

CITY OF LIVERMORE, IOWA

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

JUNE 30, 2011

T. P. ANDERSON & COMPANY, P.C.
Certified Public Accountants

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CITY OF LIVERMORE, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Conner	Mayor	Jan 2012
Robert Collins	Council Member	Jan 2012
Aaron Crahan	Council Member	Jan 2014
Crista Jensen	Council Member	Jan 2012
Darla Van Gronigan	Council Member	Jan 2014
Penny Porter	Council Member	Jan 2014
Jean Larson	Clerk	Indefinite
Greg Stoebe	Attorney	Indefinite



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Livermore, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Livermore's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 U. S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at June 30, 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 total fund balance at July 1, 2010 as described 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 information of the City of Livermore 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 30, 2011, on our consideration of the City of Livermore's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 17 through 18 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Livermore's basic financial statements. Other supplementary information including the Schedule of Expenditures of Federal Awards required by the 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 the audits of the aforementioned primary government financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned primary government financial statements taken as a whole.

T.P. Anderson & Company, P.C.

December 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2011 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities were approximately \$301,000 in fiscal year 2011 a \$23,000 increase from 2010. Property tax receipts were approximately \$79,000 and local option sales tax was approximately \$37,000, while operating and capital grants were approximately \$134,000.
- Disbursements were approximately \$345,000 in fiscal 2011 an increase of \$62,000 over 2010. Public works disbursements were approximately \$112,000 in the current year and community and economic development disbursements were approximately \$84,000.
- The City's total cash basis net assets increased approximately \$21,000 from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities decreased approximately \$20,000 and the assets of the business type activities increased by approximately \$41,000.

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 – Cash Basis. This statement provides information about the activities of the City as a whole and presents an overview 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 City's federal awards expended during the year.

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, the reader 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, culture and recreation, community and economic development, and general government. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the electric system, the water system, the sanitary sewer system, and the garbage service. 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 service. 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, and 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

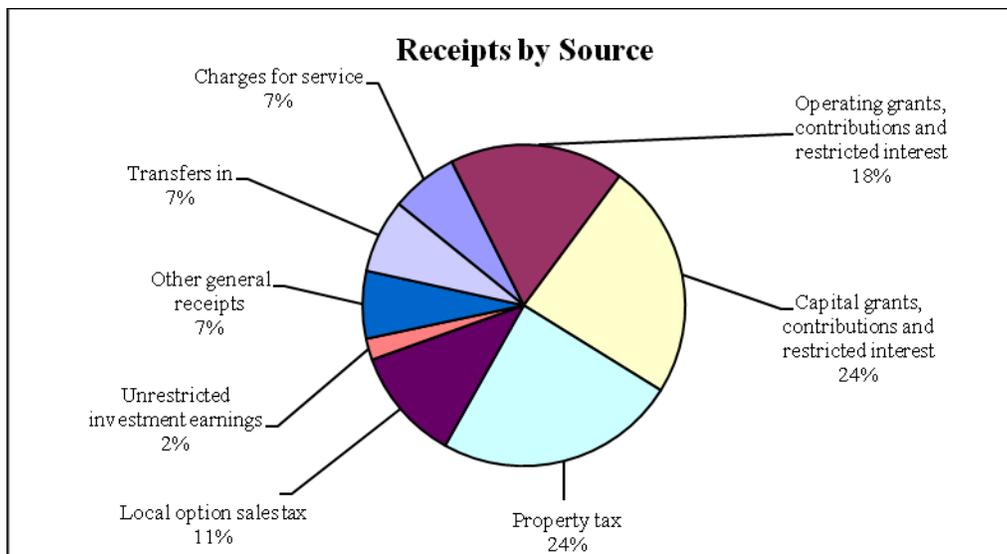
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the electric, water, sewer, and garbage funds.

