

CITY OF APLINGTON, IOWA

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

JUNE 30, 2011

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City of Aplington, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Cory Troyna	Mayor (Resigned)	April 2, 2011
Jason Mehmen	Mayor (Appointed)	Jan 2012
Jason Mehmen	Mayor Pro Tem	April 2, 2011
Jerry Orr	Council Member	Jan 2014
Derek Harken	Council Member (Resigned)	June 1, 2011
Todd Merryweather	Council Member (Appointed)	Jan 2014
Jeff Ridder	Council Member	Jan 2014
Steve Uhlenhopp	Council Member	Jan 2012
Debra Prier	City Clerk/Treasurer	Indefinite
Greg Lievens	Attorney	Indefinite

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Certified Public Accountants

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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 Aplington, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of 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. 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, 2010.

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, 2010, 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, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated June 26, 2012 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 23 through 25 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 four years ended June 30, 2010 (which are not presented herein) and expressed qualified 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 4, 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.

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

June 26, 2012

Management Discussion and Analysis

2011 Financial Highlights for the City of Aplington

- Taxes were increased slightly at \$15.48724 total tax levy rate per \$1000 with 3.00375 tax levy rate per \$1000 valuation on agricultural land. General property taxes collected for FY ending June 30, 2011 were \$218,909, \$36,764 TIF, \$103,492 Road Use tax, other city tax \$1396. Total revenue sources equaled \$1,794,250. Disbursements totaled \$1,848,815. Other financing sources (General Obligation Bonds) totaled \$321,750. Excess disbursements over receipts were (\$54,565)

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, includes IDED housing Grants for the CDBG from the Iowa Department of Economic Development
 - E. Permanent Fund(perpetual care existing from cemetery lot sales)

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. 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 page 23 of the Auditor's report. The Schedule of Indebtedness is found on Schedule 2. This includes GO bonds of \$325,000 and a special assessment capital loan of \$280,000, which was paid in full in December of 2011. Short-term loans include a Tractor (40,000) and 90,000 (ARC land purchase), Snow plow (58,000) loan was paid in full on 6/30/11. Schedule 3 of the Auditor's report list the General Obligation Bond interest rates and maturities.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

- The General Fund cash balance shows a negative balance of \$66,570. City officials continue to find alternatives to eliminate this deficit. The deficit was cut over \$30,000 from 2010.
- Special Revenue Fund cash balance shows a negative balance of \$55,741. (Incoming taxes will eliminate this)
- Capital Projects Balance shows a negative balance of \$154,935. City officials will determine options to eliminate this deficit.
- Cemetery Perpetual Care (Permanent) ending fund balance of \$13,509 p. 10 Exhibit B
- Proprietary Funds: Water – Ending cash balance \$95,002; Sewer – Ending Cash Balance \$99,375; Electric – Ending cash balance \$327,301(as shown on auditor report p. 11, Exhibit C)

TAX LEVIES

Tax levy Fiscal Year 2011 was 15.48724
Tax levy Fiscal Year 2010 was 15.19786
Tax levy Fiscal Year 2009 was 14.86965

BUDGETARY comments

The City amended its budget one time in the course of the year due to increased expenditures in public safety, Culture & recreation, community & economic, General government, and Capital projects.

DEBT ADMINISTRATION

AT the end of the Fiscal year of June 2011, the City's General obligation Debt outstanding was \$353,000.

Short term debt was \$175,753

General Obligation Debt Limitation as of June 30, 2011 was \$2,222,555

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, 2009 of 44,451,091 was used to compute the limitation.

Total Cash & investments (includes cash on hand, CD's, checking & savings deposits) was \$728,937

- Above information taken from Annual Report submitted December 1, 2011

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Street repairs continue yearly. The Water treatment plant project continues. Updates to the City Park shelter included new windows and paint. The fire department purchased a new truck during the year.

Planned Capital Projects for the next five years include: Continuation water treatment plant; fire department building; possible new sidewalk construction in business district.

