

**CITY OF APLINGTON, IOWA**

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

**JUNE 30, 2010**

## Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor’s Report		2-3
Management’s Discussion and Analysis		4-6
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	7-8
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	9-10
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	11
Notes to Financial Statements		12-21
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		22-23
Notes to Required Supplementary Information – Budgetary Reporting		24
Other Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	25-26
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Proprietary Funds	2	27
Schedule of Indebtedness	3	28-29
Bond and Note Maturities	4	30
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	5	31-32
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 <u>Government Auditing Standards</u>		33-35
Schedule of Findings		36-40

**City of Aplington, Iowa**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Before January 2010</b>		
Cory Troyna	Mayor	Jan 2010
Lucy Miller	Mayor Pro Tem	Jan 2010
Jim Limburg	Council Member	Jan 2010
Jason Mehmen	Council Member	Jan 2012
Duane Nevenhoven	Council Member	Jan 2010
Dennis Matura	Council Member	Jan 2010
Debra Prier	City Clerk/Treasurer	Indefinite
Greg Lievens	Attorney	Indefinite
<b>After January 2010</b>		
Cory Troyna	Mayor	Jan 2012
Jason Mehmen	Mayor Pro Tem	Jan 2012
Jerry Orr	Council Member	Jan 2014
Derek Harken	Council Member	Jan 2014
Jeff Ridder	Council Member	Jan 2014
Steve Uhlenhopp	Council Member	Jan 2012
Debra Prier	City Clerk/Treasurer	Indefinite
Greg Lievens	Attorney	Indefinite

## 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 the City of Aplington, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Aplington'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 the City of Aplington as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2011 on our consideration of the City of Aplington'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 4 through 6 and 22 through 24 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 Aplington'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 three years ended June 30, 2009 (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, 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.

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

March 22, 2011

## *Management Discussion and Analysis*

### *2010 Financial Highlights for the City of Aplington*

- Taxes were increased slightly at \$15.19786 total tax levy rate per \$1000 with 2.99383 tax levy rate per \$1000 valuation on agricultural land. Total taxes collected, including TIF revenue for FY ending June 30, 2010 were \$465,071. Total revenue sources for the year were \$1,888,888.
- Disbursements totaled \$1,742,093. Other financing sources (General Obligation Bonds) totaled \$321,750. Excess receipts over disbursements totaled \$146,795.

### *Annual Report*

This report gives the overview of the City's Financial Status and budgetary figures.

### *Basis of Accounting*

The City maintains its financial records on the basis of cash receipts and disbursements. 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.

#### Reporting the City's financial activities Government-wide Financial Statement

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

- Governmental Activities include public safety, public works, culture and recreations, 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 electric, water, and sewer utilities. These activities are financed with user charges.

### Fund Financial Statements

The City has two kinds of funds:

- **Governmental** funds account for most of the City's Basic Services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include:
  - A. General Fund
  - B. Special Revenue Funds (LOST, RUT, TIF)
  - C. Debt Service Fund
  - D. Capital Projects Fund
  - E. 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 statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- **Proprietary funds** account for the City's Enterprise Funds, including Enterprise Debt Service, Capital projects, and TIF Capital Projects. Proprietary funds also account for Internal Service Fund – regular and TIF transfers out. Enterprise Funds are used to report business type activities. The City maintains three Enterprise funds to provide separate information for electric, water, and sewer funds. Internal service funds account for transfers between funds.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances. These are reported on Schedule 1 and Schedule 2 of the Auditor's report. The Schedule of Indebtedness is found on Schedule 3. This includes GO bonds of \$325,000 and \$550,000 and a special assessment capital loan of \$280,000. Short-term loans of 58,000 (Snow Plow Truck), Tractor (40,000) 90,000 (ARC land purchase).

### ***INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS***

- The General Fund cash balance shows a negative balance of \$97,227. City officials are considering alternatives to eliminate this deficit.
- Special Revenue Fund cash balance shows a negative balance of \$40,334. (Incoming taxes will eliminate this)
- Capital Projects Balance shows a negative balance of \$129,114. City officials will determine options to eliminate this deficit.
- Cemetery Perpetual Care (Permanent) ending fund balance of \$74,595.
- Proprietary Funds: Water - Ending cash balance \$83,210; Sewer – Ending Cash Balance \$55,082; Electric – Ending cash balance \$339,396

### ***TAX LEVIES***

Tax levy Fiscal Year ending June 30, 2010 was 15.197886.

