

CITY OF ALDEN, IOWA

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

JUNE 30, 2011

- Prepared By -

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CITY OF ALDEN, IOWA

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CITY OF ALDEN, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Jeff Fiscus	Mayor	January 2012
Steve Hunt	Mayor pro tem	January 2012
Mike Oliver	Council Member	January 2012
Bill Ramspott	Council Member	January 2012
Janaan Harding	Council Member	January 2014
Bob Hoversten	Council Member	January 2014
Lorrie Watts	City Clerk/Treasurer	Indefinite
Clark McNeal	Attorney	Indefinite



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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of the City Council:

I 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 Alden, 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 Alden's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe my audit provides a reasonable basis for my 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, I was unable to satisfy myself as to the distribution of the total fund balance at July 1, 2010.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I 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 City of Alden 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, I have also issued my report dated January 5, 2012 on my consideration of the City of Alden's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 7 and 24 through 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alden's basic financial statements. Other supplementary information included in Schedules 1 through 4, 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 my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



January 5, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Alden provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

The cash basis net assets of the City's governmental activities increased approximately \$29,000 to \$305,561. The cash basis net assets of the City's business type activities increased approximately \$51,000 to \$95,312 at June 30, 2011.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

### **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government and debt service. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

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

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$276,308 to \$305,561. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

**Changes in Cash Basis Net Assets of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30, 2011
Receipts:	
Program receipts:	
Charges for service	\$ 6
Operating grants, contributions and restricted interest	228
General receipts:	
Property tax	213
Local option sales tax	91
Unrestricted interest on investments	2
Other general receipts	18
Sale of assets	6
Total receipts	<u>\$ 564</u>
Disbursements:	
Public safety	\$ 48
Public works	217
Health and social services	3
Culture and recreation	178
Community and economic development	10
General government	45
Debt service	8
Total disbursements	<u>\$ 509</u>
Change in cash basis net assets before transfers	\$ 55
Transfers, net	<u>(26)</u>
Change in cash basis net assets	\$ 29
Cash basis net assets beginning of year	<u>276</u>
Cash basis net assets end of year	<u>\$ 305</u>

**Changes in Cash Basis Net Assets of Business Type Activities**  
(Expressed in Thousands)

	Year ended June 30, 2011
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 127
Sewer rental	76
Water deposits	1
Capital grants, contribution and restricted interest	590
General receipts:	
Bond proceeds, net	95
Bank loan proceeds	385
Unrestricted interest on investments	1
Total receipts	<u>\$1,275</u>
Disbursements:	
Water	\$ 144
Sewer rental	1,105
Water deposits	1
Total disbursements	<u>\$1,250</u>
Change in cash basis net assets before transfers	\$ 25
Transfers, net	<u>26</u>
Change in cash basis net assets	\$ 51
Cash basis net assets beginning of year	<u>44</u>
Cash basis net assets end of year	<u>\$ 95</u>

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Alden completed the year, its governmental funds reported a combined fund balance of \$305,561, an increase of \$29,253 above last year's total of \$276,308. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$27,321 from the prior year to \$272,880. This increase was due mainly to transfers in during the fiscal year.

The Special Revenue, Road Use Tax Fund cash balance increased by \$676 to \$960 during the fiscal year. This increase was attributable to transfers in to cover the shortfall.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Enterprise, Water Fund cash balance increased by \$8,837 to \$8,533, due primarily to transfers in.

The Enterprise, Sewer Rental Fund cash balance increased by \$41,843 to \$69,004, due primarily to bond and bank loan proceeds during the fiscal year.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once on May 16, 2011. This resulted in an increase in operating receipts and disbursements of \$19,506. The City had sufficient increased revenues and cash balances to absorb these additional costs. The City exceeded the amounts budgeted in the community and economic development function prior to amendment.

**DEBT ADMINISTRATION**

At June 30, 2011, the City had approximately \$392,000 in bonds outstanding, as follows:

**Outstanding Debt at Year-End**  
(Expressed in Thousands)

	June 30,
	<u>2011</u>
General obligation bonds	\$ 174
Revenue bonds	<u>218</u>
Total	<u>\$ 392</u>

The City incurred new debt during 2011 of \$483,968. The City issued \$99,205 of general obligation bonds and \$384,763 in notes payable to aid in the sewer improvement project. The note payable was paid off entirely during the fiscal year. Principal and interest payments were made as scheduled. 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 within the City's corporate limits. The City's outstanding general obligation debt of \$174,205 is significantly below its constitutional debt limit of \$1,284,933.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Alden's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees charged for various City activities. One of those factors is the economy.

