



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

October 25, 2012

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Adel, Iowa.

The City's receipts totaled \$10,843,987 for the year ended June 30, 2012, a 145.2% increase over the prior year. The receipts included \$1,614,107 in property tax, \$465,346 from tax increment financing, \$1,813,353 from charges for service, \$530,508 from operating grants, contributions and restricted interest, \$234,487 from local option sales tax, \$6,176,826 from note proceeds, \$1,331 from unrestricted interest on investments and \$8,029 from other general receipts.

Disbursements for the year totaled \$10,910,409, a 71.8% increase over the prior year, and included \$6,281,246 for payments to the note refunding agent, \$825,786 for public safety and \$816,684 for debt service. Also, disbursements for business type activities totaled \$1,169,582.

The significant increase in receipts is due to the issuance of \$6,230,000 of general obligation refunding capital loan notes in fiscal year 2012. The significant increase in disbursements is due primarily to the City disbursing those note proceeds to refund certain general obligation capital loan notes.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1220-0228-B00F.pdf>.

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**CITY OF ADEL**

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

**JUNE 30, 2012**

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**City of Adel**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2012)</b>		
James F. Peters	Mayor	Jan 2012
Jon McAvoy	Mayor Pro tem	Jan 2014
Michael Haynes	Council Member	Jan 2012
Art Kirk	Council Member	Jan 2012
Don Price	Council Member	Jan 2012
Dale Swanson	Council Member	Jan 2014
Chad Bird	Administrator	(Resigned Sept 2011)
Audra Sorber	Finance Director	Dec 2011
Mary Sue Hibbs	Clerk	Indefinite
John Reich	Attorney	Indefinite
<b>(After January 2012)</b>		
James F. Peters	Mayor	Jan 2014
Jon McAvoy	Mayor Pro tem	Jan 2014
Dale Swanson	Council Member	Jan 2014
Michael Haynes	Council Member	Jan 2016
Shirley McAdon	Council Member	Jan 2016
Bryan Welch	Council Member	Jan 2016
Brett Klein	Administrator	Indefinite
Mary Sue Hibbs	Clerk	Indefinite
John Reich	Attorney	Indefinite

**City of Adel**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Adel, Iowa, as of and for the year ended June 30, 2012, 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 Adel's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, 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, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Adel as of June 30, 2012, 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.

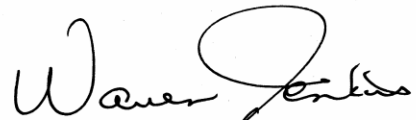
In accordance with Government Auditing Standards, we have also issued our report dated October 10, 2012 on our consideration of the City of Adel's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and 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 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 our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Adel's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the seven years ended June 30, 2010 (which are not presented herein) were audited by another auditor who expressed

unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Adel's basic financial statements. Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 32 through 34 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 10, 2012



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Adel 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, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2012 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 206.4%, or approximately \$6,397,000, from fiscal year 2011 to fiscal year 2012. During fiscal year 2012, the City issued \$6,230,000 of general obligation refunding notes to refund certain outstanding general obligation capital loan notes.
- Disbursements of the City's governmental activities increased 89.1%, or approximately \$4,590,000, in fiscal year 2012 over fiscal year 2011. The City paid the note refunding agent approximately \$6,281,000 for the note refunding. The capital projects function decreased approximately \$1,729,000 due to the majority of the Brick Street project being completed in fiscal year 2011.
- The City's total cash basis net assets decreased 5.3%, or approximately \$67,000, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased approximately \$11,000 and the assets of the business type activities decreased approximately \$78,000. The decrease for the business type activities is due to interfund loans made by the Enterprise, Water and Sewer Funds to the Special Revenue, Local Option Sales and Services Tax Fund.

### 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 financial 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.

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

Supplementary Information provides detailed information about the nonmajor governmental funds, the individual Internal Service Funds and the City's indebtedness.

## **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, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, garbage/recycling and storm water utilities. 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, Urban Renewal Tax Increment and Local Sales and Services Tax, 3) the Debt Service Fund and 4) the Capital Projects 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 and the Internal Service Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the Water, Sewer, Garbage/Recycling and Storm Water Funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

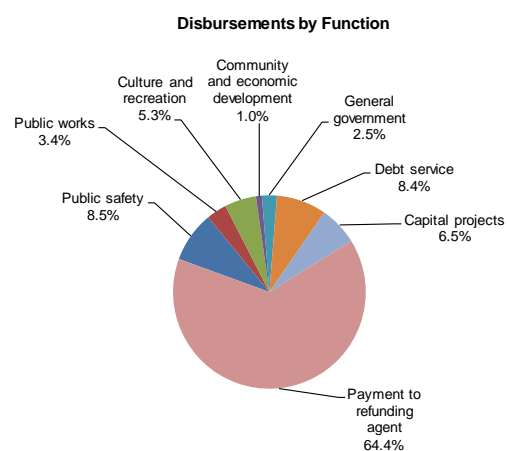
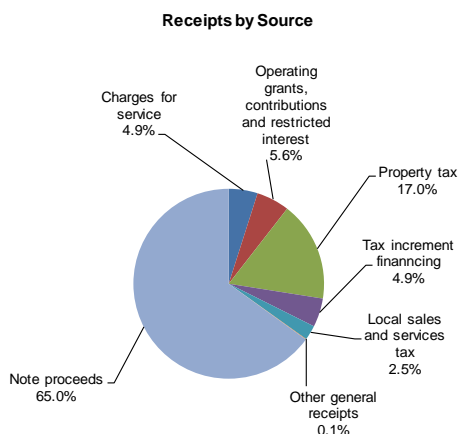
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

