City of Marble Rock

Schedule of Findings

Year ended June 30, 2008

The City should adopt a new depository resolution which establishes maximum amounts for each bank as required by Chapter 12C.2 of the Code of Iowa.

Response – An investment policy will be developed to ensure City funds are safely invested at the best possible rate and at least the rate set by the State Rate Setting Committee. We will refer to the rates established by the State Rate Setting Committee for all future investments. We will ask our bank for reimbursement as suggested.

Conclusion – Response acknowledged. However, the City should also adopt a written investment policy.

- (13) Separately Maintained Records - The bookkeeping and custody of the Community Center are under the control of the Treasurer in a location separate from the City Clerk's office. This account was not reflected in the City's accounting system and was not included in the City's annual budget or monthly financial reports.

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

Response – The Community Center accounting is handled by its Treasurer and a monthly electronic report is provided to the City Clerk. Summary reports covering the Community Center financial information is provided each month to the City Council for its review.

Conclusion – Response acknowledged. However, this account should be included in the City's annual budget and monthly financial reports.

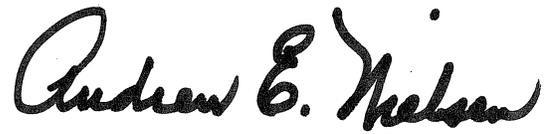
- (14) Petition for Audit – Except as noted, all items included in the petition for audit have been resolved.

City of Marble Rock

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Shawn R. Elsbury, Senior Auditor
Sara L. Roling, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and a distinct dot over the 'i' in Nielsen.

Andrew E. Nielsen, CPA
Deputy Auditor of State