The City of Alden completed the Alden Memorial Portage Park Project, the Community Pool Renovation Project and the largest infrastructure improvement project in over fifty years by lining and rehabilitating all the sewer lines and manholes. This will help prevent sewer back up and ground water flows and infiltration into the sewer system and private homes. Sewer rates and property taxes will see increases to help fund the improvements. Revenue bonds and general obligation bonds were used to complete the project. Business district improvement and economic development are part of the City's urban renewal goals for the future.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lorrie Watts, City Clerk, Box 26, Alden, Iowa 50006.

CITY OF ALDEN, IOWA  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b>FUNCTIONS/PROGRAMS:</b>				
Governmental activities:				
Public safety	\$ 47,796	\$ 817	\$ 24,076	\$ -
Public works	216,647	-	163,009	-
Health and social services	3,200	-	-	-
Culture and recreation	177,457	2,197	40,976	-
Community and economic development	10,000	2,000	-	-
General government	45,233	947	-	-
Debt service	<u>8,633</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 508,966</u>	<u>\$ 5,961</u>	<u>\$ 228,061</u>	<u>\$ -</u>
Business type activities:				
Water	\$ 144,022	\$ 126,582	\$ -	\$ -
Sewer rental	1,104,746	76,034	-	590,310
Water deposits	<u>1,170</u>	<u>1,450</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$1,249,938</u>	<u>\$ 204,066</u>	<u>\$ -</u>	<u>\$ 590,310</u>
Total	<u>\$1,758,904</u>	<u>\$ 210,027</u>	<u>\$ 228,061</u>	<u>\$ 590,310</u>

(Continued)

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (22,903)	\$ -	\$ (22,903)
(53,638)	-	(53,638)
(3,200)	-	(3,200)
(134,284)	-	(134,284)
(8,000)	-	(8,000)
(44,286)	-	(44,286)
<u>(8,633)</u>	<u>-</u>	<u>(8,633)</u>
\$ (274,944)	\$ -	\$ (274,944)
\$ -	\$ (17,440)	\$ (17,440)
-	(438,402)	(438,402)
<u>-</u>	<u>280</u>	<u>280</u>
\$ -	\$ (455,562)	\$ (455,562)
\$ (274,944)	\$ (455,562)	\$ (730,506)

CITY OF ALDEN, IOWA  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

**General Receipts and Transfers:**

- Property and other city tax levied for:
  - General purposes
  - Debt service
- Local option sales tax
- Unrestricted interest on investments
- Bond proceeds, net
- Bank loan proceeds
- Miscellaneous
- Sale of assets
- 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:
  - Expendable:
    - Streets
    - Urban renewal purposes
    - Debt service
    - Other purposes
  - Committed for customer deposits
  - Assigned for library
- Unrestricted

**Total cash basis net assets**

*See Notes to Financial Statements.*

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 204,239	\$ -	\$ 204,239
9,175	-	9,175
90,558	-	90,558
2,081	554	2,635
-	95,205	95,205
-	384,763	384,763
18,494	-	18,494
5,650	-	5,650
<u>(26,000)</u>	<u>26,000</u>	<u>-</u>
<u>\$ 304,197</u>	<u>\$ 506,522</u>	<u>\$ 810,719</u>
\$ 29,253	\$ 50,960	\$ 80,213
<u>276,308</u>	<u>44,352</u>	<u>320,660</u>
<u><b>\$ 305,561</b></u>	<u><b>\$ 95,312</b></u>	<u><b>\$ 400,873</b></u>
\$ 960	\$ -	\$ 960
511	-	511
29,747	-	29,747
1,463	-	1,463
-	17,775	17,775
12,377	-	12,377
<u>260,503</u>	<u>77,537</u>	<u>338,040</u>
<u><b>\$ 305,561</b></u>	<u><b>\$ 95,312</b></u>	<u><b>\$ 400,873</b></u>

