

City of Mediapolis

**Independent Auditor's Report
Financial Statements and Supplementary Information
Independent Auditor's Reports on Internal Control and Compliance
Schedule of Findings and Questioned Costs**

June 30, 2011

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City of Mediapolis

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|----------------|----------------|---------------------|
| Larry Flaherty | Mayor | December, 2011 |
| Tara Abel | Council Member | December, 2013 |
| Tim Licko | Council Member | December, 2011 |
| John Vose | Council Member | December, 2013 |
| Chuck Massner | Council Member | December, 2013 |
| Bob Gerling | Council Member | December, 2011 |
| Julie Tribbey | City Clerk | Indefinite |



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Independent Auditor's Report

Honorable Mayor and
Members of the City Council
City of Mediapolis, Iowa

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 Mediapolis, Iowa (City), 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 that 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 accounting principles generally accepted in the United States of America. 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 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 primary government of the City 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 December 21, 2011 on our consideration of the City'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 read in conjunction with this report and considered in assessing the results of our audit.

The budgetary comparison information on pages 14 and 15 is not required parts of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We 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 that accounting principles generally accepted in the United States have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Other supplementary information, as listed in the table of contents, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, 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, 2010, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CPA Associates PC

December 21, 2011

BASIC FINANCIAL STATEMENTS

City of Mediapolis
Statement of Activities and Net Assets - Cash Basis
As of and for the Year Ended June 30, 2011

| | Program Receipts | | | Net (Disbursements) Receipts and Changes in Cash Basis Net Assets | | | |
|---|---------------------|-------------------------------------|--|--|----------------------------|-----------------------------|--------------------|
| | Disbursements | Charges for Service and Sales | Operating Grants, Contributions and Restricted Interest | Capital Grants Contributions | Governmental Activities | Business-Type Activities | Total |
| Functions / Programs: | | | | | | | |
| Governmental activities: | | | | | | | |
| Public safety | \$ 94,932 | \$ 8,315 | \$ 187,429 | \$ - | \$ 100,812 | \$ - | \$ 100,812 |
| Public works | 1,326,245 | 128,897 | 8,737 | - | (1,188,611) | - | (1,188,611) |
| Health and social services | 1,000 | - | - | - | (1,000) | - | (1,000) |
| Culture and recreation | 305,929 | 51,883 | 69,602 | - | (184,444) | - | (184,444) |
| Community and economic development | 358,897 | - | - | - | (358,897) | - | (358,897) |
| General government | 137,242 | 94 | - | - | (137,148) | - | (137,148) |
| Debt service | 350,219 | - | - | - | (350,219) | - | (350,219) |
| Capital projects | - | - | - | 734,512 | 734,512 | - | 734,512 |
| Total governmental activities | <u>2,574,464</u> | <u>189,189</u> | <u>265,768</u> | <u>734,512</u> | <u>(1,384,995)</u> | <u>-</u> | <u>(1,384,995)</u> |
| Business type activities: | | | | | | | |
| Water | 560,207 | 248,542 | 12,255 | - | - | (299,410) | (299,410) |
| Sewer | 214,413 | 153,269 | 2,114 | - | - | (59,030) | (59,030) |
| Total business type activities | <u>774,620</u> | <u>401,811</u> | <u>14,369</u> | <u>-</u> | <u>-</u> | <u>(358,440)</u> | <u>(358,440)</u> |
| Total | <u>\$ 3,349,084</u> | <u>\$ 591,000</u> | <u>\$ 280,137</u> | <u>\$ 734,512</u> | <u>(1,384,995)</u> | <u>(358,440)</u> | <u>(1,743,435)</u> |
| General Receipts: | | | | | | | |
| Property tax levied for: | | | | | | | |
| General purposes | | | | | 320,170 | - | 320,170 |
| Debt service | | | | | 74,890 | - | 74,890 |
| Tax increment financing | | | | | 224,338 | - | 224,338 |
| Other city taxes | | | | | 218,891 | - | 218,891 |
| Unrestricted investment earnings | | | | | 60,886 | 6,440 | 67,326 |
| Transfers | | | | | (342,215) | 342,215 | - |
| Miscellaneous | | | | | 6,890 | 1,600 | 8,490 |
| Total general receipts and transfers | | | | | <u>563,850</u> | <u>350,255</u> | <u>914,105</u> |
| Change in cash basis net assets | | | | | (821,145) | (8,185) | (829,330) |
| Cash basis net assets beginning of year | | | | | <u>1,467,764</u> | <u>353,601</u> | <u>1,821,365</u> |
| Cash basis net assets end of year | | | | | <u>\$ 646,619</u> | <u>\$ 345,416</u> | <u>\$ 992,035</u> |
| Cash Basis Net Assets: | | | | | | | |
| Restricted: | | | | | | | |
| Expendable: | | | | | | | |
| Road Use | | | | | \$ 142,787 | \$ - | \$ 142,787 |
| TIF | | | | | 169,623 | - | 169,623 |
| Other purposes | | | | | 221,100 | - | 221,100 |
| Unrestricted | | | | | <u>113,109</u> | <u>345,416</u> | <u>458,525</u> |
| Total cash basis net assets | | | | | <u>\$ 646,619</u> | <u>\$ 345,416</u> | <u>\$ 992,035</u> |

