

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

JUNE 30, 2010

Peak & Co., LLP
Certified Public Accountants
1370 NW 114th St., Suite 205
Clive, IA 50325

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City of Seymour

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2010)		
Sheryl Dotts	Mayor	December, 2009
Marilyn Snider	Mayor Pro Tem	December, 2009
Larry McCann	Council Member	December, 2009
Tom Rembe	Council Member	December, 2011
Anthony Boggs	Council Member	December, 2011
Caleb Housh	Council Member	December, 2011
Mary Haines	City Clerk	Indefinite
Steve Goodlow	Attorney	Indefinite
(After January, 2010)		
Caleb Housh	Mayor	December, 2013
Anthony Boggs	Mayor Pro Tem	December, 2011
Michelle McMurry	Council Member	December, 2013
Tom Rembe	Council Member	December, 2011
Tara Trimble	Council Member	December, 2013
Roberta Weeks	Council Member	December, 2011
Mary Haines	City Clerk	Indefinite
Steve Goodlow	Attorney	Indefinite

City of Seymour

PEAK & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS
1370 NW 114TH ST., SUITE 205
CLIVE, IA 50325

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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, each major fund and the aggregate remaining fund information of the City of Seymour, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Seymour'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, 2009.

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, 2009, 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, each major fund and the aggregate remaining fund information of the City of Seymour 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 January 26, 2011 on our consideration of the City of Seymour'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 on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 19 through 20 is not a required part of the basic financial statements, but is 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Seymour's basic financial statements. Other supplementary information included in Schedules 1 through 3, 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, 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, 2009 as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peak & Co., LLP
Certified Public Accountants

January 26, 2011

Basic Financial Statements

City of Seymour

Exhibit A

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2010

Functions / Programs:	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities:							
Public safety	\$ 96,077	3,470	30,722	3,600	(58,285)	-	(58,285)
Public works	162,243	-	80,833	-	(81,410)	-	(81,410)
Culture and recreation	77,412	13,472	8,246	-	(55,694)	-	(55,694)
Community and economic development	9,918	-	4,914	-	(5,004)	-	(5,004)
General government	30,917	828	-	-	(30,089)	-	(30,089)
Debt service	39,328	-	-	-	(39,328)	-	(39,328)
Total governmental activities	415,895	17,770	124,715	3,600	(269,810)	-	(269,810)
Business type activities:							
Water	119,850	124,012	-	-	-	4,162	4,162
Sewer	102,797	114,536	10,447	-	-	22,186	22,186
Garbage	64,861	50,598	-	-	-	(14,263)	(14,263)
Total business type activities	287,508	289,146	10,447	-	-	12,085	12,085
Total	\$ 703,403	306,916	135,162	3,600	(269,810)	12,085	(257,725)
General Receipts:							
Property tax and other city tax levied for:							
General purposes					132,587	-	132,587
Local option sales tax					42,488	-	42,488
Unrestricted interest on investments					9,496	7,056	16,552
Miscellaneous					9,442	34,254	43,696
Transfers					21,097	(21,097)	-
Total general receipts					215,110	20,213	235,323
Change in cash basis net assets					(54,700)	32,298	(22,402)
Cash basis net assets beginning of year					453,754	191,071	644,825
Cash basis net assets end of year					\$ 399,054	223,369	622,423
Cash Basis Net Assets							
Restricted:							
Nonexpendable:							
Cemetery perpetual care					\$ 40,783	-	40,783
Expendable:							
Streets					3,546	-	3,546
Debt service					-	2,800	2,800
Other purposes					162,570	-	162,570
Unrestricted					192,155	220,569	412,724
Total cash basis net assets					\$ 399,054	223,369	622,423

See notes to financial statements.