CITY OF ALDEN, IOWA  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES**  
**GOVERNMENTAL FUNDS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>General</u>	<u>Special Revenue Road Use Tax</u>
<b>RECEIPTS:</b>		
Property tax	\$ 154,083	\$ -
Other city tax	-	-
License and permits	1,494	-
Use of money and property	4,278	-
Intergovernmental	53,038	89,761
Charges for service	85,261	-
Miscellaneous	24,078	2,337
Total receipts	<u>\$ 322,232</u>	<u>\$ 92,098</u>
<b>DISBURSEMENTS:</b>		
Operating:		
Public safety	\$ 47,796	\$ -
Public works	78,225	138,422
Health and social services	3,200	-
Culture and recreation	177,457	-
Community and economic development	10,000	-
General government	45,233	-
Debt service	-	-
Total disbursements	<u>\$ 361,911</u>	<u>\$ 138,422</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (39,679)</u>	<u>\$ (46,324)</u>
Other financing sources (uses):		
Operating transfers in	\$ 93,000	\$ 52,000
Operating transfers out	(26,000)	(5,000)
Total other financing sources (uses)	<u>\$ 67,000</u>	<u>\$ 47,000</u>
Net change in cash balances	\$ 27,321	\$ 676
Cash balances beginning of year	<u>245,559</u>	<u>284</u>
<b>Cash balances end of year</b>	<b><u>\$ 272,880</u></b>	<b><u>\$ 960</u></b>
<b>Cash Basis Fund Balances:</b>		
Restricted for:		
Urban renewal purposes	\$ -	\$ -
Debt service	-	-
Streets	-	960
Other purposes	-	-
Assigned for library	12,377	-
Unassigned	<u>260,503</u>	<u>-</u>
Total cash basis fund balances	<b><u>\$ 272,880</u></b>	<b><u>\$ 960</u></b>

*See Notes to Financial Statements.*

<u>Nonmajor</u>	<u>Total</u>
\$ 59,331	\$ 213,414
90,558	90,558
-	1,494
-	4,278
-	142,799
-	85,261
-	26,415
<u>\$ 149,889</u>	<u>\$ 564,219</u>
\$ -	\$ 47,796
-	216,647
-	3,200
-	177,457
-	10,000
-	45,233
8,633	8,633
<u>\$ 8,633</u>	<u>\$ 508,966</u>
\$ 141,256	\$ 55,253
\$ -	\$ 145,000
(140,000)	(171,000)
<u>\$ (140,000)</u>	<u>\$ (26,000)</u>
\$ 1,256	\$ 29,253
30,465	276,308
<u><b>\$ 31,721</b></u>	<u><b>\$ 305,561</b></u>
\$ 511	\$ 511
29,747	29,747
-	960
1,463	1,463
-	12,377
-	260,503
<u><b>\$ 31,721</b></u>	<u><b>\$ 305,561</b></u>

CITY OF ALDEN, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Enterprise	
	Water	Sewer Rental
Operating receipts:		
Charges for service	\$ 126,582	\$ 76,034
Operating disbursements:		
Business type activities	97,846	69,519
Excess of operating receipts over operating disbursements	\$ 28,736	\$ 6,515
Non-operating receipts (disbursements):		
Intergovernmental	\$ -	\$ 590,310
Interest on investments	277	277
Debt service	(23,605)	(385,205)
Capital projects	(22,571)	(650,022)
Net non-operating receipts (disbursements)	\$ (45,899)	\$ (444,640)
Excess (deficiency) of receipts over (under) disbursements	\$ (17,163)	\$ (438,125)
Other financing sources (uses):		
Bond proceeds	\$ -	\$ 99,205
Bond discount	-	(4,000)
Bank loan proceeds	-	384,763
Operating transfers in	26,000	-
Total other financing sources (uses)	\$ 26,000	\$ 479,968
Net change in cash balances	\$ 8,837	\$ 41,843
Cash balances beginning of year	(304)	27,161
<b>Cash balances end of year</b>	<b>\$ 8,533</b>	<b>\$ 69,004</b>
<b>Cash Basis Fund Balances:</b>		
Committed for customer deposits	\$ -	\$ -
Unrestricted	8,533	69,004
<b>Total cash basis fund balances</b>	<b>\$ 8,533</b>	<b>\$ 69,004</b>

See Notes to Financial Statements.