### ***BUDGETARY comments***

The City amended its budget one time in the course of the year. However, the following funds exceeded the budgeted amounts: Public works and Debt Service.

## ***DEBT ADMINISTRATION***

At the end of the fiscal year of June 2010, the City's General obligation Debt outstanding was \$446,000.

Short term debt was \$203,257.

General Obligation Debt Limitation as of June 30, 2010 was \$2,200,590.

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 with the City's corporate limits. The actual valuation from January 1, 2008 of 44,011,802 was used to compute the limitation.

Total cash & investments (includes cash on hand, CD's, checking & savings deposits) was \$783,503.

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

Street repairs continue yearly. TIF projects will continue to help the economy of the City by issuing rebates, grant, and no interest loans.

Planned Capital Projects for the next five years include: Constructing a new water treatment plant; complete the balance of street improvements. The Council has a continued vision to pursue recreation projects which may include a new pool.

## **Basic Financial Statements**

City of Aplington, Iowa  
Statement of Activities and Net Assets - Cash Basis  
As of and for the year ended June 30, 2010

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 204,415	87,699	2,955	-
Public works	180,913	81,328	97,770	-
Health and social services	1,532	-	-	-
Culture and recreation	99,357	3,160	15,423	-
Community and economic development	82,338	-	-	-
General government	114,322	2,889	-	-
Debt service	113,729	-	-	-
Capital projects	285,197	-	-	2,840
Total governmental activities	<u>1,081,803</u>	<u>175,076</u>	<u>116,148</u>	<u>2,840</u>
Business type activities:				
Electric	562,425	638,438	-	-
Water	53,623	55,658	2,460	-
Sewer	44,242	51,310	-	-
Total business type activities	<u>660,290</u>	<u>745,406</u>	<u>2,460</u>	<u>-</u>
Total	<u>\$ 1,742,093</u>	<u>920,482</u>	<u>118,608</u>	<u>2,840</u>

**General Receipts:**

Property tax levied for:  
    General purposes  
    Tax increment financing  
    Debt service  
Local option sales tax  
Unrestricted interest on investments  
Miscellaneous  
Loan proceeds  
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:  
    Nonexpendable:  
        Cemetery perpetual care  
    Expendable:  
        Streets  
        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 <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
(113,761)	-	(113,761)
(1,815)	-	(1,815)
(1,532)	-	(1,532)
(80,774)	-	(80,774)
(82,338)	-	(82,338)
(111,433)	-	(111,433)
(113,729)	-	(113,729)
<u>(282,357)</u>	<u>-</u>	<u>(282,357)</u>
<u>(787,739)</u>	<u>-</u>	<u>(787,739)</u>
-	76,013	76,013
-	4,495	4,495
-	<u>7,068</u>	<u>7,068</u>
<u>-</u>	<u>87,576</u>	<u>87,576</u>
<u>(787,739)</u>	<u>87,576</u>	<u>(700,163)</u>
267,730	-	267,730
74,004	-	74,004
56,811	-	56,811
66,525	-	66,525
7,408	-	7,408
52,730	-	52,730
321,750	-	321,750
77,390	(77,390)	-
<u>924,348</u>	<u>(77,390)</u>	<u>846,958</u>
136,609	10,186	146,795
169,206	467,502	636,708
<u>\$ 305,815</u>	<u>477,688</u>	<u>783,503</u>
12,946	-	12,946
\$ 78,349	-	78,349
957	-	957
(91,317)	-	(91,317)
<u>304,880</u>	<u>477,688</u>	<u>782,568</u>
<u>\$ 305,815</u>	<u>477,688</u>	<u>783,503</u>

City of Aplington, Iowa  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2010