City of Seymour

Exhibit B

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

As of and for the year ended June 30, 2010

	Special Revenue					Permanent	Nonmajor	Total
	General	Road Use Tax	Employee Benefits	Maple Leaf Park	Community Center	Cemetery Perpetual Care		
Receipts:								
Property tax	\$ 93,197	-	39,390	-	-	-	-	132,587
Other city tax	42,488	-	-	-	-	-	-	42,488
Licenses and permits	3,597	-	-	-	-	-	-	3,597
Use of money and property	7,542	-	-	1,311	5,442	-	-	14,295
Intergovernmental	38,811	80,833	-	-	-	-	2,000	121,644
Miscellaneous	20,683	-	-	-	-	945	3,859	25,487
Total receipts	206,318	80,833	39,390	1,311	5,442	945	5,859	340,098
Disbursements:								
Operating:								
Public safety	79,700	-	16,377	-	-	-	-	96,077
Public works	3,897	141,437	16,909	-	-	-	-	162,243
Culture and recreation	65,364	-	1,885	244	9,919	-	-	77,412
Community and economic development	7,061	-	-	-	-	-	2,857	9,918
General government	20,043	-	10,874	-	-	-	-	30,917
Debt service	-	39,328	-	-	-	-	-	39,328
Total disbursements	176,065	180,765	46,045	244	9,919	-	2,857	415,895
Excess (deficiency) of receipts over (under) disbursements	30,253	(99,932)	(6,655)	1,067	(4,477)	945	3,002	(75,797)
Other financing sources (uses):								
Operating transfers in	-	31,743	-	1,383	-	-	-	33,126
Operating transfers out	(12,029)	-	-	-	-	-	-	(12,029)
Total other financing sources (uses)	(12,029)	31,743	-	1,383	-	-	-	21,097
Net change in cash balances	18,224	(68,189)	(6,655)	2,450	(4,477)	945	3,002	(54,700)
Cash balances beginning of year	173,931	71,735	16,756	37,924	94,017	39,838	19,553	453,754
Cash balances end of year	\$ 192,155	3,546	10,101	40,374	89,540	40,783	22,555	399,054
Cash Basis Fund Balances								
Unreserved:								
General fund	\$ 192,155	-	-	-	-	-	-	192,155
Special revenue funds	-	3,546	10,101	40,374	89,540	-	22,555	166,116
Permanent fund	-	-	-	-	-	40,783	-	40,783
Total cash basis fund balances	\$ 192,155	3,546	10,101	40,374	89,540	40,783	22,555	399,054

See notes to financial statements.

City of Seymour

Exhibit C

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

As of and for the year ended June 30, 2010

	Enterprise Funds			Total
	Water	Sewer	Garbage	
Operating receipts:				
Charges for service	\$ 124,012	114,536	50,598	289,146
Total operating receipts	124,012	114,536	50,598	289,146
Operating disbursements:				
Business type activities	119,850	54,978	64,861	239,689
Total operating disbursements	119,850	54,978	64,861	239,689
Excess (deficiency) of operating receipts over (under) operating disbursements	4,162	59,558	(14,263)	49,457
Non-operating receipts (disbursements):				
Interest on investments	3,604	2,135	1,317	7,056
Intergovernmental	-	10,447	-	10,447
Miscellaneous	6,372	7,500	20,382	34,254
Debt service	-	(39,509)	-	(39,509)
Capital projects	-	(8,310)	-	(8,310)
Net non-operating receipts (disbursements)	9,976	(27,737)	21,699	3,938
Excess of receipts over disbursements	14,138	31,821	7,436	53,395
Operating transfers out	-	(21,097)	-	(21,097)
Net change in cash balances	14,138	10,724	7,436	32,298
Cash balances beginning of year	138,964	(6,471)	58,578	191,071
Cash balances end of year	\$ 153,102	4,253	66,014	223,369
Cash Basis Fund Balances				
Reserved for debt service	\$ -	2,800	-	2,800
Unreserved	153,102	1,453	66,014	220,569
Total cash basis fund balances	\$ 153,102	4,253	66,014	223,369

See notes to financial statements.

City of Seymour

Exhibit D

Statement of Changes in
Fiduciary Net Assets - Cash Basis
Fiduciary Fund

As of and for the year ended June 30, 2010

	<u>Pension Trust</u>
Additions:	
Employee contributions	<u>\$ 2,200</u>
Total additions	<u>2,200</u>
Deductions:	
Benefits paid	<u>45,468</u>
Total deductions	<u>45,468</u>
Excess of deductions over additions	<u>(43,268)</u>
Non-operating additions:	
Change in fair value of investments	<u>5,385</u>
Total non-operating additions	<u>5,385</u>
Net change in cash balances	(37,883)
Cash balances beginning of year	<u>50,466</u>
Cash balances end of year	<u>\$ 12,583</u>
Cash Basis Fund Balances	
Reserved	<u>\$ 12,583</u>
Total cash basis fund balances	<u>\$ 12,583</u>

See notes to financial statements.