<u>Funds</u>	
<u>Nonmajor</u>	
<u>Water</u>	
<u>Deposits</u>	<u>Total</u>
\$ 1,450	\$ 204,066
<u>1,170</u>	<u>168,535</u>
\$ 280	\$ 35,531
\$ -	\$ 590,310
-	554
-	(408,810)
-	(672,593)
<u>\$ -</u>	<u>\$ (490,539)</u>
\$ 280	\$ (455,008)
\$ -	\$ 99,205
-	(4,000)
-	384,763
-	26,000
<u>\$ -</u>	<u>\$ 505,968</u>
\$ 280	\$ 50,960
<u>17,495</u>	<u>44,352</u>
<b><u>\$ 17,775</u></b>	<b><u>\$ 95,312</u></b>
\$ 17,775	\$ 17,775
<u>-</u>	<u>77,537</u>
<b><u>\$ 17,775</u></b>	<b><u>\$ 95,312</u></b>

CITY OF ALDEN, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

(1) Summary of Significant Accounting Policies

The City of Alden is a political subdivision of the State of Iowa located in Hardin County. It was first incorporated in 1856 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Alden 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 following boards and commissions: Hardin County Assessor's Conference Board, Hardin County Emergency Management Commission and Hardin County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. 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.

CITY OF ALDEN, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

(1) Summary of Significant Accounting Policies - continued

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.

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 not paid from other funds.

The Special Revenue, 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 City reports the following major proprietary funds:

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

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

CITY OF ALDEN, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

(1) Summary of Significant Accounting Policies - continued

C. Measurement Focus and Basis of Accounting

The City of Alden 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 first 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.

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 purposes.

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 the community and economic development function prior to amendment.

**CITY OF ALDEN, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**(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.

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.

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

**(3) Bonds Payable**

Annual debt service requirements to maturity for general obligations bonds and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 22,000	\$ 12,694	\$ 17,000	\$ 6,540	\$ 39,000	\$ 19,234
2013	22,000	13,590	17,000	6,030	39,000	19,620
2014	23,000	12,930	18,000	5,520	41,000	18,450
2015	23,000	12,240	19,000	4,980	42,000	17,220
2016	25,000	11,550	19,000	4,410	44,000	15,960
2017-2021	51,205	13,980	105,000	13,080	156,205	27,060
2022	8,000	240	23,000	690	31,000	930
Total	<u>\$ 174,205</u>	<u>\$ 77,224</u>	<u>\$ 218,000</u>	<u>\$ 41,250</u>	<u>\$ 392,205</u>	<u>\$ 118,474</u>

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

- a) At the option of the City, bonds due on the Water Improvement Bonds issue of December 1, 2001, are subject to redemption and prepayment in any order beginning June 1, 2012, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.
- b) At the option of the City, bonds due on the Sewer Improvement Bonds issue of April 29, 2011, are subject to redemption and prepayment in any order of maturity beginning June 1, 2021, and on any interest payment thereafter, at a price of par plus accrued interest to call date, by giving proper notice.

CITY OF ALDEN, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

(3) **Bonds Payable** - continued

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$350,000 in water revenue bonds issued in November 2001. Proceeds from the bonds provided financing for the construction of improvements and extensions to the municipal waterworks system. The bonds are payable solely from water customer net receipts and are payable through 2022. Annual principal and interest payments on the bonds are expected to require less than 40 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$259,250. For the current year, principal and interest paid and total customer net receipts were \$23,020 and \$28,736, respectively.

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

- a) At the option of the City, bonds due on the Water Revenue Bonds issue of November 14, 2001, are subject to redemption and prepayment in any order of maturity beginning June 1, 2012, and on any interest payment thereafter, at a price of par plus accrued interest to call date, by giving proper notice.
- b) The bonds will only be redeemed from the future earnings of the enterprise activities and bond holders hold a lien on the future earnings of the funds.
- c) Sufficient monthly transfers shall be made to the water revenue bond sinking account for the purpose of making the bond principal and interest payments when due.

The City has not established the sinking account required by the water revenue bond resolution.