		<u>Capital Projects</u>
	<u>General</u>	<u>Capital Projects</u>
Receipts:		
Property tax	\$ 204,518	-
Tax increment financing	-	-
Other city tax	1,442	-
Licenses and permits	2,889	-
Use of money and property	18,434	562
Intergovernmental	35,413	-
Charges for service	155,151	-
Special assessments	-	-
Miscellaneous	21,047	686
Total receipts	<u>438,894</u>	<u>1,248</u>
Disbursements:		
Operating:		
Public safety	204,415	-
Public works	73,500	-
Health and social services	1,532	-
Culture and recreation	99,357	-
Community and economic development	14,651	-
General government	114,322	-
Debt service	-	-
Capital projects	-	274,499
Total disbursements	<u>507,777</u>	<u>274,499</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(68,883)</u>	<u>(273,251)</u>
Other financing sources (uses):		
Loan proceeds	-	321,750
Operating transfers in	127,219	-
Operating transfers out	-	-
Total other financing sources (uses)	<u>127,219</u>	<u>321,750</u>
Net change in cash balances	58,336	48,499
Cash balances beginning of year	<u>(155,563)</u>	<u>(177,613)</u>
Cash balances end of year	<u>\$ (97,227)</u>	<u>(129,114)</u>
<b>Cash Basis Fund Balances</b>		
Reserved:		
Debt service	\$ -	-
Unreserved:		
General fund	(97,227)	-
Special revenue funds	-	-
Capital projects funds	-	(129,114)
Permanent fund	-	-
Total cash basis fund balances	<u>\$ (97,227)</u>	<u>(129,114)</u>

See notes to financial statements.

Other Nonmajor Governmental Funds	<u>Total</u>
118,259	322,777
73,727	73,727
67,125	68,567
-	2,889
-	18,996
100,610	136,023
49	155,200
17,386	17,386
1,974	23,707
379,130	819,272
-	204,415
107,413	180,913
-	1,532
-	99,357
67,687	82,338
-	114,322
113,729	113,729
10,698	285,197
299,527	1,081,803
79,603	(262,531)
-	321,750
23,909	151,128
(73,738)	(73,738)
(49,829)	399,140
29,774	136,609
502,382	169,206
532,156	305,815
957	957
-	(97,227)
116,146	116,146
402,107	272,993
12,946	12,946
532,156	305,815

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

As of and for the year ended June 30, 2010

	<u>Electric</u>	Other Nonmajor Proprietary <u>Funds</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ 638,438	106,968	745,406
Total operating receipts	<u>638,438</u>	<u>106,968</u>	<u>745,406</u>
Operating disbursements:			
Business type activities	<u>562,425</u>	<u>97,865</u>	<u>660,290</u>
Total operating disbursements	<u>562,425</u>	<u>97,865</u>	<u>660,290</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>76,013</u>	<u>9,103</u>	<u>85,116</u>
Non-operating receipts (disbursements):			
Miscellaneous	<u>-</u>	<u>2,460</u>	<u>2,460</u>
Net non-operating receipts (disbursements)	<u>-</u>	<u>2,460</u>	<u>2,460</u>
Excess of receipts over disbursements	<u>76,013</u>	<u>11,563</u>	<u>87,576</u>
Operating transfers out	<u>(60,000)</u>	<u>(17,390)</u>	<u>(77,390)</u>
Net change in cash balances	16,013	(5,827)	10,186
Cash balances beginning of year	<u>323,383</u>	<u>144,119</u>	<u>467,502</u>
Cash balances end of year	<u>\$ 339,396</u>	<u>138,292</u>	<u>477,688</u>
<b>Cash Basis Fund Balances</b>			
Unreserved	<u>\$ 339,396</u>	<u>138,292</u>	<u>477,688</u>
Total cash basis fund balances	<u>\$ 339,396</u>	<u>138,292</u>	<u>477,688</u>

See notes to financial statements.

City of Aplington, Iowa

Notes to Financial Statements

June 30, 2010

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

The City of Aplington is a political subdivision of the State of Iowa located in Butler County. It was first incorporated in 1859 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 electric, water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Aplington 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 government. City officials are members of the Butler County Assessor's Conference Board, Butler County Emergency Management Commission and Butler County Solid Waste.

City of Aplington, Iowa  
Notes to Financial Statements

June 30, 2010

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 services.

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

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

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

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

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

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

City of Aplington, Iowa  
Notes to Financial Statements

June 30, 2010

The City reports the following major governmental funds:

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

Capital Projects:

The Capital Projects fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary fund:

The Electric Fund accounts for the operation and maintenance of the City's electric system.