See notes to financial statements.

City of Mediapolis
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the Year Ended June 30, 2011

| | Special Revenue | | | | | Total |
|--|-------------------|-------------------|----------------------|-----------------|---------------------|-------------------|
| | General | Road Use | Urban Renewal TIF | Debt Service | Capital Projects | |
| Receipts: | | | | | | |
| Property tax | \$ 320,170 | \$ - | \$ - | \$ 74,890 | \$ - | \$ 395,060 |
| Tax increment financing collections | - | - | 224,338 | - | - | 224,338 |
| Other taxes | 185,891 | - | - | 33,000 | - | 218,891 |
| Use of money and property | 60,886 | - | - | - | - | 60,886 |
| Licenses and permits | 8,024 | - | - | - | - | 8,024 |
| Intergovernmental | 45,398 | 147,381 | - | - | 733,762 | 926,541 |
| Charges for services | 180,780 | - | - | - | - | 180,780 |
| Special assessments | 94 | - | - | - | - | 94 |
| Miscellaneous | 80,170 | - | - | - | 750 | 80,920 |
| | <u>881,413</u> | <u>147,381</u> | <u>224,338</u> | <u>107,890</u> | <u>734,512</u> | <u>2,095,534</u> |
| Total receipts | | | | | | |
| Disbursements: | | | | | | |
| Governmental activities: | | | | | | |
| Public safety | 94,932 | - | - | - | - | 94,932 |
| Public works | 1,134,169 | 192,076 | - | - | - | 1,326,245 |
| Health and social services | 1,000 | - | - | - | - | 1,000 |
| Culture and recreation | 305,929 | - | - | - | - | 305,929 |
| Community and economic development | - | - | - | - | 358,897 | 358,897 |
| General government | 137,242 | - | - | - | - | 137,242 |
| Debt service | - | - | - | 350,219 | - | 350,219 |
| Total disbursements | <u>1,673,272</u> | <u>192,076</u> | <u>-</u> | <u>350,219</u> | <u>358,897</u> | <u>2,574,464</u> |
| Excess (deficiency) of receipts over disbursements | (791,859) | (44,695) | 224,338 | (242,329) | 375,615 | (478,930) |
| Other financing sources (uses): | | | | | | |
| Operating transfers in (out) | <u>920,420</u> | <u>-</u> | <u>(249,664)</u> | <u>243,520</u> | <u>(1,256,491)</u> | <u>(342,215)</u> |
| Net change in cash balances | 128,561 | (44,695) | (25,326) | 1,191 | (880,876) | (821,145) |
| Cash balances beginning of year | <u>803,298</u> | <u>187,482</u> | <u>194,949</u> | <u>(1,191)</u> | <u>283,226</u> | <u>1,467,764</u> |
| Cash balances end of year | <u>\$ 931,859</u> | <u>\$ 142,787</u> | <u>\$ 169,623</u> | <u>\$ -</u> | <u>\$ (597,650)</u> | <u>\$ 646,619</u> |
| Cash Basis Fund Balances | | | | | | |
| Restricted for: | | | | | | |
| Road use purposes | \$ - | \$ 142,787 | \$ - | \$ - | \$ - | \$ 142,787 |
| Urban renewal projects | - | - | 169,623 | - | - | 169,623 |
| Archer Trust | 221,100 | - | - | - | - | 221,100 |
| Assigned to library purposes | 43,451 | - | - | - | - | 43,451 |
| Unassigned | <u>667,308</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(597,650)</u> | <u>69,658</u> |
| Cash balances end of year | <u>\$ 931,859</u> | <u>\$ 142,787</u> | <u>\$ 169,623</u> | <u>\$ -</u> | <u>\$ (597,650)</u> | <u>\$ 646,619</u> |