(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 covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2011, was \$12,462, equal to the required contribution for the 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 3 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

CITY OF ALDEN, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

(5) Other Postemployment Benefits (OPEB)- continued

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$475 for single coverage and \$1,204 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$37,079 and plan members eligible for benefits contributed \$7,135 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, comp time and personal leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, comp time and personal leave 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	\$ 2,707
Comp time	7,784
Personal leave	4,983
Total	<u>\$ 15,474</u>

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

(7) Risk Management

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

**CITY OF ALDEN, 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:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 5,000
	Employee Benefits	34,285
	Local Option Sales Tax- Capital Improvement	35,715
	Local Option Sales Tax- Community Projects	18,000
		<u>\$ 93,000</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Employee Benefits	\$ 15,715
	Local Option Sales Tax- Capital Improvement	36,285
		<u>\$ 52,000</u>
Enterprise:	General	
Water		<u>\$ 26,000</u>
 Total		 <u>\$171,000</u>

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

**(9) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$8,080 during the year ended June 30, 2011.

**(10) Economic Development**

On July 14, 2010, the City loaned \$10,000 to Robert Hoversten. The loan proceeds were used to start up and operate a liquor store/banquet room in Alden. The loan bears interest at 3.25%. The borrower is obligated to repay the City in monthly installments of \$200 beginning August 15, 2010. The loan balance at June 30, 2011 was \$8,252.

**(11) Commitments**

At June 30, 2011, the following construction commitments had been made:

<u>Project</u>	<u>Total</u>	<u>Costs</u>
	<u>Contract</u>	<u>Incurred</u>
		<u>To Date</u>
Wastewater Collection System	\$1,444,352	\$ 473,185
Road Work Patching	46,900	-
Total	<u>\$1,491,252</u>	<u>\$ 473,185</u>

CITY OF ALDEN, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

(12) Subsequent Events

On July 18, 2011, the City approved change order #2 in the amount of \$26,596 for the wastewater project.

On July 28, 2011, the City adopted the Sewer Revenue Loan and Disbursement Agreement not to exceed \$500,000. Also, the City adopted the General Obligation Sewer Improvement and Disbursement Agreement not to exceed \$500,000.

On August 15, 2011, the City approved the curb and gutter bid with J & K Construction for \$28,024.

**Required Supplementary Information**

CITY OF ALDEN, 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>	Less Funds Not Required to be Budgeted
<b>RECEIPTS:</b>			
Property tax	\$ 213,414	\$ -	\$ -
Other city tax	90,558	-	-
Licenses and permits	1,494	-	-
Use of money and property	4,278	554	-
Intergovernmental	142,799	590,310	-
Charges for service	85,261	204,066	-
Miscellaneous	26,415	-	-
Total receipts	<u>\$ 564,219</u>	<u>\$ 794,930</u>	<u>\$ -</u>
<b>DISBURSEMENTS:</b>			
Public safety	\$ 47,796	\$ -	\$ -
Public works	216,647	-	-
Health and social services	3,200	-	-
Culture and recreation	177,457	-	-
Community and economic development	10,000	-	-
General government	45,233	-	-
Debt service	8,633	-	-
Business type activities	-	1,249,938	-
Total disbursements	<u>\$ 508,966</u>	<u>\$1,249,938</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 55,253	\$ (455,008)	\$ -
Other financing sources, net	<u>(26,000)</u>	<u>505,968</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	\$ 29,253	\$ 50,960	\$ -
Balances beginning of year	<u>276,308</u>	<u>44,352</u>	<u>-</u>
<b>Balances end of year</b>	<u><b>\$ 305,561</b></u>	<u><b>\$ 95,312</b></u>	<u><b>\$ -</b></u>

*See Accompanying Independent Auditor's Report.*

<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 213,414	\$ 207,212	\$ 207,212	\$ 6,202
90,558	85,625	85,625	4,933
1,494	1,430	1,430	64
4,832	20,049	20,049	(15,217)
733,109	1,448,181	1,448,181	(715,072)
289,327	329,073	329,073	(39,746)
26,415	-	19,506	6,909
<u>\$1,359,149</u>	<u>\$2,091,570</u>	<u>\$ 2,111,076</u>	<u>\$ (751,927)</u>
\$ 47,796	\$ 57,894	\$ 57,894	\$ 10,098
216,647	228,278	228,278	11,631
3,200	3,250	3,250	50
177,457	178,903	182,903	5,446
10,000	-	10,000	-
45,233	45,609	51,115	5,882
8,633	8,633	8,633	-
1,249,938	1,639,901	1,639,901	389,963
<u>\$1,758,904</u>	<u>\$2,162,468</u>	<u>\$ 2,181,974</u>	<u>\$ 423,070</u>
\$ (399,755)	\$ (70,898)	\$ (70,898)	\$ (328,857)
<u>479,968</u>	<u>100,000</u>	<u>100,000</u>	<u>379,968</u>
\$ 80,213	\$ 29,102	\$ 29,102	\$ 51,111
<u>320,660</u>	<u>375,305</u>	<u>375,305</u>	<u>(54,645)</u>
<u><b>\$ 400,873</b></u>	<u><b>\$ 404,407</b></u>	<u><b>\$ 404,407</b></u>	<u><b>\$ (3,534)</b></u>