Basic Financial Statements

City of Aplington, Iowa
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2011

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 290,182	113,657	7,277	-
Public works	196,228	80,950	103,491	-
Health and social services	5,382	-	-	-
Culture and recreation	116,285	6,331	16,018	-
Community and economic development	40,065	-	-	-
General government	115,079	1,450	-	-
Debt service	140,525	-	-	-
Capital projects	215,075	-	-	97,050
Total governmental activities	<u>1,118,821</u>	<u>202,388</u>	<u>126,786</u>	<u>97,050</u>
Business type activities:				
Electric	588,633	646,418	-	-
Water	90,906	105,058	-	-
Sewer	50,455	99,748	-	-
Total business type activities	<u>729,994</u>	<u>851,224</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,848,815</u>	<u>1,053,612</u>	<u>126,786</u>	<u>97,050</u>

General Receipts and Transfers:

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:
 Urban renewal purposes
 Streets
 Economic development
 Other purposes
Unrestricted
Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
(169,248)	-	(169,248)
(11,787)	-	(11,787)
(5,382)	-	(5,382)
(93,936)	-	(93,936)
(40,065)	-	(40,065)
(113,629)	-	(113,629)
(140,525)	-	(140,525)
(118,025)	-	(118,025)
<u>(692,597)</u>	<u>-</u>	<u>(692,597)</u>
-	57,785	57,785
-	14,152	14,152
<u>-</u>	<u>49,293</u>	<u>49,293</u>
<u>-</u>	<u>121,230</u>	<u>121,230</u>
<u>(692,597)</u>	<u>121,230</u>	<u>(571,367)</u>
269,029	-	269,029
36,764	-	36,764
88,216	-	88,216
45,970	-	45,970
5,460	-	5,460
68,603	2,760	71,363
-	-	-
80,000	(80,000)	-
<u>594,042</u>	<u>(77,240)</u>	<u>516,802</u>
(98,555)	43,990	(54,565)
<u>305,815</u>	<u>477,688</u>	<u>783,503</u>
<u>\$ 207,260</u>	<u>521,678</u>	<u>728,938</u>
\$ 13,509	-	13,509
327,613	-	327,613
89,850	-	89,850
1,098	-	1,098
52,708	-	52,708
(277,518)	521,678	244,160
<u>\$ 207,260</u>	<u>521,678</u>	<u>728,938</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, 2011

	Special Revenue		
	General	Road Use Tax	Tax Increment Financing
Receipts:			
Property tax	\$ 218,909	-	-
Tax increment financing	-	-	36,764
Other city tax	1,396	-	-
Licenses and permits	1,450	-	-
Use of money and property	16,853	-	-
Intergovernmental	70,832	103,492	-
Charges for service	153,401	-	-
Special assessments	-	-	-
Miscellaneous	32,283	-	7,848
Total receipts	495,124	103,492	44,612
Disbursements:			
Operating:			
Public safety	290,182	-	-
Public works	74,415	91,991	-
Health and social services	5,382	-	-
Culture and recreation	116,285	-	-
Community and economic development	13,220	-	26,845
General government	115,079	-	-
Debt service	-	-	-
Capital projects	-	-	89,620
Total disbursements	614,563	91,991	116,465
Excess (deficiency) of receipts over (under) disbursements	(119,439)	11,501	(71,853)
Other financing sources (uses):			
Operating transfers in	143,525	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	143,525	-	-
Net change in cash balances	24,086	11,501	(71,853)
Cash balances beginning of year (as restated)	(90,656)	78,349	399,466
Cash balances end of year	\$ (66,570)	89,850	327,613
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Urban renewal purposes	-	-	327,613
Streets	-	89,850	-
Economic development	-	-	-
Other purposes	-	-	-
Unassigned	(66,570)	-	-
Total cash basis fund balances	\$ (66,570)	89,850	327,613

See notes to financial statements.