See notes to financial statements.

City of Mediapolis
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the Year Ended June 30, 2011

| | Enterprise Funds | | Total |
|---|-----------------------|-----------------------|-----------------------|
| | Water | Sewer | |
| Operating Receipts: | | | |
| Charges for service | \$ <u>248,542</u> | \$ <u>153,269</u> | \$ <u>401,811</u> |
| Total operating receipts | <u>248,542</u> | <u>153,269</u> | <u>401,811</u> |
| Operating Disbursements: | | | |
| Business type activities | <u>560,207</u> | <u>214,413</u> | <u>774,620</u> |
| Total operating disbursements | <u>560,207</u> | <u>214,413</u> | <u>774,620</u> |
| Excess (deficiency) of operating receipts over (under) operating disbursements | <u>(311,665)</u> | <u>(61,144)</u> | <u>(372,809)</u> |
| Non-operating receipts (disbursements): | | | |
| Interest on investments | 3,433 | 3,007 | 6,440 |
| Miscellaneous | <u>13,855</u> | <u>2,114</u> | <u>15,969</u> |
| Net non-operating receipts (disbursements) | <u>17,288</u> | <u>5,121</u> | <u>22,409</u> |
| Excess (deficiency) of receipts over disbursements | (294,377) | (56,023) | (350,400) |
| Operating transfers in (out) | <u>238,083</u> | <u>104,132</u> | <u>342,215</u> |
| Net change in cash balances | (56,294) | 48,109 | (8,185) |
| Cash balances beginning of year | <u>297,805</u> | <u>55,796</u> | <u>353,601</u> |
| Cash balances end of year | \$ <u>241,511</u> | \$ <u>103,905</u> | \$ <u>345,416</u> |
| Cash Basis Fund Balances | | | |
| Unrestricted | \$ <u>241,511</u> | \$ <u>103,905</u> | \$ <u>345,416</u> |
| Total cash basis fund balances | <u>\$ 241,511</u> | <u>\$ 103,905</u> | <u>\$ 345,416</u> |

See notes to financial statements.

City of Mediapolis
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The City of Mediapolis (City) is a political subdivision of the State of Iowa located in Des Moines County. It was incorporated in 1875 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, recreation, community and economic development, and general government services. The City also provides water and sewer utilities and solid waste removal for its citizens.

Reporting Entity

For financial reporting purposes, the City 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 (GASB) 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 GASB criteria.

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.

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

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

City of Mediapolis
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Urban Renewal Tax Increment Fund (TIF) is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

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

The City reports the following major proprietary funds:

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

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

Measurement Focus and Basis of Accounting

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

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 first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

City of Mediapolis
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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.

Governmental Cash Basis Fund Balances

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

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.

Assigned - Amounts the Council intends to use for specific purpose.

Unassigned - All amounts not included in other spendable classifications.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Recently Adopted Accounting Pronouncements

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which provides clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The City adopted this statement on July 1, 2010.