CITY OF ALDEN, 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. 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 and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$19,506. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the community and economic development function prior to amendment.

Other Supplementary Information

CITY OF ALDEN, IOWA  
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Special Revenue</u>		
	<u>Employee Benefits</u>	<u>Local Option Sales Tax- Capital Improvement</u>	<u>Local Option Sales Tax- Community Projects</u>
<b>RECEIPTS:</b>			
Property tax	\$ 50,156	\$ -	\$ -
Other city tax	-	72,446	18,112
Total receipts	<u>\$ 50,156</u>	<u>\$ 72,446</u>	<u>\$ 18,112</u>
<b>DISBURSEMENTS:</b>			
Debt service	-	-	-
Excess of receipts over disbursements	\$ 50,156	\$ 72,446	\$ 18,112
Other financing uses:			
Operating transfers out	<u>(50,000)</u>	<u>(72,000)</u>	<u>(18,000)</u>
Net change in cash balances	\$ 156	\$ 446	\$ 112
Cash balances beginning of year	<u>502</u>	<u>111</u>	<u>136</u>
<b>Cash balances end of year</b>	<b><u>\$ 658</u></b>	<b><u>\$ 557</u></b>	<b><u>\$ 248</u></b>
<b>Cash Basis Fund Balances:</b>			
Restricted for other purposes	<u>\$ 658</u>	<u>\$ 557</u>	<u>\$ 248</u>

*See Accompanying Independent Auditor's Report.*

<u>Urban Renewal Tax Increment</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ 9,175	\$ 59,331
-	-	90,558
<u>\$ -</u>	<u>\$ 9,175</u>	<u>\$ 149,889</u>
-	8,633	8,633
\$ -	\$ 542	\$ 141,256
-	-	(140,000)
\$ -	\$ 542	\$ 1,256
<u>511</u>	<u>29,205</u>	<u>30,465</u>
<u><b>\$ 511</b></u>	<u><b>\$ 29,747</b></u>	<u><b>\$ 31,721</b></u>
<u><b>\$ 511</b></u>	<u><b>\$ 29,747</b></u>	<u><b>\$ 31,721</b></u>

CITY OF ALDEN, 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>
<b>General Obligation Bonds:</b>			
Water Improvement	12/01/01	3.00%	\$ 250,000
Sewer Improvement	04/29/11	3.00	400,000
<b>Revenue Bonds:</b>			
Water	11/14/01	3.00%	\$ 350,000
<b>Note Payable:</b>			
Sewer Improvement - LOC	07/22/10	3.00%	\$ 384,763
<b>Total indebtedness</b>			

*See Accompanying Independent Auditor's Report.*

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 81,000	\$ -	\$ 6,000	\$ 75,000	\$ 2,430	\$ -
-	99,205	-	99,205	-	-
<u>\$ 81,000</u>	<u>\$ 99,205</u>	<u>\$ 6,000</u>	<u>\$ 174,205</u>	<u>\$ 2,430</u>	<u>\$ -</u>
\$ 234,000	\$ -	\$ 16,000	\$ 218,000	\$ 7,020	\$ -
\$ -	\$384,763	\$384,763	\$ -	\$ 442	\$ -
<u>\$ 315,000</u>	<u>\$483,968</u>	<u>\$406,763</u>	<u>\$ 392,205</u>	<u>\$ 9,892</u>	<u>\$ -</u>