C. Measurement Focus and Basis of Accounting

The City of Aplington 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.

City of Aplington, Iowa

Notes to Financial Statements

June 30, 2010

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in public works and debt service functions.

E. Subsequent Events

The City has evaluated subsequent events through March 22, 2011, the date which the financial statements were available to be issued.

(2) **Cash**

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

There were no investments at June 30, 2010. During the year, the City invested its excess funds in certificates of deposit and money market savings accounts.

City of Aplington, Iowa  
Notes to Financial Statements

June 30, 2010

**(3) Bonds and Notes Payable**

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

Year Ending	General Obligation Bonds and Notes		Special Assessment Bonds and Notes	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<u>June 30,</u>				
2011	\$ 95,000	14,445	28,000	3,080
2012	35,000	10,415	28,000	1,540
2013	35,000	9,505	---	---
2014	35,000	8,595	---	---
2015	35,000	7,370	---	---
2016	35,000	6,145	---	---
2017	40,000	4,920	---	---
2018	40,000	3,280	---	---
2019	<u>40,000</u>	<u>1,640</u>	<u>---</u>	<u>---</u>
Total	\$ <u>390,000</u>	<u>66,315</u>	<u>56,000</u>	<u>4,620</u>

Year Ending	Total	
	<u>Principal</u>	<u>Interest</u>
<u>June 30,</u>		
2011	\$ 123,000	17,525
2012	63,000	11,955
2013	35,000	9,505
2014	35,000	8,595
2015	35,000	7,370
2016	35,000	6,145
2017	40,000	4,920
2018	40,000	3,280
2019	<u>40,000</u>	<u>1,640</u>
Total	\$ <u>446,000</u>	<u>70,935</u>

City of Aplington, Iowa  
Notes to Financial Statements

June 30, 2010

The resolutions providing for the issuance of the general obligation bonds and notes include the following provisions:

The City reserves the right to prepay the corporate purpose loan issue of July 22, 2009 maturing on or after June 1, 2017, in whole or in part, on any date on or after June 1, 2016, upon the City giving notice, not less than 30 days prior to the date fixed for prepayment, at a price of par plus accrued interest.

At the option of the City, notes due on the corporate purpose loan issue of January 1, 2001, are subject to prepayment in whole or in part, on any date on or after June 1, 2007, not less than 30 days prior to the fixed date for prepayment, at a price of par plus accrued interest, by giving property notice.

On July 1, 2006, the City obtained a five-year note of \$58,000 to purchase a snow plow. The City paid \$13,027 on this note during the year ended June 30, 2010 which included \$988 of interest expense.

Future payments are as follows:

Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>			
2011	\$ <u>6,527</u>	<u>---</u>	<u>6,527</u>
Total	\$ <u>6,527</u>	<u>---</u>	<u>6,527</u>

On June 6, 2007, the City obtained a ten-year note of \$90,000 to purchase real estate. The City paid \$11,510 on this note which included \$4,195 in interest expense during the year ended June 30, 2010.

Future payments are as follows:

Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>			
2011	\$ 7,694	3,816	11,510
2012	8,148	3,362	11,510
2013	8,629	2,881	11,510
2014	9,138	2,372	11,510
2015	9,678	1,832	11,510
Thereafter	<u>21,350</u>	<u>1,670</u>	<u>23,020</u>
Total	\$ <u>64,637</u>	<u>15,933</u>	<u>80,570</u>

City of Aplington, Iowa  
Notes to Financial Statements

June 30, 2010

On November 21, 2009, the City obtained a five-year note of \$40,000 to purchase a tractor. The City paid \$9,121 on this note which included \$1,277 in interest expense during the year ended June 30, 2010.

Future payments are as follows:

Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>			
2011	\$ 7,458	1,663	9,121
2012	7,844	1,277	9,121
2013	8,250	871	9,121
2014	<u>8,604</u>	<u>427</u>	<u>9,031</u>
Total	\$ <u>32,156</u>	<u>4,238</u>	<u>36,394</u>

The City of Aplington has economic development loans payable of \$100,000 to an Iowa non-profit corporation. These loans are due July 1, 2010 with interest at 3.7%. These loans are secured by an amount receivable of \$100,000 from a local developer. These loans will be repaid to the City upon sale of property by the developer. Upon reimbursement by the developer, the City will repay the Iowa non-profit corporation.