City of Seymour

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

The City of Seymour is a political subdivision of the State of Iowa located in Wayne County. It 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, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Seymour 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 also 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 boards of the Wayne County Assessor's Conference Board and the Wayne County Development Corporation.

B. Basis of Presentation

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Employee Benefits Fund is used to account for the tax levy and the costs associated with providing employee benefits.

The Maple Leaf Park Fund is used to account for donations received and the costs associated with maintaining maple leaf park.

The Community Center Fund is used to account for monies received by the community center and the related costs to operate the community center.

The Permanent – Cemetery Perpetual Care Fund is utilized to account for the monies received in relation to the cemetery perpetual care fund.

The City reports the following major proprietary funds:

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

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

The Enterprise - Garbage Fund accounts for the operation and maintenance of the City's garbage system.

The City also reports the following fiduciary fund:

The Fiduciary Fund is used to account for assets held by the City in a trustee capacity. The Fiduciary Fund accounts for the City's Deferred Compensation Plan.

C. Measurement Focus and Basis of Accounting

The City of Seymour 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, 2010, disbursements exceeded the amounts budgeted in the culture and recreation and debt service functions.

(2) Cash and Pooled Investments

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

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

At June 30, 2010, the City had Deferred Compensation Plan investments of \$12,583 that is not subject to risk categorization.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Notes Payable and Revenue Bonds and Other Financing Arrangements

Annual debt service requirements to maturity for notes payable and revenue bonds are as follows:

Year Ended June 30,	Notes Payable		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 16,959	\$ -	\$ -	\$ -	\$ 16,959	\$ -
2012	18,500	-	20,154	10,855	38,654	10,855
2013	18,500	-	21,162	9,847	39,662	9,847
2014	18,500	-	22,220	8,789	40,720	8,789
2015	18,500	-	23,331	7,678	41,831	7,678
2016	16,375	-	24,497	6,512	40,872	6,512
2017	10,000	-	25,722	5,287	35,722	5,287
2018	10,000	-	27,008	4,001	37,008	4,001
2019	3,333	-	28,359	2,650	31,692	2,650
2020	-	-	24,645	1,232	24,645	1,232
Total	\$ 130,667	\$ -	\$ 217,098	\$ 56,851	\$ 347,765	\$ 56,851

Notes Payable – Clarke County Electric Co-Op

The City has two loans with Clarke County Electric Co-Op. Details of these loans are as follows:

- A) The first loan with Clarke County Electric Co-Op was for an original principal balance of \$85,000. This is a no interest loan, payable in monthly installments of \$708.33, with the final payment due on March 1, 2016. Once a year, the City is required to pay a fee equal to 1% of the principal balance to Clarke County Electric Co-Op. These funds were used to finance the replacement of a sewer lift station. The balance of this loan at June 30, 2010 was \$48,167. The City is currently paying for this loan from the Enterprise – Sewer Fund.
- B) The second loan with Clarke County Electric Co-Op was for an original principal balance of \$100,000. This is a no interest loan, payable in monthly installments of \$833.33, with the final payment due on October 1, 2018. Once a year, the City is required to pay a fee equal to 1% of the principal balance to Clarke County Electric Co-Op. These funds were used to finance street repair. The balance of this loan at June 30, 2010 was \$82,500. The City is currently paying this loan from the Special Revenue – Road Use Tax Fund.

As security for these loans, the City has pledged two certificates of deposit, with a balance of \$128,432.22 as of June 30, 2009 and 2010. These two certificates of deposit are included as part of the cash balance in the General Fund. In addition, the City has pledged local option sales tax and road use tax receipts as security for the above loans.

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$523,000 of sewer revenue bonds issued in June, 1980, with interest at 5.0% per annum. Proceeds from the bonds provided financing for the construction of improvements and extensions to the municipal sanitary sewer system. The bonds are payable solely from sewer customer receipts and are payable through fiscal year 2020. Annual principal and interest payments on the bonds are expected to require less than 53 percent of net receipts. The total principal and interest remaining to be paid on bonds is \$273,949. For the current year, principal and interest paid and total customer net receipts were \$31,009 and \$59,558 respectively.

The resolutions for the issuance of the sewer revenue bonds include the following provisions:

- A) The bonds will only be redeemed from the future earnings of the enterprise activity.
- B) The City shall make annual payments of \$31,009, including interest at 5% per year, through July 1, 2019.
- C) Sufficient monthly cash transfers shall be made to the sewer revenue bond sinking account for the purpose of making the above payment when due.
- D) A total of \$2,800 should be in the reserve account.