Subsequent Events

The City performed an evaluation of subsequent events through December 21, 2011, which is the date the financial statements were issued. There were no subsequent events that required disclosure or recognition in the financial statements as of June 30, 2011.

Note 2. Cash and Pooled Investments

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.

City of Mediapolis
Notes to Financial Statements

Note 2. Cash and Pooled Investments (continued)

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

The City had no investments meeting the disclosure requirements of GASB Statement No. 40.

The City received \$15,320 in interest income during the year.

Note 3. Bonds and Notes Payable

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

| Year Ended June 30. | General Obligation and Capital Loan Notes | |
|---------------------------|--|------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2012 | \$ 310,000 | \$ 25,230 |
| 2013 | 100,000 | 16,420 |
| 2014 | 105,000 | 14,720 |
| 2015 | 105,000 | 12,620 |
| 2016 | 110,000 | 10,205 |
| 2017-2018 | <u>235,000</u> | <u>11,130</u> |
| | <u>\$ 965,000</u> | <u>\$ 90,325</u> |

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

Note 4. 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. This accumulation is not recognized as a disbursement by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2011 is \$4,711. This liability has been computed based on rates of pay as of June 30, 2011.

City employees can accumulate overtime as compensatory time off at a rate of 150% of the hourly wage. The maximum amount that can be accumulated at any time is 100 hours. The compensatory time is payable upon termination, retirement or death. This accumulation is not recognized as a disbursement by the City until used or paid. The City's liability for compensatory time to employees at June 30, 2011 is \$6,564.

City of Mediapolis
Notes to Financial Statements

Note 5. Risk Management

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

Note 6. 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 plan members are required to contribute 4.50% of their annual salary and the City is required to contribute 6.95% of annual covered payroll. 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, 2011 was \$20,931, equal to the required contribution for the year.

Note 7. Related Party Transactions

The City had no business transactions between the City and City officials during the year ended June 30, 2011.

Note 8. Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 6 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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 \$619 for single coverage and \$1,554 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$90,126 and plan members eligible for benefits did not contribute to the plan.

City of Mediapolis
Notes to Financial Statements

Note 9. Archer Trust Agreement

The City received a gift of approximately 30 acres of land and established a non-expendable trust (Archer Trust) on August 16, 1985 with the Mediapolis Savings Bank of Mediapolis for the purpose of accumulating income for the benefit of the City. The City used 7 acres to build the pool and the daycare facility. The remaining 23 acres is farmland. The Archer Trust terminates on January 1, 2026 or at the time when the value of the trust assets reach \$2,000,000, at which time, the money would be gifted to the City. The trust cash balance at June 30, 2011 was \$221,100.

Note 10. Deficit Balance

At year end, the Capital Projects Fund had a deficit balance of \$597,650. The deficit balance was a result of costs incurred prior to availability of funds. These deficits will be eliminated upon receipt of loan and grant monies.

Note 11. Jointly Governed Organization

The City is a participant in the Des Moines County Regional Solid Waste Commission, a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the agreement is to provide area governments with solid waste disposal sources. The City currently provides one member of the eleven member board. The audited financial statements are available at City Hall. The City paid \$67,834 in recycling fees and landfill fees in fiscal year 2011.

The City is a participant in the Northern Des Moines County Rural Fire District, a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the agreement is to provide fire protection for the townships of Yellow Springs, Franklin, Benton, Huron, Jackson, and the City of Mediapolis. The City currently provides two members of the seven-member board. The City paid \$19,081 for their share of the fire expenses.

The City is a participant in the Northern Des Moines County Rural Ambulance District, a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the agreement is to provide ambulance protection for the townships of Yellow Springs, Franklin, Benton, Huron, Jackson, and the City of Mediapolis. The City currently provides two members of the twenty-four member board.

Note 12. Major Supplier

The Utilities' water is currently purchased through Rathbun Regional Water Association. The total amount purchased was \$83,898 which represents 100% of the total gallons used and purchased from November 2010 to June 30, 2011 when the City started using this service.