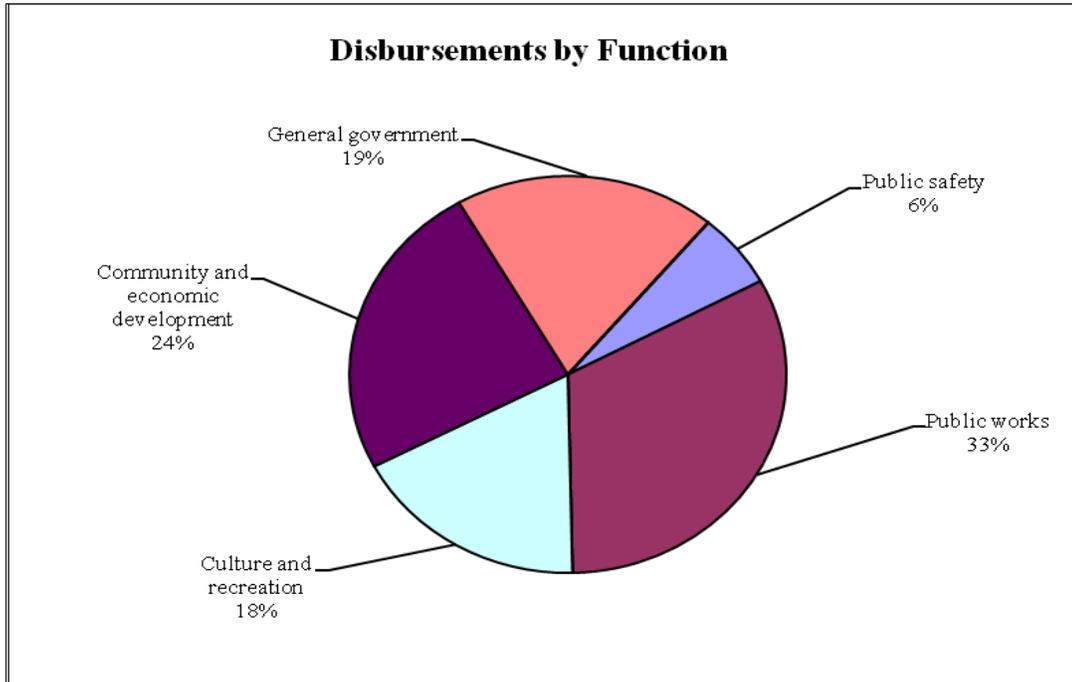
The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

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 decreased from a year ago, decreasing from approximately \$142,000 to \$122,000. The analysis that follows focuses on the changes in cash balances for governmental activities (in thousands).

	2011	2010
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 22	\$ 18
Operating grants, contributions and restricted interest	57	47
Capital grants, contributions and restricted interest	77	89
General receipts:		
Property tax	79	73
Local option sales tax	37	32
Unrestricted investment earnings	7	12
Other general receipts	22	7
Transfers, net	24	24
Total receipts and transfers	<u>325</u>	<u>302</u>
Disbursements:		
Public safety	21	15
Public works	112	63
Culture and recreation	61	60
Community and economic development	84	62
General government	67	83
Total disbursements	<u>345</u>	<u>283</u>
Increase (Decrease) in cash basis net assets	(20)	19
Cash basis net assets beginning of year	<u>142</u>	<u>123</u>
Cash basis net assets end of year	<u>122</u>	<u>142</u>





The City's total receipts for governmental activities including transfers was approximately \$325,000. The total cost of all programs and services was approximately \$345,000.

The cost of all governmental activities this year was \$345,000. However, as shown in the Statement of Activities and Net Assets on page 9, the amount taxpayers ultimately financed for these activities was only \$189,000 because some of the cost was paid by those directly benefited from the programs (\$22,000) or by other governments and organizations that subsidized certain programs with grants, receipts, including intergovernmental aid and fees for service (\$134,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$117,000 in taxes (some of which could only be used for certain programs), and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year Ending June 30, 2011	Year Ending June 30, 2010
Receipts:		
Program receipts:		
Charges for service:		
Electric	\$ 364	\$ 336
Water	53	53
Sewer	46	46
Garbage	31	31
General receipts		
Intergovernmental	478	-
Total receipts	972	466
Disbursements and transfers:		
Electric	301	311
Water	51	53
Sewer	523	57
Garbage	32	28
Transfers	24	24
Total disbursements and transfers	931	473

Increase in cash balance	41	(7)
Cash basis net assets beginning of year	<u>327</u>	<u>334</u>
Cash basis net assets end of year	<u>368</u>	<u>327</u>

Total business type activities receipts for the fiscal year were approximately \$972,000, an increase of \$506,000 from 2010 mainly due to the CDBG proceeds received to finance the Sewer Improvement Project.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As The City of Livermore completed the year, its governmental funds reported a combined fund balance of \$121,645, a decrease of \$19,933 from the previous year’s balance of \$141,578. The following are some of the reasons for the changes in fund balance of the City’s one major governmental fund.