At July 1, 2009, the City had a cash balance of (\$6,471) in the Enterprise – Sewer Fund. As a result, it appears the City would not have been in compliance with the above resolutions as of July 1, 2009.

Line of Credit

The City had a line of credit with US Bank for a maximum of \$130,000. At June 30, 2010 this loan was entirely paid off. The City paid \$29,328 in principal and interest on this line of credit during the year ended June 30, 2010.

(4) Operating Lease

The City is leasing a copy machine for \$79 per month. Future required payments consist of \$948 due during the year ended June 30, 2011, \$948 due during the year ended June 30, 2012, and \$711 due during the year ended June 30, 2013, for a grand total of \$2,607.

Total rent expense during the fiscal year on this agreement was \$948.

(5) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2010 was \$11,356, equal to the required contributions for the year.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, personal and compensatory leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, personal and compensatory leave termination payments payable to employees at June 30, 2010, primarily relating to the General Fund, is \$5,826.

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

(7) Deferred Compensation Plan

The City offers its employees a deferred compensation plan as allowed by Internal Revenue Code Section 457. The Plan allows City employees to defer a portion of their current salary until future years. The employee becomes eligible to withdraw funds upon termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are, until made available to the participant or other beneficiary, solely the property and rights of the City; without being restricted to the provision of benefits under the plan, subject only to the claims of the City's general creditors.

The City is responsible for due care in managing the investments and the participant or beneficiary assumes the risk of loss from decreases in the value of plan assets. At June 30, 2010, plan assets consisted entirely of mutual funds.

The City records the plan assets and related activity in a Fiduciary Fund. Investments held by the deferred compensation plan administrator are reported at fair value.

(8) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Road Use Tax	General	\$ 12,029
	Enterprise: Sewer	19,714
		<u>31,743</u>
Special Revenue: Maple Leaf Park	Enterprise: Sewer	1,383
	Total	<u>\$ 33,126</u>

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

(9) Related Party Transactions

The City had business transactions between the City and City officials totaling \$2,756 during the year ended June 30, 2010.

(10) Risk Management

The City of Seymour is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Economic Development Loans Receivable

The City has two long-term loans receivable totaling \$31,357 as of June 30, 2010 due from two businesses in the City. The loans were financed with the proceeds given to them from a non-profit organization and repayments from the businesses. Interest rates on these two loans are set at 5% for one loan, and at 7.35% for the other loan. For one loan, the monthly payment is \$84.85 per month for ten years, and the other loan is currently delinquent.

(12) Contingency

The City participates in a number of Federal and State grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

(13) Commitments

The City purchases all of its water for resale from the Rathbun Regional Water Association, Inc. The City has no alternative source of water.

Required Supplementary Information

City of Seymour

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 Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 132,587	-	132,587	119,567	122,462	10,125
Other city tax	42,488	-	42,488	14,025	33,288	9,200
Licenses and permits	3,597	-	3,597	1,218	4,198	(601)
Use of money and property	14,295	7,056	21,351	8,563	13,873	7,478
Intergovernmental	121,644	10,447	132,091	145,270	216,584	(84,493)
Charges for service	-	289,146	289,146	342,021	345,959	(56,813)
Miscellaneous	25,487	34,254	59,741	31,885	31,885	27,856
Total receipts	340,098	340,903	681,001	662,549	768,249	(87,248)
Disbursements:						
Public safety	96,077	-	96,077	104,916	117,793	21,716
Public works	162,243	-	162,243	130,602	263,793	101,550
Culture and recreation	77,412	-	77,412	62,614	71,960	(5,452)
Community and economic development	9,918	-	9,918	8,870	11,278	1,360
General government	30,917	-	30,917	31,479	36,317	5,400
Debt service	39,328	-	39,328	-	-	(39,328)
Business type activities	-	287,508	287,508	324,068	370,378	82,870
Total disbursements	415,895	287,508	703,403	662,549	871,519	168,116
Excess (deficiency) of receipts over (under) disbursements	(75,797)	53,395	(22,402)	-	(103,270)	80,868
Other financing sources, net	21,097	(21,097)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(54,700)	32,298	(22,402)	-	(103,270)	80,868
Balances beginning of year	453,754	191,071	644,825	(392,091)	507,473	137,352
Balances end of year	\$ 399,054	223,369	622,423	(392,091)	404,203	218,220

See accompanying independent auditor's report.