City of Mediapolis
Notes to Financial Statements

Note 13. Interfund Transfers

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

| | |
|-------------------|---------------------|
| Transfer to: | |
| General fund | \$ 920,420 |
| Debt service | 243,520 |
| Water | 238,083 |
| Sewer | <u>104,132</u> |
| | <u>\$ 1,506,155</u> |
| Transfer from: | |
| Urban renewal TIF | \$ 249,664 |
| Capital projects | <u>1,256,491</u> |
| | <u>\$ 1,506,155</u> |

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

Note 14. Commitments

The City has committed to the following significant equipment purchases as of June 30, 2011:

| | |
|-------------------------|-----------|
| Pothole patch equipment | \$ 44,000 |
| Pickup truck | 11,766 |
| Sewer jetter | 10,000 |

The City has contracted with the Des Moines County Sheriff's office for law enforcement services for fiscal year 2012 totaling \$79,433.

REQUIRED SUPPLEMENTARY INFORMATION

City of Mediapolis
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 Fund Types <u>Actual</u> | Proprietary Fund Type <u>Actual</u> | Less Funds Not Required to be <u>Budgeted</u> | <u>Net</u> | <u>Budget Original</u> | <u>Budget Final</u> | Final to Actual Variance Favorable <u>(Unfavorable)</u> |
|---|---|---|--|-------------------|----------------------------|-------------------------|---|
| Receipts: | | | | | | | |
| Property tax | \$ 395,060 | \$ - | \$ - | \$ 395,060 | \$ 381,874 | \$ 381,874 | \$ 13,186 |
| Tax increment financing collections | 224,338 | - | - | 224,338 | 207,500 | 207,500 | 16,838 |
| Other taxes | 218,891 | - | - | 218,891 | 202,717 | 213,396 | 5,495 |
| Use of money and property | 60,886 | 6,440 | - | 67,326 | 17,920 | 36,492 | 30,834 |
| Licenses and permits | 8,024 | - | - | 8,024 | 1,475 | 7,168 | 856 |
| Intergovernmental | 926,541 | - | - | 926,541 | 411,542 | 765,165 | 161,376 |
| Charges for services | 180,780 | 401,811 | - | 582,591 | 596,046 | 657,780 | (75,189) |
| Special assessments | 94 | - | - | 94 | - | - | 94 |
| Miscellaneous | 80,920 | 15,969 | - | 96,889 | 58,602 | 58,602 | 38,287 |
| Total receipts | <u>2,095,534</u> | <u>424,220</u> | <u>-</u> | <u>2,519,754</u> | <u>1,877,676</u> | <u>2,327,977</u> | <u>191,777</u> |
| Disbursements: | | | | | | | |
| Public safety | 94,932 | - | - | 94,932 | 105,348 | 113,015 | 18,083 |
| Public works | 1,326,245 | - | - | 1,326,245 | 460,067 | 1,327,581 | 1,336 |
| Health and social services | 1,000 | - | - | 1,000 | 1,000 | 1,000 | - |
| Culture and recreation | 305,929 | - | - | 305,929 | 298,280 | 298,280 | (7,649) |
| Community and economic development | 358,897 | - | - | 358,897 | 786,268 | 368,923 | 10,026 |
| General government | 137,242 | - | - | 137,242 | 140,496 | 131,212 | (6,030) |
| Debt service | 350,219 | - | - | 350,219 | 355,084 | 355,084 | 4,865 |
| Business type | - | 774,620 | - | 774,620 | 421,456 | 864,634 | 90,014 |
| Total disbursements | <u>2,574,464</u> | <u>774,620</u> | <u>-</u> | <u>3,349,084</u> | <u>2,567,999</u> | <u>3,459,729</u> | <u>110,645</u> |
| Excess (deficiency) of receipts over disbursements | (478,930) | (350,400) | - | (829,330) | (690,323) | (1,131,752) | (302,422) |
| Other financing sources, net | <u>(342,215)</u> | <u>342,215</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (821,145) | (8,185) | - | (829,330) | (690,323) | (1,131,752) | (302,422) |
| Cash balances beginning of year | <u>1,467,764</u> | <u>353,601</u> | <u>-</u> | <u>1,821,365</u> | <u>1,252,779</u> | <u>1,557,926</u> | <u>(263,439)</u> |
| Cash balances end of year | <u>\$ 646,619</u> | <u>\$ 345,416</u> | <u>\$ -</u> | <u>\$ 992,035</u> | <u>\$ 562,456</u> | <u>\$ 426,174</u> | <u>\$ (565,861)</u> |