CITY OF ALDEN, IOWA  
 BOND MATURITIES  
 JUNE 30, 2011

G E N E R A L O B L I G A T I O N B O N D S					
Year Ending June 30,	Water Improvement		Sewer Improvement		Total
	Issued December 1, 2001		Issued April 29, 2011		
	Interest Rates	Amount	Interest Rate	Amount	
2012	3.00%	\$ 6,000	3.00%	\$ 16,000	\$ 22,000
2013	3.00	6,000	3.00	16,000	22,000
2014	3.00	6,000	3.00	17,000	23,000
2015	3.00	6,000	3.00	17,000	23,000
2016	3.00	7,000	3.00	18,000	25,000
2017	3.00	7,000	3.00	15,205	22,205
2018	3.00	7,000		-	7,000
2019	3.00	7,000		-	7,000
2020	3.00	7,000		-	7,000
2021	3.00	8,000		-	8,000
2022	3.00	8,000		-	8,000
<b>Total</b>		<b>\$ 75,000</b>		<b>\$ 99,205</b>	<b>\$ 174,205</b>

REVENUE BONDS		
Year Ending June 30,	Water	
	Interest Rates	Amount
2012	3.00%	\$ 17,000
2013	3.00	17,000
2014	3.00	18,000
2015	3.00	19,000
2016	3.00	19,000
2017	3.00	20,000
2018	3.00	20,000
2019	3.00	21,000
2020	3.00	22,000
2021	3.00	22,000
2022	3.00	23,000
<b>Total</b>		<b>\$ 218,000</b>

See Accompanying Independent Auditor's Report.

CITY OF ALDEN, IOWA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2011

<u>GRANTOR/PROGRAM</u>	<u>CFDA NUMBER</u>	<u>AGENCY PASS-THROUGH NUMBER</u>	<u>PROGRAM EXPENDITURES</u>
<b>Indirect:</b>			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grant			
Program	14.228	08-DRI-252	\$ <u>610,440</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Alden and is presented in conformity with an other comprehensive basis of accounting. The information in 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.*



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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:

I 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 Alden, 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 my report thereon dated January 5, 2012. My report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2010. I conducted my 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 my audit, I considered the City of Alden's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Alden's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Alden's internal control over financial reporting.

My 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, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I 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 Alden's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in Part II of the accompanying Schedule of Findings as items II-A-11, II-B-11, II-C-11, II-E-11 and II-F-11 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-D-11 to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Alden's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part IV 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 my audit of the financial statements of the City. Since my 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 Alden's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the City's responses, I did not audit the City of Alden's responses and, accordingly, I 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 Alden and other parties to whom the City of Alden 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.

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



January 5, 2012



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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

To the Honorable Mayor and  
Members of the City Council:

Compliance

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

I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, 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 I 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 City of Alden's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the City of Alden's compliance with those requirements.

In my opinion, the City of Alden complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011. However, the results of my auditing procedures disclosed an instance of non-compliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and is described as item III-A-11 in the accompanying Schedule of Findings.

## Internal Control Over Compliance

The management of the City of Alden is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing my audit, I considered the City of Alden's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my 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, I do not express an opinion on the effectiveness of the City of Alden's internal control over compliance.

My 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 and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, I identified a deficiency in internal control over compliance I consider to be a material weakness.

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 a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item III-A-11 to be a material weakness.

The City of Alden's response to the finding identified in my audit is described in the accompanying Schedule of Findings. While I have expressed my conclusion on the City's response, I did not audit the City of Alden's response and, accordingly, I express no opinion on it.

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 Alden and other parties to whom the City of Alden 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.



January 5, 2012

CITY OF ALDEN, IOWA  
Schedule of Findings  
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 U.S. generally accepted accounting principles, since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2010.
- (b) Significant deficiencies and material weaknesses 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 material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 - Community Development Block Grant Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Alden did not qualify as a low-risk auditee.

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

**INTERNAL CONTROL DEFICIENCIES:**

II-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. I noted that certain accounting functions are not properly segregated.

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

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

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

CITY OF ALDEN, IOWA  
Schedule of Findings  
Year Ended June 30, 2011

**Part II: Findings Related to the Financial Statements:** - continued

II-B-11      Countersignature of Checks - The City requires checks to be signed by two authorized individuals. I noted a check with only one authorized signature.

Recommendation - Checks should be prepared and signed by one individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature.

Response - We will follow procedures for two signatures on all checks.

Conclusion - Response accepted.

II-C-11      Post-dated Checks - I noted two checks that cleared the bank prior to the date on the checks.

Recommendation - The City should avoid the use of post-dating checks.

Response - We will discontinue the use of post-dating checks in the future.

Conclusion - Response accepted.