**(4) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of annual 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 contribution to IPERS for the years ended June 30, 2010 and 2009 and 2008 were \$18,464, \$17,996, and 17,173, respectively, equal to the required contribution for each year.

City of Aplington, Iowa  
Notes to Financial Statements

June 30, 2010

**(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 5 active and no retired members in the plan. Participants can remain on plan at own expense per COBRA laws only.

The medical/prescription drug benefits are provided through a fully-insured plan with TrueNorth. 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 retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$767 for employee/spouse coverage and \$1,150 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$64,382 and plan members eligible for benefits contributed \$0 to the plan.

**(6) 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 termination payments payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ <u>21,300</u>

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

City of Aplington, Iowa  
Notes to Financial Statements

June 30, 2010

**(7) Deficit Fund Balances**

The Special Revenue Fund, Street Assessments Fund had a negative fund balance at June 30, 2010 of \$40,334 deficit will be eliminated upon receipt of property taxes.

The Capital Projects Fund, Capital Projects Account had a negative fund balance at June 30, 2010 of \$129,114. City officials are considering alternatives to eliminate this deficit.

The General Fund had a negative balance of \$97,227 at June 30, 2010. City officials are considering alternatives to eliminate this deficit.

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
General Fund	Special Revenue: Employee Benefits	\$ 57,219
	Enterprise:	
	Water	5,000
	Sewer	5,000
	Electric	<u>60,000</u>
		127,219
Debt Service	Special Revenue: Local Option Sales Tax	14,300
	TIF	2,219
	Enterprise:	
	Sewer	<u>7,390</u>
		23,909
Total		\$ <u>151,128</u>

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

City of Aplington, Iowa

Notes to Financial Statements

June 30, 2010

**(9) Risk Management**

The City of Aplington 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 the past three fiscal years.

**(10) Construction Commitments**

As of June 30, 2010, the City had the following commitments with respect to capital projects that have been approved by the Council:

Street repairs will be approximately \$113,000.

**Required Supplementary Information**

City of Aplington, Iowa

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 322,777	-	322,777
Tax increment financing	73,727	-	73,727
Other city tax	68,567	-	68,567
Licenses and permits	2,889	-	2,889
Use of money and property	18,996	-	18,996
Intergovernmental	136,023	-	136,023
Charges for service	155,200	745,406	900,606
Special assessments	17,386	-	17,386
Miscellaneous	23,707	2,460	26,167
Total receipts	<u>819,272</u>	<u>747,866</u>	<u>1,567,138</u>
Disbursements:			
Public safety	204,415	-	204,415
Public works	180,913	-	180,913
Health and social services	1,532	-	1,532
Culture and recreation	99,357	-	99,357
Community and economic development	82,338	-	82,338
General government	114,322	-	114,322
Debt service	113,729	-	113,729
Capital projects	285,197	-	285,197
Business type activities	-	660,290	660,290
Total disbursements	<u>1,081,803</u>	<u>660,290</u>	<u>1,742,093</u>
Excess (deficiency) of receipts over (under) disbursements	(262,531)	87,576	(174,955)
Other financing sources (uses), net	<u>399,140</u>	<u>(77,390)</u>	<u>321,750</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	136,609	10,186	146,795
Balances beginning of year	<u>169,206</u>	<u>467,502</u>	<u>636,708</u>
Balances end of year	<u>\$ 305,815</u>	<u>477,688</u>	<u>783,503</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to
<u>Original</u>	<u>Final</u>	Net
		<u>Variance</u>
325,914	325,914	(3,137)
50,670	50,670	23,057
57,141	57,141	11,426
465	465	2,424
22,360	22,360	(3,364)
133,633	133,633	2,390
934,800	934,800	(34,194)
25,000	25,000	(7,614)
14,300	14,300	11,867
<u>1,564,283</u>	<u>1,564,283</u>	<u>2,855</u>
220,201	233,201	28,786
178,343	178,343	(2,570)
3,000	3,000	1,468
139,592	144,592	45,235
73,113	106,113	23,775
113,632	118,632	4,310
107,200	107,200	(6,529)
420,000	420,000	134,803
683,038	683,038	22,748
<u>1,938,119</u>	<u>1,994,119</u>	<u>252,026</u>
(373,836)	(429,836)	(249,171)
<u>390,000</u>	<u>390,000</u>	<u>(68,250)</u>
16,164	(39,836)	186,631
<u>517,988</u>	<u>517,988</u>	<u>118,720</u>
<u>534,152</u>	<u>478,152</u>	<u>305,351</u>

City of Aplington, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. 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 Funds, 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, budget amendments increased budgeted disbursements by \$56,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public works and debt service functions.