- The General Fund cash balance decreased \$15,000 to \$97,638 at June 30, 2011. The decrease resulted from increased street department expenses during the year.
- The Road Use Tax fund had a decrease in its cash balance of \$6,549 as a result of the street work completed during the fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Electric Fund cash balance increased by \$38,344 to \$315,891, due primarily to the regular operation of the Electric Utility.
- The Sewer Fund cash balance increased by \$1,146 to \$21,538. The City substantially completed an improvement project to the sewer system that had a large impact on the cash balance for the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 2, 2011 resulting in an increase in operating disbursements related to the public safety, community and economic development and business type functions. The City increased budgeted receipts to reflect the additional other city taxes, intergovernmental, miscellaneous and CDBG funds that will be used to pay for most of the additional costs.

While the City’s disbursements were within the budgeted limits for the year, the city exceeded the original amount budgeted prior to passing an amendment.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

In completing the FY 2012 budget the elected and appointed officials of Livermore examined certain economic conditions to help determine revenue estimates and expenditure projections. Livermore’s economy has remained steady. City officials do not expect any significant change in employment for the City. Jobs remain available in the surrounding counties. City revenues are expected to decline in the coming year because both of the City’s CDBG projects were substantially completed prior to June 30, 2011.

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 Livermore’s finances and to show the City’s accountability for the money it receives. If you have any questions about this report or need additional financial information contact Jean Larson, City Clerk 501 4th Street, PO Box 16, Livermore, Iowa 50558.

Basic Financial Statements

CITY OF LIVERMORE, IOWA

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

Functions/Programs	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 21,124	-	7,566	-
Public works	111,970	-	47,758	-
Culture and recreation	61,298	21,875	-	-
Community and economic development	83,596	-	-	77,709
General government	66,705	-	1,032	-
Total government activities	344,693	21,875	56,356	77,709
Business type activities:				
Electric	301,187	363,521	-	-
Water	50,609	53,093	-	-
Sewer	523,440	46,210	-	478,376
Garbage	32,086	31,153	-	-
Total business type activities	907,322	493,977	-	478,376
Total	\$ 1,252,015	\$ 515,852	56,356	556,085

General Receipts

Property tax levied for:
 General purposes
 Local option sales tax
 Unrestricted interest on investments
 Miscellaneous
 Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash beginning of year

Cash end of year

Cash Basis Net Assets

Restricted
 Expendable:
 Streets
 Other Purposes
 Unrestricted

See notes to financial statements

Exhibit A

Net (Disbursements) Receipts and Changes in Cash		
Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (13,558)	-	\$ (13,558)
(64,212)	-	(64,212)
(39,423)	-	(39,423)
(5,887)	-	(5,887)
(65,673)	-	(65,673)
(188,753)	-	(188,753)
-	62,334	62,334
-	2,484	2,484
-	1,146	1,146
-	(933)	(933)
-	65,031	65,031
(188,753)	65,031	(123,722)
79,333	-	79,333
37,122	-	37,122
6,657	-	6,657
21,708	-	21,708
24,000	(24,000)	-
168,820	(24,000)	144,820
(19,933)	41,031	21,098
141,578	326,884	468,462
\$ 121,645	367,915	\$ 489,560
\$ 22,731	-	\$ 22,731
1,276	-	1,276
97,638	367,915	465,553
\$ 121,645	367,915	\$ 489,560

CITY OF LIVERMORE, IOWA

Exhibit B

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES ON CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue				
	General	Road Use Tax	Employee Benefits	I-Jobs	Total
Receipts:					
Property tax	\$ 69,205	-	10,128	-	79,333
Other city tax	37,122	-	-	-	37,122
Licenses and permits	673	-	-	-	673
Use of money and property	6,657	-	-	-	6,657
Intergovernmental	102,671	29,608	-	1,786	134,065
Charges for service	21,875	-	-	-	21,875
Miscellaneous	21,035	-	-	-	21,035
	<u>259,238</u>	<u>29,608</u>	<u>10,128</u>	<u>1,786</u>	<u>300,760</u>
Disbursements:					
Public safety	21,124	-	-	-	21,124
Public works	73,983	36,157	1,830	-	111,970
Culture and recreation	57,672	-	3,626	-	61,298
Community and economic development	83,596	-	-	-	83,596
General government	61,860	-	4,845	-	66,705
	<u>298,235</u>	<u>36,157</u>	<u>10,301</u>	<u>-</u>	<u>344,693</u>
(Deficiency) of receipts (under) disbursements	(38,997)	(6,549)	(173)	1,786	(43,933)
Other financing sources (uses):					
Operating transfers in	24,000	-	-	-	24,000
	<u>24,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,000</u>
Net change in cash balances	(14,997)	(6,549)	(173)	1,786	(19,933)
Balance beginning of year	112,635	27,494	1,449	-	141,578
Balance end of year	<u>\$ 97,638</u>	<u>20,945</u>	<u>1,276</u>	<u>1,786</u>	<u>121,645</u>
Cash Basis Fund Balance					
Restricted for					
Streets	\$ -	20,945	-	1,786	22,731
Employee benefits	-	-	1,276	-	1,276
Unassigned	97,638	-	-	-	97,638
Total cash basis fund balances	<u>\$ 97,638</u>	<u>20,945</u>	<u>1,276</u>	<u>1,786</u>	<u>121,645</u>