City of Seymour

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 and Fiduciary 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 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 \$208,970. The budget amendment is reflected in the final budgeted amounts.

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

Other Supplementary Information

City of Seymour

Schedule 1

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

As of and for the year ended June 30, 2010

	Special Revenue		
	Horizons/Food Pantry	Seymour Industrial Development	Total
Receipts:			
Intergovernmental	\$ 2,000	-	2,000
Miscellaneous	560	3,299	3,859
Total receipts	<u>2,560</u>	<u>3,299</u>	<u>5,859</u>
Disbursements:			
Community and economic development	2,857	-	2,857
Total disbursements	<u>2,857</u>	<u>-</u>	<u>2,857</u>
Net change in cash balances	(297)	3,299	3,002
Cash balances beginning of year	8,981	10,572	19,553
Cash balances end of year	<u>\$ 8,684</u>	<u>13,871</u>	<u>22,555</u>
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ 8,684	13,871	22,555
Total cash basis fund balances	<u>\$ 8,684</u>	<u>13,871</u>	<u>22,555</u>

See accompanying independent auditor's report.

City of Seymour

Schedule 2

Schedule of Indebtedness

Year ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
Notes Payable:									
Clarke County Electric Co-Op	March 13, 2006 *	0.00%	\$ 85,000	56,667	-	8,500	48,167	-	-
Clarke County Electric Co-Op	September 22, 2008 *	0.00%	100,000	92,500	-	10,000	82,500	-	-
Total				\$ 149,167		18,500	130,667		
Revenue Bonds:									
Sanitary Sewer	June 10, 1980	5.00%	\$ 523,000	236,108	-	19,010	217,098	11,999	-
Line of Credit	November 13, 2008	3.75%	\$ 130,000	29,000	-	29,000	-	328	-

* The agreement also requires the City to annually pay a 1.0% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Bond and Note Maturities

June 30, 2010

Year Ending June 30,	Notes Payable				
	Clarke County Electric Co-Op		Clarke County Electric Co-op		Total
	Issued March 13, 2006		Issued September 22, 2008		
	Interest Rates *	Amount	Interest Rates *	Amount	
2011	0.00%	\$ 7,792	0.00%	\$ 9,167	
2012	0.00%	8,500	0.00%	10,000	18,500
2013	0.00%	8,500	0.00%	10,000	18,500
2014	0.00%	8,500	0.00%	10,000	18,500
2015	0.00%	8,500	0.00%	10,000	18,500
2016	0.00%	6,375	0.00%	10,000	16,375
2017	-	-	0.00%	10,000	10,000
2018	-	-	0.00%	10,000	10,000
2019	-	-	0.00%	3,333	3,333
		<u>\$ 48,167</u>		<u>\$ 82,500</u>	<u>\$ 130,667</u>

Year Ending June 30,	Revenue Bonds	
	Sanitary Sewer	
	Issued June 10, 1980	
	Interest Rates	Amount
2011	5.00%	\$ -
2012	5.00%	20,154
2013	5.00%	21,162
2014	5.00%	22,220
2015	5.00%	23,331
2016	5.00%	24,497
2017	5.00%	25,722
2018	5.00%	27,008
2019	5.00%	28,359
2020	5.00%	24,645
		<u>\$ 217,098</u>

* - The agreement also requires the City to annually pay a 1.0% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

PEAK & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS
1370 NW 114TH ST., SUITE 205
CLIVE, IA 50325

(515) 277-3077

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 Seymour, 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 January 26, 2011. 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, 2009. 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 Seymour'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 Seymour's internal control over financial reporting. Accordingly, we do not express our opinion on the effectiveness of the City of Seymour's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that 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 the 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 combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Seymour's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A), (C), (F) and (I) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (B), (D), (E), (G) and (H) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Seymour'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, 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.

City of Seymour'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 City of Seymour's responses and, accordingly, we do not express an 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 Seymour and other parties to whom the City of Seymour 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 Seymour 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.