## **Other Supplementary Information**

City of Aplington, Iowa

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

As of and for the year ended June 30, 2010

	Special			
	Local Option <u>Sales Tax</u>	Tax Increment <u>Financing</u>	Street <u>Assessments</u>	Employee <u>Benefits</u>
Receipts:				
Property tax	\$ -	-	-	56,817
Tax increment financing	-	73,727	-	-
Other city tax	66,525	-	-	402
Intergovernmental	-	-	-	-
Charges for service	-	-	-	-
Special assessments	-	-	17,386	-
Miscellaneous	-	1,974	-	-
Total receipts	<u>66,525</u>	<u>75,701</u>	<u>17,386</u>	<u>57,219</u>
Disbursements:				
Public works	13,100	-	-	-
Community and economic development	-	67,687	-	-
Debt service	-	-	32,620	-
Capital projects	-	-	-	-
Total disbursements	<u>13,100</u>	<u>67,687</u>	<u>32,620</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>53,425</u>	<u>8,014</u>	<u>(15,234)</u>	<u>57,219</u>
Other financing uses:				
Operating transfers in	-	-	-	-
Operating transfers out	<u>(14,300)</u>	<u>(2,219)</u>	<u>-</u>	<u>(57,219)</u>
Net change in cash balances	39,125	5,795	(15,234)	-
Cash balances beginning of year	<u>32,435</u>	<u>393,671</u>	<u>(25,100)</u>	<u>-</u>
Cash balances end of year	<u>\$ 71,560</u>	<u>399,466</u>	<u>(40,334)</u>	<u>-</u>
<b>Cash Basis Fund Balances</b>				
Reserved:				
Debt service	-	-	-	-
Unreserved:				
Special revenue funds	\$ 71,560	-	(40,334)	-
Capital project fund	-	399,466	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	<u>\$ 71,560</u>	<u>399,466</u>	<u>(40,334)</u>	<u>-</u>

See accompanying independent auditor's report.

<u>Revenue</u>			<u>Capital Projects</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
<u>Emergency</u>	<u>Road Use</u>	<u>Debt Service</u>	<u>IDED Housing Grants</u>		
4,552	-	56,890	-	-	118,259
-	-	-	-	-	73,727
-	-	198	-	-	67,125
-	97,770	-	2,840	-	100,610
-	-	-	-	49	49
-	-	-	-	-	17,386
-	-	-	-	-	1,974
<u>4,552</u>	<u>97,770</u>	<u>57,088</u>	<u>2,840</u>	<u>49</u>	<u>379,130</u>
-	94,313	-	-	-	107,413
-	-	-	-	-	67,687
-	-	81,109	-	-	113,729
-	-	-	10,698	-	10,698
-	<u>94,313</u>	<u>81,109</u>	<u>10,698</u>	-	<u>299,527</u>
<u>4,552</u>	<u>3,457</u>	<u>(24,021)</u>	<u>(7,858)</u>	<u>49</u>	<u>79,603</u>
-	-	23,909	-	-	23,909
-	-	-	-	-	(73,738)
4,552	3,457	(112)	(7,858)	49	29,774
<u>2,019</u>	<u>74,892</u>	<u>1,069</u>	<u>10,499</u>	<u>12,897</u>	<u>502,382</u>
<u>6,571</u>	<u>78,349</u>	<u>957</u>	<u>2,641</u>	<u>12,946</u>	<u>532,156</u>
-	-	957	-	-	957
6,571	78,349	-	-	-	116,146
-	-	-	2,641	-	402,107
-	-	-	-	12,946	12,946
<u>6,571</u>	<u>78,349</u>	<u>957</u>	<u>2,641</u>	<u>12,946</u>	<u>532,156</u>