Exhibit B

<u>Capital Projects</u>	Other	
<u>IDEDED Housing</u>	Nonmajor	
<u>Grants</u>	Governmental	<u>Total</u>
	<u>Funds</u>	
-	135,900	354,809
-	-	36,764
-	46,811	48,207
-	-	1,450
-	217	17,070
97,050	-	271,374
-	560	153,961
-	15,673	15,673
-	827	40,958
<u>97,050</u>	<u>199,988</u>	<u>940,266</u>
-	-	290,182
-	29,822	196,228
-	-	5,382
-	-	116,285
-	-	40,065
-	-	115,079
-	140,525	140,525
98,593	26,862	215,075
<u>98,593</u>	<u>197,209</u>	<u>1,118,821</u>
<u>(1,543)</u>	<u>2,779</u>	<u>(178,555)</u>
-	20,000	163,525
-	(83,525)	(83,525)
-	(63,525)	80,000
(1,543)	(60,746)	(98,555)
<u>2,641</u>	<u>(83,985)</u>	<u>305,815</u>
<u>1,098</u>	<u>(144,731)</u>	<u>207,260</u>
-	13,509	13,509
-	-	327,613
-	-	89,850
1,098	-	1,098
-	52,708	52,708
-	(210,948)	(277,518)
<u>1,098</u>	<u>(144,731)</u>	<u>207,260</u>

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

As of and for the year ended June 30, 2011

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating receipts:				
Charges for service	\$ 646,418	\$ 105,058	99,748	851,224
Total operating receipts	<u>646,418</u>	<u>105,058</u>	<u>99,748</u>	<u>851,224</u>
Operating disbursements:				
Business type activities	<u>588,633</u>	<u>90,906</u>	<u>50,455</u>	<u>729,994</u>
Total operating disbursements	<u>588,633</u>	<u>90,906</u>	<u>50,455</u>	<u>729,994</u>
Excess of operating receipts over operating disbursements	<u>57,785</u>	<u>14,152</u>	<u>49,293</u>	<u>121,230</u>
Non-operating receipts (disbursements):				
Miscellaneous	<u>120</u>	<u>2,640</u>	<u>-</u>	<u>2,760</u>
Net non-operating receipts (disbursements)	<u>120</u>	<u>2,640</u>	<u>-</u>	<u>2,760</u>
Excess of receipts over disbursements	<u>57,905</u>	<u>16,792</u>	<u>49,293</u>	<u>123,990</u>
Operating transfers out	<u>(70,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>(80,000)</u>
Net change in cash balances	(12,095)	11,792	44,293	43,990
Cash balances beginning of year	<u>339,396</u>	<u>83,210</u>	<u>55,082</u>	<u>477,688</u>
Cash balances end of year	<u>\$ 327,301</u>	<u>95,002</u>	<u>99,375</u>	<u>521,678</u>
Cash Basis Fund Balances				
Unrestricted	<u>\$ 327,301</u>	<u>\$ 95,002</u>	<u>99,375</u>	<u>521,678</u>
Total cash basis fund balances	<u>\$ 327,301</u>	<u>\$ 95,002</u>	<u>99,375</u>	<u>521,678</u>

See notes to financial statements.

City of Aplington, Iowa

Notes to Financial Statements

June 30, 2011

(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 governments. 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, 2011

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, 2011

The City reports the following major governmental funds:

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

Special Revenue:

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

The Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing debt.

Capital Projects:

The Capital Projects – IDED Housing Grants Fund is used to account for the Community Development Block Grant funds from the Iowa Department of Economic Development to be used for economic community development primarily benefiting low and moderate income persons, eliminating slums and blight, or meeting community development needs having particular urgency.

The City reports the following major proprietary funds:

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

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.

City of Aplington, Iowa
Notes to Financial Statements

June 30, 2011

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.