See accompanying independent auditor's report.

City of Mediapolis
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. 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 disbursement known as functions, not by fund or fund type. 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, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and 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 \$891,730. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the culture and recreation and general government functions.

OTHER SUPPLEMENTARY INFORMATION

**City of Mediapolis
Statement of Indebtedness
Year Ended June 30, 2011**

| <u>Obligation</u> | <u>Date of Issuance</u> | <u>Interest Rate</u> | <u>Amount Originally Issued</u> | <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> |
|---------------------------|-------------------------|----------------------|---------------------------------|----------------------------------|---------------------------|-----------------------------|----------------------------|----------------------|--------------------------------|
| General obligation bonds: | | | | | | | | | |
| GO Bonds 2007 issue | 11/14/07 | 3.45-3.60% | \$ 935,000 | \$ 455,000 | \$ - | \$ 245,000 | \$ 210,000 | \$ 16,258 | \$ - |
| GO Bonds 2010 issue | 5/18/10 | 0.09-3.20% | 825,000 | <u>825,000</u> | <u>-</u> | <u>70,000</u> | <u>755,000</u> | <u>18,961</u> | <u>-</u> |
| Total | | | | <u>\$ 1,280,000</u> | <u>\$ -</u> | <u>\$ 315,000</u> | <u>\$ 965,000</u> | <u>\$ 35,219</u> | <u>\$ -</u> |

See accompanying independent auditor's report.

**City of Mediapolis
Bond and Note Maturities
June 30, 2011**

General Obligation Bonds

| Year Ending June 30, | General Obligation Bonds <u>Issued November 14, 2007</u> | | General Obligation Bonds <u>Issued May 18, 2010</u> | | Total |
|----------------------------|--|-------------------|---|-------------------|-------------------|
| | Interest Rate | Amount | Interest Rate | Amount | |
| 2012 | 3.60% | \$ 210,000 | 1.25% | \$ 100,000 | \$ 310,000 |
| 2013 | | - | 1.70% | 100,000 | 100,000 |
| 2014 | | - | 2.00% | 105,000 | 105,000 |
| 2015 | | - | 2.30% | 105,000 | 105,000 |
| 2016 | | - | 2.65% | 110,000 | 110,000 |
| 2017 | | - | 3.00% | 115,000 | 115,000 |
| 2018 | | - | 3.20% | 120,000 | 120,000 |
| | | <u>\$ 210,000</u> | | <u>\$ 755,000</u> | <u>\$ 965,000</u> |

See accompanying independent auditor's report.

City of Mediapolis
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

| <u>Federal Agency/Pass-Through Agency Program - Grant Title</u> | <u>CFDA Number</u> | <u>Grantor Program Number</u> | <u>Program Expenditures</u> |
|---|------------------------|-------------------------------|---------------------------------|
| U.S. Department of Transportation programs: | | | |
| Federal Highway Administration | | | |
| Pass-through from Iowa Department of Transportation: | | | |
| Main Street Reconstruction | 20.205 | STP-U-4930(604)--70-29 | \$ 450,457 |
| U.S. Department of Housing and Urban Development programs: | | | |
| Pass-through from Iowa Department of Economic Development: | | | |
| Pass-through to Mediapolis Childcare & Preschool, Inc. | | | |
| Community Development Block Grant | 14.228 | 08-CF-012-07 | <u>350,461</u> |
| Total expenditures of federal awards | | | <u>\$ 800,918</u> |

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Mediapolis and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



CPA ASSOCIATES PC
CERTIFIED PUBLIC ACCOUNTANTS

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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***

Honorable Mayor and Members of the City Council
City of Mediapolis, Iowa

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 City of Mediapolis, Iowa (City), 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 December 21, 2011. The report was qualified because we were unable to verify the distribution by fund at July 1, 2010. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America 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'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and one to be a significant deficiency.