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

As of and for the year ended June 30, 2010

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 55,658	51,310	106,968
Total operating receipts	55,658	51,310	106,968
Operating disbursements:			
Business type activities	53,623	44,242	97,865
Total operating disbursements	53,623	44,242	97,865
Excess (deficiency) of operating receipts over (under) operating disbursements	2,035	7,068	9,103
Non-operating receipts (disbursements):			
Miscellaneous	2,460	-	2,460
Net non-operating receipts (disbursements)	2,460	-	2,460
Excess of receipts over disbursements	4,495	7,068	11,563
Operating transfers out	(5,000)	(12,390)	(17,390)
Net change in cash balances	(505)	(5,322)	(5,827)
Cash balances beginning of year	83,715	60,404	144,119
Cash balances end of year	\$ 83,210	55,082	138,292

**Cash Basis Fund Balances**

City of Aplington, Iowa

Schedule of Indebtedness

Year ended June 30, 2010

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Corporate purpose loan	Jan 1, 2001	4.50-5.00 %	550,000
Corporate purpose loan	July 22, 2009	2.60-4.10 %	325,000
Total			
Special assessment capital loan notes:			
Street improvement loan	May 15, 2002	5.50 %	\$ 280,000
Notes payable:			
Snow plow loan	Mar 20, 2006	5.25 %	\$ 58,000
Real estate loan	Jun 6, 2007	5.75 %	90,000
Tractor loan	Nov 8, 2008	5.18 %	40,000
Economic development loan	Various	3.70 %	100,000

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
130,000	-	65,000	65,000	6,500	-
<u>-</u>	<u>325,000</u>	<u>-</u>	<u>325,000</u>	<u>9,609</u>	<u>-</u>
<u>\$ 130,000</u>	<u>325,000</u>	<u>65,000</u>	<u>390,000</u>	<u>16,109</u>	<u>-</u>
<u>84,000</u>	<u>-</u>	<u>28,000</u>	<u>56,000</u>	<u>4,620</u>	<u>-</u>
18,566	-	12,039	6,527	988	-
71,952	-	7,315	64,637	4,195	-
40,000	-	7,844	32,156	1,277	-
<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
<u>\$ 230,518</u>	<u>-</u>	<u>27,198</u>	<u>203,320</u>	<u>6,460</u>	<u>-</u>

Bond and Note Maturities

June 30, 2010

Year Ending <u>June 30,</u>	<u>General Obligation Bonds</u> <u>Corporate Purpose Loan</u> <u>Issued Jan 1, 2001</u>			<u>General Obligation Bonds</u> <u>Corporate Purpose Loan</u> <u>Issued July 22, 2009</u>			<u>Total</u>
	Interest			Interest			
	<u>Rates</u>		<u>Amount</u>	<u>Rates</u>		<u>Amount</u>	
2011	5.00 %	\$	65,000	2.60 %	\$	30,000	95,000
2012			-	2.60		35,000	35,000
2013			-	2.60		35,000	35,000
2014			-	3.50		35,000	35,000
2015			-	3.50		35,000	35,000
2016			-	3.50		35,000	35,000
2017			-	4.10		40,000	40,000
2018			-	4.10		40,000	40,000
2019			-	4.10		40,000	40,000
Total		\$	<u>65,000</u>		\$	<u>325,000</u>	<u>390,000</u>

Year Ending <u>June 30,</u>	<u>Special Assessment</u> <u>Street Improvement Loan</u> <u>Issued May 15, 2002</u>		
	Interest		
	<u>Rates</u>		<u>Amount</u>
2011	5.50 %	\$	28,000
2012	5.50		28,000
Total		\$	<u>56,000</u>

See accompanying independent auditor's report.