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

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

D. Governmental Cash Basis Fund Balances

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

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

City of Aplington, Iowa
Notes to Financial Statements

June 30, 2011

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

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in public works and business type activities functions.

F. Subsequent Events

The City has evaluated subsequent events through June 26, 2012, the date which the financial statements were available to be issued.

(2) **Cash**

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

There were no investments at June 30, 2011. 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, 2011

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds & Notes		Special Assessment Bonds & Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 35,000	10,415	28,000	1,540	63,000	11,955
2013	35,000	9,505	-	-	35,000	9,505
2014	35,000	8,595	-	-	35,000	8,595
2015	35,000	7,370	-	-	35,000	7,370
2016	35,000	6,145	-	-	35,000	6,145
2017	40,000	4,920	-	-	40,000	4,920
2018	40,000	3,280	-	-	40,000	3,280
2019	40,000	1,640	-	-	40,000	1,640
Total	<u>\$ 295,000</u>	<u>51,870</u>	<u>28,000</u>	<u>1,540</u>	<u>323,000</u>	<u>53,410</u>

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.

On July 1, 2006, the City obtained a five-year note of \$58,000 to purchase a snow plow. The City paid \$6,874 on this note during the year ended June 30, 2011 which included \$347 of interest expense. The loan was paid in full on 06/30/11.

City of Aplington, Iowa
Notes to Financial Statements

June 30, 2011

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 \$3,768 in interest expense during the year ended June 30, 2011.

Future payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 8,193	3,317	11,510
2013	8,663	2,847	11,510
2014	9,175	2,335	11,510
2015	9,710	1,800	11,510
2016	10,276	1,234	11,510
Thereafter	10,878	634	11,512
Total	<u>\$ 56,895</u>	<u>12,167</u>	<u>69,062</u>

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 \$1,687 in interest expense during the year ended June 30, 2011.

Future payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 7,824	1,297	9,121
2013	8,232	889	9,121
2014	8,666	455	9,121
Total	<u>\$ 24,722</u>	<u>2,641</u>	<u>27,363</u>

City of Aplington, Iowa
Notes to Financial Statements

June 30, 2011

The City of Aplington has economic development loans payable of \$50,000 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 \$50,000 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 4.50% of their annual covered salary and the City is required to contribute 6.95% 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, 2011 and 2010 and 2009 were \$19,271, \$18,464, and 17,996, respectively, equal to the required contribution for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 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.

City of Aplington, Iowa
Notes to Financial Statements

June 30, 2011

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 \$820 for employee/spouse coverage and \$1,229 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$62,535 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, 2011, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ <u>21,800</u>

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

(7) Deficit Fund Balances

The Special Revenue Fund, Street Assessments Fund had a negative fund balance at June 30, 2011 of \$55,741. The deficit will be eliminated upon receipt of property taxes.

The Capital Projects Fund, Capital Projects Account had a negative fund balance at June 30, 2011 of \$154,935. City officials are considering alternatives to eliminate this deficit.

The General Fund had a negative balance of \$66,570 at June 30, 2011. City officials are considering alternatives to eliminate this deficit.

City of Aplington, Iowa
Notes to Financial Statements

June 30, 2011

(8) Interfund Transfers

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

Transfer to	Transfer from	Amount
General Fund	Special Revenue:	
	Employee Benefits	\$ 48,525
	Special Revenue:	
	Local Option Sales Tax	15,000
	Enterprise:	
	Water	5,000
	Sewer	5,000
	Electric	<u>70,000</u>
		143,525
Debt Service	Special Revenue:	
	Local Option Sales Tax	<u>20,000</u>
Total		\$ <u>163,525</u>

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

(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.