See notes to financial statements

CITY OF LIVERMORE, IOWA

Exhibit C

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

	Electric	Water	Sewer	Garbage	Total
Operating receipts					
Charges for service	\$ 363,521	53,093	46,210	31,153	\$ 493,977
	<u>363,521</u>	<u>53,093</u>	<u>46,210</u>	<u>31,153</u>	<u>493,977</u>
Operating disbursements					
Business type activities	301,187	50,609	43,316	32,086	427,198
Total operating disbursements	<u>301,187</u>	<u>50,609</u>	<u>43,316</u>	<u>32,086</u>	<u>427,198</u>
Excess (deficit) of operating receipts over operating disbursements	<u>62,334</u>	<u>2,484</u>	<u>2,894</u>	<u>(933)</u>	<u>66,779</u>
Non-operating receipts (disbursements):					
Intergovernmental	-	-	478,376	-	478,376
Capital Projects	-	-	(480,124)	-	(480,124)
Net non-operating receipts (disbursements)	<u>-</u>	<u>-</u>	<u>(1,748)</u>	<u>-</u>	<u>(1,748)</u>
Excess (deficit) of receipts over disbursements	<u>62,334</u>	<u>2,484</u>	<u>1,146</u>	<u>(933)</u>	<u>65,031</u>
Operating transfers out	<u>(24,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,000)</u>
Net change in cash balances	<u>38,334</u>	<u>2,484</u>	<u>1,146</u>	<u>(933)</u>	<u>41,031</u>
Balance beginning of year	<u>277,557</u>	<u>18,938</u>	<u>20,392</u>	<u>9,997</u>	<u>326,884</u>
Balance end of year	<u>\$ 315,891</u>	<u>\$ 21,422</u>	<u>21,538</u>	<u>9,064</u>	<u>\$ 367,915</u>
Cash Basis Fund Balances					
Unrestricted	<u>\$ 315,891</u>	<u>21,422</u>	<u>21,538</u>	<u>9,064</u>	<u>\$ 367,915</u>
	<u>\$ 315,891</u>	<u>21,422</u>	<u>21,538</u>	<u>9,064</u>	<u>\$ 367,915</u>

See notes to financial statements

CITY OF LIVERMORE, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

(1) Summary of Significant Accounting Policies

The City of Livermore is a political subdivision of the State of Iowa located in Humboldt County. It was first incorporated in 1902 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, culture and recreation, economic development, and general government services. The City also provides electric, water, sewer, and garbage utilities and services to its citizens.

A. Reporting Entity

For financial reporting purposes, City of Livermore has included all funds, organizations, account groups, 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 under this definition.

The City participates in several jointly governed organizations that provide goods or services to the citizens of Livermore 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 North Central Iowa Regional Solid waste Agency, Humboldt County Conference Board, MIDAS Regional Planning Commission, and the Humboldt County E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets – Cash Basis reports information on all 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 service.

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

CITY OF LIVERMORE, IOWA

NOTES TO FINANCIAL STATEMENTS

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

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City.

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 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.

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

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

CITY OF LIVERMORE, IOWA

NOTES TO THE FINANCIAL STATEMENTS

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

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 the accounting principles generally accepted in the United States of America.

Under 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 fund 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.

CITY OF LIVERMORE, IOWA

NOTES TO FINANCIAL STATEMENTS

(2) Cash and Investments

The City's deposits in banks at June 30, 2011 (which include certificates of deposit totaling \$270,152) 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; and 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) 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 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 rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$8,034, \$6,146, and \$6,066 respectively, equal to the required contributions for each year.

(4) Other Post Employment 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 3 active and no inactive members in the plan. Participants must be 55 or older at retirement.