Peak & Co., LLP
Certified Public Accountants

January 26, 2011
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City of Seymour
Schedule of Findings
Year Ended June 30, 2010

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) **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. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one person has control over each of the following areas:

- (1) Cash – reconciling bank accounts, initiating cash receipt and disbursement transactions and handling and recording cash.
- (2) Investments – detailed record keeping and reconciling earnings.
- (3) Long-term debt – recording and reconciling.
- (4) Receipts – collecting, depositing, journalizing and posting.
- (5) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (6) Disbursements – purchasing, check signing, recording and reconciling.
- (7) Payroll – preparing and distributing.
- (8) Financial reporting – preparing, reconciling and distributing.
- (9) Accounting system – performing all general accounting functions and having custody of City assets.
- (10) Information system (computer usage) – performing all general accounting functions and controlling all data input and output.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and the date of the review.

Response – We will utilize resources available to obtain the maximum internal control, including initials of reviewer.

Conclusion – Response accepted

(B) **Accounting Procedures** - Instances were noted where the City did not always deposit receipts timely. The bank and books did not reconcile by an immaterial amount during the year. To help ensure security and accountability over receipts, all receipts should be deposited timely, and the books and bank should be reconciled on a monthly basis.

Recommendation – The City should implement procedures to ensure all receipts are deposited on a timely basis. In addition, the bank and books should be reconciled on a monthly basis, and all differences should be investigated and resolved in a timely manner.

City of Seymour

Schedule of Findings

Year Ended June 30, 2010

Response - We will attempt to deposit more timely. However, our closest bank is now 20 minutes away, and it makes depositing timely challenging. In addition, we will ensure that the bank and books reconcile on a monthly basis.

Conclusion – Response accepted.

- (C) Receipts – The City collects monies from the sale of garbage bags and garbage tags. There does not appear to be procedures in place to ensure all garbage bags and garbage tags are accounted for properly, and that all monies from garbage bag sales and garbage tag sales are deposited to the bank account.

Recommendation – Procedures should be implemented to ensure all garbage bags and garbage tags are either on hand or sold, and that all monies from garbage bag and garbage tag sales are deposited to the bank account.

Response – We will review the above and take appropriate action.

Conclusion – Response accepted.

- (D) Financial Reporting – We noted that while management is capable of preparing accurate financial statements that provide information sufficient for City Council members to make management decisions, reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Due to the technical nature of these requirements, management does not prepare this information, which is a common situation in all small entities.

Recommendation – Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare OCBOA financial statements.

Response – This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with the OCBOA requirements.

Conclusion – Response accepted.

- (E) Separately Maintained Records – The volunteer fire department and community center maintain bank accounts for fundraiser, donations, rent, and charges for services activity separate from the City Clerk’s accounting records. The transactions and the resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget, monthly financial reports or the annual financial report. However, the transactions and resulting balances are included in these financial statements.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A City shall keep accounts which show an accurate and detailed statement for 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, the annual budget and reports, and should be reported to the Council on a monthly basis.

Response – We will attempt to implement this recommendation.

Conclusion – Response accepted.

City of Seymour
Schedule of Findings
Year Ended June 30, 2010

(F) Utilities – The following were noted regarding the City’s utilities.

- (1) Utility billings, collections and delinquent accounts were not reconciled throughout the year.
- (2) For part of the year, the water and sewer utility rates charged to the customers did not agree with the utility rate amounts as noted on the resolutions approved by the City Council.
- (3) The City approved water and sewer rates by resolution of the City Council. Chapter 384.84 of the Code of Iowa requires utility rates be established by ordinance of the City Council.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period. The Council or other independent person should review the reconciliations and monitor delinquencies. Also, the City should ensure the utility rates charged to customers agree to the rate amounts as provided for in the utility ordinances. In addition, the City should establish utility rates in accordance with Chapter 384.84 of the Code of Iowa.

Response – We will attempt to perform the above reconciliation. In addition, we will consult with the City Attorney in relation to the utility rate ordinance issue.

Conclusion – Response accepted.

(G) Fireman’s Account – Monthly bank reconciliations of book and bank balances were not prepared.

Prenumbered receipts were not issued for all collections.

Copies of all invoices and other disbursement support were not all retained.

Recommendation – To improve financial accountability and control, a monthly reconciliation of the book and bank balances should be prepared and retained. Any variance should be investigated and resolved timely.

Prenumbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all money.

All records, including invoices and supporting documentation, should be maintained and retained.

Response – We will implement these recommendations.

Conclusion – Response accepted.

(H) Community Center – Monthly bank reconciliations of book and bank balances were not prepared.

Prenumbered receipt slips were not issued for all collections.

Invoices were not approved by the Board of Directors of the Community Center.

The City is not following its ordinance regarding the number of members of the Community Center Board.