City of Aplington, Iowa
Notes to Financial Statements

June 30, 2011

(10) Accounting Change/Restatement

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

	General	Special Revenue, Emergency
Balances June 30, 2010, as previously reported	\$ (97,227)	6,571
Change in fund type classification per implementation of GASB Statement No. 54	6,571	(6,571)
Balances July 1, 2010, as restated	\$ (90,656)	-

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, 2011

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 354,809	-	354,809
Tax increment financing	36,764	-	36,764
Other city tax	48,207	-	48,207
Licenses and permits	1,450	-	1,450
Use of money and property	17,070	-	17,070
Intergovernmental	271,374	-	271,374
Charges for service	153,961	851,224	1,005,185
Special assessments	15,673	-	15,673
Miscellaneous	40,958	2,760	43,718
Total receipts	<u>940,266</u>	<u>853,984</u>	<u>1,794,250</u>
Disbursements:			
Public safety	290,182	-	290,182
Public works	196,228	-	196,228
Health and social services	5,382	-	5,382
Culture and recreation	116,285	-	116,285
Community and economic development	40,065	-	40,065
General government	115,079	-	115,079
Debt service	140,525	-	140,525
Capital projects	215,075	-	215,075
Business type activities	-	729,994	729,994
Total disbursements	<u>1,118,821</u>	<u>729,994</u>	<u>1,848,815</u>
Excess (deficiency) of receipts over (under) disbursements	(178,555)	123,990	(54,565)
Other financing sources (uses), net	<u>80,000</u>	<u>(80,000)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(98,555)	43,990	(54,565)
Balances beginning of year	<u>305,815</u>	<u>477,688</u>	<u>783,503</u>
Balances end of year	<u>\$ 207,260</u>	<u>521,678</u>	<u>728,938</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to
<u>Original</u>	<u>Final</u>	Net
		<u>Variance</u>
359,295	359,295	(4,486)
30,400	30,400	6,364
63,961	63,961	(15,754)
465	465	985
22,860	22,860	(5,790)
361,606	361,606	(90,232)
1,058,400	1,058,400	(53,215)
20,000	20,000	(4,327)
25,600	25,600	18,118
<u>1,942,587</u>	<u>1,942,587</u>	<u>(148,337)</u>
222,150	291,797	1,615
180,016	180,016	(16,212)
6,000	6,000	618
131,070	147,560	31,275
45,150	76,850	36,785
113,285	120,285	5,206
140,525	140,525	-
205,000	327,891	112,816
<u>712,990</u>	<u>712,990</u>	<u>(17,004)</u>
<u>1,756,186</u>	<u>2,003,914</u>	<u>155,099</u>
186,401	(61,327)	(303,436)
-	78,000	(78,000)
186,401	16,673	(71,238)
<u>795,902</u>	<u>795,902</u>	<u>(12,399)</u>
<u>982,303</u>	<u>812,575</u>	<u>(83,637)</u>

City of Aplington, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except 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 \$247,728 and other financing sources by \$78,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the public works and business type activities 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, 2011

	Special Revenue			
	Local Option <u>Sales Tax</u>	Street <u>Assessments</u>	Employee <u>Benefits</u>	Debt <u>Service</u>
Receipts:				
Property tax	\$ -	-	48,218	87,682
Other city tax	45,970	-	307	534
Use of money and property	-	-	-	-
Charges for service	-	-	-	-
Special assessments	-	15,673	-	-
Miscellaneous	-	-	-	-
Total receipts	<u>45,970</u>	<u>15,673</u>	<u>48,525</u>	<u>88,216</u>
Disbursements:				
Operating:				
Public works	29,822	-	-	-
Debt service	-	31,080	-	109,445
Capital projects	-	-	-	-
Total disbursements	<u>29,822</u>	<u>31,080</u>	<u>-</u>	<u>109,445</u>
Excess (deficiency) of receipts over (under) disbursements	<u>16,148</u>	<u>(15,407)</u>	<u>48,525</u>	<u>(21,229)</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	20,000
Operating transfers out	(35,000)	-	(48,525)	-
Total other financing sources (uses)	<u>(35,000)</u>	<u>-</u>	<u>(48,525)</u>	<u>20,000</u>
Net change in cash balances	(18,852)	(15,407)	-	(1,229)
Cash balances beginning of year	71,560	(40,334)	-	957
Cash balances end of year	<u>\$ 52,708</u>	<u>(55,741)</u>	<u>-</u>	<u>(272)</u>
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	-	-	-	-
Restricted for:				
Other purposes	52,708	-	-	-
Unassigned	-	(55,741)	-	(272)
Total cash basis fund balances	<u>\$ 52,708</u>	<u>(55,741)</u>	<u>-</u>	<u>(272)</u>

See accompanying independent auditor's report.