II-D-11      Imprest Cash - The City does not include all cash funds in the City's fund balance.

Recommendation - Chapter 384.20 of the Code of Iowa states, in part, "A City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any City purpose." All funds of the City should be included in the Clerk's report to comply with Chapter 384.20 of the Code of Iowa.

Response - We will include all imprest cash funds in the City's fund balance.

Conclusion - Response accepted.

II-E-11      Alden Public Library - Centralized Bookkeeping - Countersignature of Checks - The bookkeeping and custody of records for the Alden Public Library funds are maintained by individuals outside the City Clerk's office. These transactions and the resulting balances are not recorded in the Clerk's records. Chapter 384.20 of the Code of Iowa states in part that "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose". Also, I noted that checks are prepared and signed by one individual.

Recommendation - For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be recorded in the Clerk's records. Checks should be prepared and signed by one individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature.

Response - We will investigate the alternatives.

Conclusion - Response accepted.

CITY OF ALDEN, IOWA  
Schedule of Findings  
Year Ended June 30, 2011

**Part II: Findings Related to the Financial Statements:** - continued

II-F-11      Preparation of Financial Statements - The City does not have an internal control system designed to provide for the preparation of the financial statements in accordance with an other comprehensive basis of accounting, nor has management identified risks related to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements. Therefore, as auditor, I was 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. 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 because of cost or other considerations.

Recommendation - I recognize that with a limited number of office employees, preparation of the financial statements is difficult. However, I recommend that city officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances.

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.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

**CFDA Number 14.228: Community Development Block Grant Program**  
**Federal Award Year: 2011**  
**U.S. Department of Housing and Urban Development**  
**Passed through the Iowa Department of Economic Development**

III-A-11      Segregation of Duties - The City did not properly segregate custody, recordkeeping and reconciling functions for receipts and disbursements, including those related to Federal Programs. See audit finding II-A-11.

CITY OF ALDEN, IOWA  
 Schedule of Findings  
 Year Ended June 30, 2011

**PART IV: Other Findings Related to Required Statutory Reporting:**

IV-A-11      Certified Budget - Disbursements during the year ended June 30, 2011, exceeded the amount budgeted in the community and economic development function prior to amendment. 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 accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will do this in the future.

Conclusion - Response accepted.

IV-B-11      Questionable Disbursements - I noted certain disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Hy-Vee	Flower arrangements for gifts/memorials	\$ 39
Bel Floral	Flower arrangements for gifts/memorials	37
Bel Floral-Library	Flower arrangements for gifts/memorials	<u>29</u>
Total		<u>\$ 105</u>

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation - The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response - We will investigate this further.

Conclusion - Response accepted.

IV-C-11      Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

CITY OF ALDEN, IOWA  
 Schedule of Findings  
 Year Ended June 30, 2011

**PART IV: Other Findings Related to Required Statutory Reporting:** - continued

IV-D-11 Business Transactions - Business transactions between the City and City officials are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jeff Fiscus, Mayor Janitor for City Hall and Fire Station	Cleaning	\$1,200
Mike Oliver, Councilman Owner, Oliver Welding	Build new bucket for John Deere Tractor	2,475
Dan Zoske, Employee Zoske Motors	Maintenance	104
John Zoske, Volunteer Fireman Zoske Electrical Services	Maintenance	4,301

In accordance with chapter 362.5(3)(k) of the Code of Iowa, the transactions with Jeff Fiscus, Mike Oliver and Dan Zoske do not appear to represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year. The transactions with John Zoske may represent conflicts of interest since the total transactions were over \$2,500 during the fiscal year.

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

Response - We will consult with our attorney.

Conclusion - Response accepted.

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 I believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa and should publish minutes as required.

Response - We will publish minutes as required.

Conclusion - Response accepted.

IV-G-11 Deposits and Investments - No instance of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

CITY OF ALDEN, IOWA  
Schedule of Findings  
Year Ended June 30, 2011

**PART IV: Other Findings Related to Required Statutory Reporting:** - continued

IV-H-11      Revenue Bonds - The City has not established the Water Revenue Bond Sinking Account as required by the Bond resolution.

Recommendation - The City should establish this account and make the necessary transfers as required by the resolution.

Response - We will establish this account and make the appropriate transfers.

Conclusion - Response accepted.