City of Seymour

Schedule of Findings

Year Ended June 30, 2010

Recommendation – To improve financial accountability and control, a monthly reconciliation of the book and bank balances should be prepared and retained. Any variance should be investigated and resolved timely.

Prenumbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all money.

All invoices should be approved by the Board of Directors of the Community Center.

The City follow its ordinance regarding the number of members of the Community Center Board.

Response – We will implement these recommendations.

Conclusion – Response accepted.

- (I) Insurance Reimbursements – In lieu of health insurance benefits, the City reimburses employees for health insurance. The City’s policy, applicable to the year ended June 30, 2010 states, in part:

“Each participating employee will be granted allowances for individually owned accident and/or health insurance policies after providing proof of insurance...”

The City reimburses the employees \$780 per month if the employees elect family coverage, and \$390 per month if electing single coverage.

During the year ended June 30, 2010 the City reimbursed employees the following amounts pursuant to this policy:

<u>Fund</u>	<u>Amount</u>
Special Revenue – Employee Benefits	\$ 28,090
Enterprise – Water	11,700
Enterprise – Sewer	780
Enterprise – Garbage	<u>4,500</u>
Total	<u>\$ 45,070</u>

Since the City considers the \$45,070 to be a reimbursement, no payroll taxes were withheld on these monies, and the \$45,070 was not included on the employees year-end W2 form.

Chapter 384.6 of the Code of Iowa states, in part:

“A city may establish trust and agency funds (*now special revenue funds*) for the following purposes:

1. Accounting for pension and related employees benefit funds as provided by the city finance committee. A city may certify taxes to be levied for a trust and agency fund in the amount necessary to meet its obligations.”

Chapter 4 of the City Finance Committee (CFC) administrative rules, implementing Chapter 384.6 of the Code of Iowa, provides the definition of and allowable expenditures from the employee benefits levy. According to the CFC administrative rules, cash reimbursements are not an allowable expenditure from the employee benefits levy.

City of Seymour

Schedule of Findings

Year Ended June 30, 2010

In 2003, the City established a cafeteria plan which, if properly structured, may allow City employees to avoid any tax consequences. However, this is a very technical issue, and it is questionable whether the plan established by the City meets the requirements of Section 125 of the Internal Revenue Code (IRC), also commonly known as a cafeteria plan.

Also, according to the City policy, to receive the allowance reimbursement as discussed above, all employees must secure their own health insurance and provide proof of insurance at the time the plan went into effect in 2003, or at the date of hire, whichever is later. After the initial verification, there is no ongoing requirement that the employees have to provide verification to the City that they secured their own health insurance coverage.

Recommendation – The City should make corrective transfers from the General Fund to the Special Revenue - Employee Benefits Fund for the insurance reimbursements paid from the employee benefits levy. The corrective transfers should include \$28,090 for insurance reimbursements paid during the year ended June 30, 2010, plus amounts, if any, paid before and after that date. In the future, the City should adhere to the CFC administrative rules in determining and approving payments from the employee benefits levy.

The City should review and revise its policy to establish an IRC, Section 125 cafeteria plan or other allowable plan to provide or fund health insurance benefits or reimbursements to its employees, if desired. If the City approves an allowable plan, the City should ensure it complies with the requirements of the City policy and Section 125 cafeteria plan, including proper documentation, as applicable.

Response – The City will make corrective transfers from the General Fund to the Special Revenue - Employee Benefits Fund for the insurance reimbursements paid from the employee benefits levy in the amount of \$28,090. We will also discuss this issue with the City Attorney for proper resolution of this issue.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Seymour

Schedule of Findings

Year Ended June 30, 2010

Other Findings Related to Required Statutory Reporting:

- (1) **Certified Budget** - Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the culture and recreation and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - 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 – We will implement this recommendation.

Conclusion - Response accepted.

- (2) **Questionable Disbursements** - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- (3) **Travel Expense** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) **Business Transactions** - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Michelle McMurry, Council Member Husband works for Vetter Equipment	Repairs/Supplies	\$ 314
Caleb Housh, Mayor/Council Member Manager of Lockridge, Inc. in Promise City	Repairs/Supplies	\$2,442

In accordance with Chapter 362.5(11) of the Code of Iowa, the above transactions do not appear to represent a conflict of interest as defined in Chapter 362.5 of the Code of Iowa since the total transactions with each individual were less than \$2,500 during the fiscal year.