Schedule 1

<u>Capital Projects</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
-	-	135,900
-	-	46,811
214	3	217
-	560	560
-	-	15,673
827	-	827
<u>1,041</u>	<u>563</u>	<u>199,988</u>
-	-	29,822
-	-	140,525
<u>26,862</u>	<u>-</u>	<u>26,862</u>
<u>26,862</u>	<u>-</u>	<u>197,209</u>
<u>(25,821)</u>	<u>563</u>	<u>2,779</u>
-	-	20,000
<u>-</u>	<u>-</u>	<u>(83,525)</u>
<u>-</u>	<u>-</u>	<u>(63,525)</u>
(25,821)	563	(60,746)
<u>(129,114)</u>	<u>12,946</u>	<u>(83,985)</u>
<u>(154,935)</u>	<u>13,509</u>	<u>(144,731)</u>
-	13,509	13,509
-	-	52,708
<u>(154,935)</u>	<u>-</u>	<u>(210,948)</u>
<u>(154,935)</u>	<u>13,509</u>	<u>(144,731)</u>

City of Aplington, Iowa

Schedule of Indebtedness

Year ended June 30, 2011

<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	4.00 %	100,000

See accompanying independent auditor's report.

Schedule 2

<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>
65,000	-	65,000	-	3,250	-
<u>325,000</u>	<u>-</u>	<u>30,000</u>	<u>295,000</u>	<u>11,195</u>	<u>-</u>
<u>\$ 390,000</u>	<u>-</u>	<u>95,000</u>	<u>295,000</u>	<u>14,445</u>	<u>-</u>
<u>56,000</u>	<u>-</u>	<u>28,000</u>	<u>28,000</u>	<u>3,080</u>	<u>-</u>
6,527	-	6,527	-	347	-
64,637	-	7,742	56,895	3,768	-
32,156	-	7,434	24,722	1,687	-
<u>100,000</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>4,000</u>	<u>-</u>
<u>\$ 203,320</u>	<u>-</u>	<u>71,703</u>	<u>131,617</u>	<u>9,802</u>	<u>-</u>

Bond and Note Maturities

June 30, 2011

Year Ending <u>June 30.</u>	<u>General Obligation Bonds</u>	
	<u>Corporate Purpose Loan</u>	
	<u>Issued July 22, 2009</u>	
	Interest	
	<u>Rates</u>	<u>Amount</u>
2012	2.60 %	\$ 35,000
2013	2.60	35,000
2014	3.50	35,000
2015	3.50	35,000
2016	3.50	35,000
2017	4.10	40,000
2018	4.10	40,000
2019	4.10	40,000
Total		<u>\$ 295,000</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>
2012	5.50 %	<u>\$ 28,000</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 Five Years

	<u>2011</u>	<u>2010</u>
Receipts:		
Property tax	\$ 354,809	322,777
Tax increment financing	36,764	73,727
Other city tax	48,207	68,567
Licenses and permits	1,450	2,889
Use of money and property	17,070	18,996
Intergovernmental	271,374	136,023
Charges for service	153,961	155,200
Special assessments	15,673	17,386
Miscellaneous	<u>40,958</u>	<u>23,707</u>
 Total	 <u>\$ 940,266</u>	 <u>819,272</u>
Disbursements:		
Operating		
Public safety	\$ 290,182	204,415
Public works	196,228	180,913
Health and social services	5,382	1,532
Culture and recreation	116,285	99,357
Community and economic development	40,065	82,338
General government	115,079	114,322
Debt service	140,525	113,729
Capital projects	<u>215,075</u>	<u>285,197</u>
 Total	 <u>\$ 1,118,821</u>	 <u>1,081,803</u>

See accompanying independent auditor's report.