City of Aplington, Iowa

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

For the Last Four Years

	<u>2010</u>	<u>2009</u>
Receipts:		
Property tax	\$ 322,777	315,495
Tax increment financing	73,727	56,572
Other city tax	68,567	65,326
Licenses and permits	2,889	2,603
Use of money and property	18,996	20,727
Intergovernmental	136,023	250,297
Charges for service	155,200	154,779
Special assessments	17,386	24,156
Miscellaneous	<u>23,707</u>	<u>18,669</u>
 Total	 <u>\$ 819,272</u>	 <u>908,624</u>
Disbursements:		
Operating		
Public safety	\$ 204,415	188,572
Public works	180,913	185,865
Health and social services	1,532	2,300
Culture and recreation	99,357	111,515
Community and economic development	82,338	57,686
General government	114,322	111,796
Debt service	113,729	151,503
Capital projects	<u>285,197</u>	<u>255,410</u>
 Total	 <u>\$ 1,081,803</u>	 <u>1,064,647</u>

See accompanying independent auditor's report.

Schedule 5

<u>2008</u>	<u>2007</u>
257,571	248,319
237,763	167,401
56,886	53,492
813	465
23,147	19,069
282,437	153,210
139,410	130,306
24,177	32,891
<u>48,580</u>	<u>49,643</u>
<u><u>1,070,784</u></u>	<u><u>854,796</u></u>

203,614	180,091
146,518	147,047
1,850	1,432
87,416	80,288
190,314	82,950
107,143	107,433
158,375	158,989
<u>201,370</u>	<u>74,346</u>
<u><u>1,096,600</u></u>	<u><u>832,576</u></u>

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 the City of Aplington, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 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 the City of Aplington's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Aplington's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Aplington'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 designed to identify all deficiencies in the 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, 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 the City of Aplington's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-10 to be a material weakness.

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 I of the accompanying Schedule of Findings as items I-B-10 and I-C-10 to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Aplington'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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Aplington'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 Aplington'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 Aplington and other parties to whom the City of Aplington may report, including federal awarding agencies and pass-through entities. 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 Aplington 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.

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

March 22, 2011

City of Aplington, Iowa

Schedule of Findings

Year ended June 30, 2010

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-10 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, posting of the cash revenues and expenditures and preparation of the bank reconciliation are all done by the same individual.

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

Response – We will review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-10 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The City of Aplington does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those in charge with governance.

City of Aplington, Iowa

Schedule of Findings

Year Ended June 30, 2010

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with the cash basis of accounting can be considered costly and ineffective. However, it is the responsibility of the City’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources necessary to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

I-C-10 Reconciliation of Utility Billings – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

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

Response – These procedures have been implemented as recommended.

Conclusion – Response accepted.

City of Aplington, Iowa

Schedule of Findings

Year ended June 30, 2010

**Part II: Other Findings Related to Statutory Reporting:**

II-A-10 Certified Budget - Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the public works and debt service 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 sufficient amounts 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 sufficient amounts in the future, if applicable.

Conclusion – Response accepted.

II-B-10 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

II-D-10 Business Transactions – Business transactions between the City and City officials or employees were noted.

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Derek Harken, Council Member, Owner of Harken Lumber	Supplies	\$ 908

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with the Council Member does not appear to represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year.

City of Aplington, Iowa

Schedule of Findings

Year ended June 30, 2010

II-E-10 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

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

II-G-10 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa were noted. However, a copy of the City's investment policy could not be located. Also, the City had funds in excess of the Depository Resolution maximum.

Recommendation – The City should adopt a new investment policy and depository resolution to increase the maximum amount which may be thus deposited.

Response – We will review and revise our policies.

Conclusion – Response accepted.

II-H-10 Financial Condition – The Special Revenue Fund, Street Assessments Fund had a deficit balance of \$40,334 and the Capital Projects Fund, Capital Projects Fund had a deficit balance at June 30, 2010, of \$129,114. Also, the General Fund had a deficit balance of \$97,227 at June 30, 2010.

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

Response – The deficit balances will be investigated and the funds will be returned to a sound financial position. See note number 7 to the financial statements for further detail.

Conclusion – Response accepted.

City of Aplington, Iowa

Schedule of Findings

Year ended June 30, 2010

II-I-10 Excess Balances – The balance in the Special Revenue Fund, TIF account was in excess of the outstanding TIF indebtedness as of June 30, 2010.

Recommendation – The City should decertify TIF debt for cash balances on hand when the next debt is certified.

Response – We have hired a financial advisor to help us with our TIF funds. We will also review our debt certification and decertify cash balances on the next debt certification.

Conclusion – Response accepted.