- (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 insure that the coverage is adequate for current operations.
- (6) **Council Minutes** – Except as noted below, no transactions were found that we believe should have been approved in the Council minutes but were not.

The publication of claims did not include amounts paid for the separately maintained fireman’s account and the community center accounts. Chapter 372.13 (6) of the Code of Iowa states that the publication shall include a list of all claims allowed.

Transfers between funds were not consistently approved in the Council minutes.

City of Seymour

Schedule of Findings

Year Ended June 30, 2010

Recommendation – The City should ensure the list of claims are published as required. Also, all transfers between funds should be approved by the Council.

Response – We will implement these recommendations.

Conclusion – Response accepted.

(7) **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

(8) **Revenue Bonds** – At July 1, 2009, the City had a cash balance of (\$6,471) in the Enterprise – Sewer Fund. The City’s sewer bond resolutions require \$2,800 in cash to be maintained in the reserve account at all times. As a result, it does not appear that the City is in compliance with the sewer bond resolutions.

Recommendation – The City should consult with bond counsel to determine the disposition of this matter.

Response – We have been increasing our sewer rates in order to maintain the required reserve amount so that this does not happen again.

Conclusion – Response accepted.

(9) **Tax Levy** - The City levies a separate property tax levy for liability insurance and a separate tax levy for the civic center, pursuant to Chapter 384.12 of the Code of Iowa. However, it appears the City has levied too much in property taxes for both liability insurance and for the civic center given the costs paid for from these levies. It would appear that the City is not allowed to levy excess taxes under the liability insurance and civic center Code Sections in order to fund the general operations of the City.

Recommendation – The City review this Code Section to ensure compliance with the Code of Iowa requirements. In addition, the City needs to consult with legal counsel to determine an appropriate course of action in relation to the above issue.

Response – We will implement these recommendations.

Conclusion – Response accepted.

(10) **Electronic Check Retention** – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City, library, community center and the volunteer fire department retain electronic images of the front of cancelled checks, but not the back of cancelled checks.

Recommendation – The City should ensure that all City departments, including the City, library, community center and the volunteer fire department retain an image of both the front and back of each cancelled check as required.

Response – We will ask that all these departments implement this recommendation. In addition, the City will also implement this recommendation.

Conclusion – Response accepted.

City of Seymour

Schedule of Findings

Year Ended June 30, 2010

- (11) Special Revenue Levies – Chapter 384.8 of the Code of Iowa provides that a City may establish an Emergency Fund and transfers may be made from the Emergency Fund to the General Fund. The City credited the emergency tax levy to the General Fund rather than establishing a separate fund.

In addition, the City imposed a local option sales tax, as allowed by Chapter 423B of the Code of Iowa, and recorded the local option sales tax in the General Fund rather than establishing a separate fund.

Recommendation – The City should establish separate Special Revenue Funds for these special tax levies, as required.

Response – We will implement this recommendation in the current fiscal year.

- (12) City Code of Ordinances – A compilation of City ordinances has not been completed within the last five years, as required by Chapter 380.8 of the Code of Iowa.

Recommendation – The City should compile the code of ordinances as required by the Code of Iowa.

Response – We will implement this recommendation.

Conclusion – Response accepted.

- (13) Miscellaneous – There is no formal analysis of gallons of water paid to the City's vendor with the gallons of water billed to the customers of the City. Without this analysis, there could be a significant amount of unaccounted for water, with the City not even realizing that this problem exists.

The City maintains a fuel log at the fuel tank for gasoline, but not for diesel. In addition, for both gasoline and diesel, there is no reconciliation of gallons of fuel paid to the vendor with usage gallons per the City records.

Authorized signatories on some bank accounts include former City officials. Signatories on bank accounts should only include current authorized City officials.

Recommendation – The City compare the gallons of water paid to the City's vendor with the gallons of water billed to the customers of the City. Any material differences should be followed up on and investigated.

To provide increased accountability over fuel, vehicle logs should be kept on all vehicles which document fuel pumped into the vehicle and mileage/hours. The City should then periodically reconcile gallons of fuel purchased as recorded on the vendor invoices with gallons of fuel used as recorded on the vehicle logs. Any material differences and any unusual amount of fuel used should be periodically investigated and followed up on a timely manner.

The City ensure current signatories on bank accounts include authorized City officials.

Response – We will review our procedures in relation to the above.

Conclusion – Response accepted.