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's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: II-A-11, II-B-11, and II-C-11.

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 in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency: II-D-11.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 IV of the accompanying Schedule of Findings and Questioned Costs.

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's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City'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 and other parties to whom the City may report, including federal awarding agencies and pass-through entities, and 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 the City 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.

CPA Associates PC

December 21, 2011



CPA ASSOCIATES PC
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**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control Over Compliance in Accordance
with OMB Circular A-133**

Honorable Mayor and Members of the City Council
City of Mediapolis, Iowa

Compliance

We have audited the City of Mediapolis, Iowa's (City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses over compliance and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a significant deficiency.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City'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 and other parties to whom the City 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.

CPA Associates PC

December 21, 2011

City of Mediapolis
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results

- (a) Qualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- (b) Material weaknesses and a significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 14.228 - U.S. Department of Housing and Urban Development -
Community Development Block Grant
 - CFDA Number 20.205 - U.S. Department of Transportation - Federal Highway
Administration
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Mediapolis did not qualify as a low-risk auditee.

City of Mediapolis
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Part II: Findings Related to the Financial Statements

MATERIAL WEAKNESSES

II-A-11 Preparation of Financial Statements - The City does not have an internal control system designed to provide for the preparation of the financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for a governmental entity similar in population to the City of Mediapolis. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition.

Recommendation - We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the City's management and those charged with governance should decide whether to accept the degree of risk associated with this condition.

Response - The City will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in preparation of the financial statements.

Conclusion - Response accepted.

II-B-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent one individual employee from handling a transaction from its inception to its completion. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City Council and management should continue to provide oversight and direction based upon their direct knowledge of the City's operations and day-to-day contact with employees to control and safeguard assets.

Response - The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control.

Conclusion - Response accepted.

City of Mediapolis
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

II-C-11 Reconciliation of Utility Billings, Collections and Delinquencies - Utility billings, collections and delinquent accounts were not reconciled throughout the year.

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

Response - The City will establish and implement procedures to reconcile utility billings, collections and delinquencies for each billing period and resolve any variances in a timely manner.

Conclusion - Response accepted.

SIGNIFICANT DEFICIENCY

II-D-11 Credit Cards - The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation - The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards and who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response - The City will review procedures and guidelines and establish a written policy.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings - Major Federal Award Programs Audit

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL SIGNIFICANT DEFICIENCY

III-A-11 Segregation of Duties over Federal Receipts - The City did not properly segregate collection, deposit and recordkeeping for receipts, including those related to federal programs. See item II-B-11. Because of additional grant administration oversight, the matter is not considered to be a material weakness.

City of Mediapolis
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting

- IV-A-11 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- IV-B-11 Business Transactions - No business transactions between the City and City officials or employees were noted.
- IV-C-11 Revenue Bonds and Notes - No instances of non-compliance with the revenue bond and note resolutions were noted.
- IV-D-11 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- IV-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.
- IV-F-11 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-11 Certified Budget - Disbursements during the year ended June 30, 2011 exceeded the amount budgeted in the culture and recreation and general government functions. Chapter 384.20 of the Code of Iowa states in part that monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended 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 the future, if applicable.

Conclusion - Response accepted.

- IV-H-11 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.

- IV-I-11 Financial Condition - The Capital Projects fund had a deficit balance at June 30, 2011 of \$597,650.

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return this account to sound financial position.

Response - This deficit was due to project costs or program costs incurred prior to receipt of revenues or transfers. This deficit will be eliminated.

Conclusion - Response accepted.