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

CITY OF LIVERMORE, IOWA

NOTES TO FINANCIAL STATEMENTS

(4) Other Post Employment Benefits (OPEB) - continued

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 \$593 for single coverage and \$1,363 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$26,902 and plan members contributed approximately \$6,100 to the plan.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and personal leave hours for subsequent use. Earned vacation is paid when used or when employment is terminated upon retirement or death. These accumulations are not recognized as expenditures by the City until they are used or paid. The City’s approximate liability for earned vacation and sick leave payments payable to employees at June 30, 2011, primarily relating to the General Fund, is zero.

(6) Interfund Transfers

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

Transfer In	Transfer From	Amount
General	Proprietary fund Electric fund	<u>\$ 24,000</u>

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

(7) Risk Management

The City of Livermore 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Property Taxes

Property taxes are recognized as income when received in accordance with the cash basis of accounting. The property tax calendar is as follows for the City of Livermore. Property taxes become liens on property as of July 1, 2010 and are payable in September 2010 and March 2011. The valuation for the taxes was based on January 1, 2009 assessed property valuations, and are based on a certified budget from March of 2010.

Required Supplementary Information

CITY OF LIVERMORE, 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 Actual	Proprietary Funds Actual	Net
Receipts:			
Property tax	\$ 79,333	-	79,333
Other city taxes	37,122	-	37,122
Licenses and permits	673	-	673
Use of money and property	6,657	-	6,657
Intergovernmental	134,065	478,376	612,441
Charges for service	21,875	493,977	515,852
Miscellaneous	21,035	-	21,035
	<u>300,760</u>	<u>972,353</u>	<u>1,273,113</u>
Disbursements:			
Program			
Public safety	21,124	-	21,124
Public works	111,970	-	111,970
Culture and recreation	61,298	-	61,298
Community and economic development	83,596	-	83,596
General government	66,705	-	66,705
Business type activities	-	907,322	907,322
	<u>344,693</u>	<u>907,322</u>	<u>1,252,015</u>
Excess (deficiency) of receipts over disbursements	(43,933)	65,031	21,098
Other financing sources	24,000	(24,000)	-
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses	(19,933)	41,031	21,098
Balance beginning of year	<u>141,578</u>	<u>326,884</u>	<u>468,462</u>
Balance end of year	<u>\$ 121,645</u>	<u>367,915</u>	<u>489,560</u>

See accompanying independent auditor's report

Budgeted Amounts		Final to Net Variance
Original	Final	
78,329	78,329	1,004
31,148	37,148	(26)
600	600	73
8,500	8,500	(1,843)
98,707	118,707	493,734
455,000	455,000	60,852
8,000	13,000	8,035
680,284	711,284	561,829
16,400	22,900	1,776
101,000	114,800	2,830
63,000	63,000	1,702
45,000	85,000	1,404
67,884	67,884	1,179
762,000	985,000	77,678
1,055,284	1,338,584	86,569
(375,000)	(627,300)	648,398
350,000	498,000	(498,000)
(25,000)	(129,300)	150,398
365,963	389,963	78,499
340,963	260,663	228,897

CITY OF LIVERMORE, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2011

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Functional disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, and Enterprise Funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted revenues by \$179,000 and budgeted disbursements by \$283,300. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements were within the amounts budgeted, however, the City did allow expenditures to exceed the original amount budgeted prior to passing the amendment.

Other Supplementary Information

CITY OF LIVERMORE, IOWA

Schedule 1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Housing and Utrban Development			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRI-082	480,124
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	06-HSG-066	81,645
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance	97.036		7,741
			569,510

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Livermore 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.



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Livermore, Iowa as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 30, 2011. Because we were unable to satisfy ourselves as to the distribution of fund balances by fund at July 1, 2010, our report expressed a qualified opinion on the financial statements which were prepared in conformity with another comprehensive basis of accounting. 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 of Livermore's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Livermore's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Livermore'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 financing reporting that might be significant deficiencies, and therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Livermore's financial statements will not be prevented or detected and corrected on a timely basis.

We consider the deficiency in internal control identified as II-A-11 described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Livermore's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in 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 of Livermore'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 of Livermore's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Livermore and other parties to whom the City of Livermore may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Livermore 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.

T.P. Anderson & Company, P.C.

December 30, 2011



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

We have audited City of Livermore'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 Sample City's major federal program for the year ended June 30, 2011. City of Livermore's major federal program is 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 program is the responsibility of City of Livermore's management. Our responsibility is to express an opinion on City of Livermore'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, 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 City of Livermore'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 City of Livermore's compliance with those requirements.