<u>2009</u>	<u>2008</u>	<u>2007</u>
315,495	257,571	248,319
56,572	237,763	167,401
65,326	56,886	53,492
2,603	813	465
20,727	23,147	19,069
250,297	282,437	153,210
154,779	139,410	130,306
24,156	24,177	32,891
<u>18,669</u>	<u>48,580</u>	<u>49,643</u>
<u><u>908,624</u></u>	<u><u>1,070,784</u></u>	<u><u>854,796</u></u>
188,572	203,614	180,091
185,865	146,518	147,047
2,300	1,850	1,432
111,515	87,416	80,288
57,686	190,314	82,950
111,796	107,143	107,433
151,503	158,375	158,989
<u>255,410</u>	<u>201,370</u>	<u>74,346</u>
<u><u>1,064,647</u></u>	<u><u>1,096,600</u></u>	<u><u>832,576</u></u>

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Aplington, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated June 26, 2012. Our report expressed qualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. Our report was qualified as we were unable to verify the distribution by fund of the total fund balance at July 1, 2010. 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 be 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-11 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 deficiency described in Part I of the accompanying Schedule of Findings as item I-B-11 to be a significant deficiency.

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, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

June 26, 2012

City of Aplington, Iowa

Schedule of Findings

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, 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-11 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, 2011

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.

City of Aplington, Iowa

Schedule of Findings

Year ended June 30, 2011

Part II: Other Findings Related to Statutory Reporting:

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

Recommendation – The budget should have been amended in 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-11 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-11 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-11 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	\$ 4,214
Jason Mehmen, Mayor Pro-Tem Owner of Mehmen Excavating	Labor	950

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with the Mayor Pro-Tem does not appear to represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year. The transaction with the Council Member does appear to represent a conflict of interest as there was no competitive bidding.

City of Aplington, Iowa

Schedule of Findings

Year ended June 30, 2011

Recommendation – The City should review its procedures to insure that they request competitive bids when appropriate.

Response – This was an oversight this year. We will review our procedures in the future, if needed.

Conclusion – Response accepted.

II-E-11 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-11 Council Minutes - Out of the twenty four claims tested, two claims were not listed as paid and published as required by Chapter 372 of the Code of Iowa.

Recommendation – The City should review its procedures to insure that all claims are listed as paid and published in accordance with the Code of Iowa.

Response – This was an oversight this year. We discussed the claims in the body of the minutes, but did not list these as paid.

Conclusion – Response accepted.

II-G-11 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.

City of Aplington, Iowa

Schedule of Findings

Year ended June 30, 2011

II-H-11 Financial Condition – The Special Revenue Fund, Street Assessments Fund had a deficit balance of \$55,741, the Capital Projects Fund, Capital Projects had a deficit balance of \$154,935, the Debt Service Fund had a deficit balance of \$272 and the General Fund had a deficit balance of \$66,570 at June 30, 2011.

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.

II-I-11 Tax Increment Financing – The balance in the Special Revenue Fund, TIF account was in excess of the outstanding TIF indebtedness as of June 30, 2011. It was also noted that certain expenditures were made without being certified as TIF debt prior to payment.

Recommendation – The City should review its procedures to insure they are accounting for TIF transactions in accordance with the Code of Iowa.

Response – We will do this.

Conclusion – Response accepted.

II-J-11 Local Option Sales Tax – It was noted during the course of our audit that a transfer of \$10,000 was made out of Local Option Sales Tax that did not appear to be in accordance with the ballot authorizing the tax.

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

Response – We will do this.

Conclusion – Response accepted.