In our opinion, City of Livermore 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.

Internal Control Over Compliance

Management of City of Livermore is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Livermore's internal control over compliance with requirements that could have a direct and material effect on a major federal program 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 City of Livermore'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 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 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as III-A-11 to be a material weakness.

The City of Livermore's responses to the findings identified in our audit are described in the accompanying Schedule of findings and questioned costs. We did not audit City of Livermore's responses and, accordingly, we express no opinion on the responses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of City of Livermore and other parties to whom City of Livermore 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.

T.P. Anderson & Company, P.C.

December 30, 2011

CITY OF LIVERMORE, IOWA

SCHEDULE OF FINDINGS & QUESTIONED COSTS

Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Qualified opinions were issued because we were unable to satisfy ourselves as to the distribution of fund balances by fund at July 1, 2010 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.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance 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 major program was CFDA 14.228 – Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii.
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) The City of Livermore did not qualify as a low risk auditee.

CITY OF LIVERMORE, IOWA

SCHEDULE OF FINDINGS and QUESTIONED COSTS

Year Ended June 30, 2011

Part II: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

II-A-11 Segregation of Duties - We noted that the cash receipt function and the recording of the cash receipts is on occasion handled by the same person.

Criteria – A proper system of internal controls requires that incompatible duties not be entrusted to any one individual.

Cause – The lack of segregation of duties is due to the size of the City

Effect – The effect is that the City’s internal control system is weak where incompatible duties are performed by the same employee.

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

Response and Corrective Action Planned - We believe that we are close to the maximum degree of segregation of duties possible with the limited number of office employees. We will investigate additional procedures to cost effectively improve internal control.

Conclusion - 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.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF LIVERMORE, IOWA

SCHEDULE OF FINDINGS and QUESTIONED COSTS

Year Ended June 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

None noted

SIGNIFICANT CONTROL DEFICIENCIES:

CFDA Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Federal Award Year: 2011

U.S. Department of Housing and Urban Development

Passed through the Iowa Department of Economic Development

III-A-11 Real Property Acquisition/Relocation Assistance – We noted that landowner's rights were not disclosed in a timely manner to citizens who gave easements to the City to facilitate the project.

Criteria – The City's major federal program requires that when land or easements to use land need to be acquired to complete a project, the affected landowners be notified of their rights.

Cause – The City hired a qualified administrator whose process did not identify the problem.

Effect – The City had not complied with the rules and therefore had to take corrective action.

Response & Corrective Action Taken – The City's attorney drafted a letter dated October 25, 2011 to all affected land owners and enclosed a HUD pamphlet that explained the landowners' rights. The City also had all affected parties sign off that they were made aware of these rights.

Conclusion – Response accepted.

CITY OF LIVERMORE, IOWA

SCHEDULE OF FINDINGS and QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting:

III-A-11 Certified Budget - Disbursements during the year ended June 30, 2011 were within the budgeted limits in all programs, however, disbursements were allowed to exceed the original budget prior to passing an amended budget.

Criteria - 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."

Cause - The City has decided to only amend the budget once per year and from time to time the original budget may be overspent prior to the amendment.

Effect - The City did not comply with the Code of Iowa when disbursements were allowed to exceed the original budget.

Recommendation - The original budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa prior to spending in excess of the budgeted amounts.

Response - We will attempt to capture all expenditures when preparing our original budget.

Conclusion - Response accepted.

III-B-11 Questionable Disbursement - We noted no questionable disbursements in regard to the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

III-D-11 Business Transactions - No business transactions between the City and its officials or employees were noted.

III-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.

III-F-11 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

CITY OF LIVERMORE, IOWA

SCHEDULE OF FINDINGS and QUESTIONED COSTS

Year Ended June 30, 2011

III-G-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.

III-H-11 Code of Ordinances – The City’s Code of Ordinances has not been compiled within the last five years.

Criteria – Iowa Code Chapter 380.8(1) of the Code of Iowa requires that the code of ordinances be compiled at least once every five years.

Cause – The Code had not been updated because of an oversight of this code requirement.

Effect – The City currently is not in compliance with the Code of Iowa with respect to its Code of Ordinances.

Recommendation – The City should take steps to have its Code of Ordinances codified in accordance with the Code of Iowa.

Response and Corrective Action Planned – We have contacted MIDAS Regional Planning Commission to start the process to have our Code of Ordinances updated.

Conclusion – Response accepted.