## 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 slightly from a year ago, increasing from a balance of approximately \$21,000 to approximately \$32,000. 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,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service	\$ 466	305
Operating grants, contributions and restricted interest	531	541
Capital grants, contributions and restricted interest	-	69
General receipts:		
Property tax	1,614	1,564
Tax increment financing	465	467
Local sales and services tax	235	133
Unrestricted interest on investments	1	5
Note proceeds, net of discount and fees	6,177	-
Other general receipts	8	16
<b>Total receipts</b>	<b>9,497</b>	<b>3,100</b>
Disbursements:		
Public safety	826	856
Public works	327	330
Culture and recreation	520	577
Community and economic development	94	90
General government	240	212
Debt service	817	721
Capital projects	636	2,365
Payment to note refunding agent	6,281	-
<b>Total disbursements</b>	<b>9,741</b>	<b>5,151</b>
Change in cash basis net assets before transfers	(244)	(2,051)
Transfers, net	255	24
Change in cash basis net assets	11	(2,027)
Cash basis net assets beginning of year	21	2,048
Cash basis net assets end of year	\$ 32	21



The City's total receipts for governmental activities increased 206.4%, or approximately \$6,397,000. The total cost of all programs and services increased approximately \$4,590,000, or 89.1%, with no new programs added this year. The significant increase in receipts and disbursements was primarily the result of general obligation refunding note proceeds received and payments to the note refunding agent.

The City's property tax rates for fiscal year 2012 did not change significantly. However, assessed valuations increased 3%. This increase raised the City's property tax receipts approximately \$50,000 in fiscal year 2012. Based on increases in the total assessed valuation and a slight increase in the property tax levy, property tax receipts are budgeted to increase an additional \$75,000 next year.

The cost of all governmental activities this year was approximately \$9.7 million compared to approximately \$5.2 million last year. However, as shown in the Statement of Activities and Net Assets on pages 14-15, the amount taxpayers ultimately financed for these activities was only \$2.463 million because some of the cost was paid by those directly benefited from the programs (\$466,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$531,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased approximately \$6,397,000 in fiscal year 2012, principally due to the issuance of \$6,230,000 of general obligation refunding notes in fiscal year 2012 to refund certain general obligation capital loan notes.

Changes in Cash Basis Net Assets of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 556	534
Sewer	468	464
Garbage/recycling	227	222
Storm water	96	103
Total receipts	1,347	1,323
Disbursements:		
Water	523	520
Sewer	404	418
Garbage/recycling	215	202
Storm water	28	59
Total disbursements	1,170	1,199
Change in cash basis net assets before transfers	177	124
Transfers, net	(255)	(24)
Change in cash basis net assets	(78)	100
Cash basis net assets beginning of year	1,233	1,133
Cash basis net assets end of year	\$ 1,155	1,233

Total business type activities receipts for the fiscal year were approximately \$1.347 million compared to approximately \$1.323 million last year. This slight increase was due primarily to the increase of water and sewer rates during the fiscal year. The cash balance decreased approximately \$78,000 from the prior year, primarily due to interfund loans by the Enterprise, Water and Sewer Funds to the Special Revenue, Local Sales and Services Tax Fund. Total disbursements for the fiscal year decreased 2.4% to approximately \$1,170,000.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Adel completed the year, its governmental funds reported a combined fund balance of \$28,150, an increase of \$43,110 over last year's total of (\$14,960). 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 \$50,796 over the prior year to \$131,259, due primarily to an increase in property tax collections.
- The Special Revenue, Road Use Tax Fund cash balance increased \$110,072 to \$155,724. This increase was due primarily to a decrease of approximately \$79,000 in public works disbursements. The City intends to use this money to upgrade the condition of all City roads.
- The Special Revenue, Urban Renewal Tax Increment Fund was established to account for a major urban renewal project within the City's business district. At the end of the fiscal year, the cash balance was \$36,799, an increase of \$35,496 over the previous year. The increase was due primarily to the disbursements and transfers out being less than tax increment financing collections. The City budgets and requests only the approximate amount of receipts needed during the year.
- The Special Revenue, Local Sales and Services Tax Fund cash balance decreased \$38,792 to \$104,223. Receipts increased as a result of receiving collections all of fiscal year 2012 compared to a portion of fiscal year 2011. Disbursements also increased \$537,095 due to building and maintaining the City aquatic center.
- The Debt Service Fund cash balance decreased \$240,029 to \$(276,407). This decrease was the result of the City refunding general obligation capital loan notes in excess of receipts from the issuance of refunding general obligation capital loan notes and receiving slightly less property tax collections.
- The Capital Projects Fund cash balance increased \$110,222 to \$(182,067). This increase is attributed to the increase in special assessment collections for the Brick Street project. Previous project costs incurred were larger than expected, which resulted in a negative fund balance.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance decreased \$59,541 to \$371,988, due primarily to an interfund loan to the Special Revenue, Local Sales and Services Tax Fund made in fiscal year 2012 and not in fiscal year 2011.
- The Enterprise, Sewer Fund cash balance decreased \$80,202 to \$447,689, due primarily to an interfund loan to the Special Revenue, Local Sales and Services Tax Fund made in fiscal year 2012 and not in fiscal year 2011.
- The Enterprise, Garbage/Recycling Fund cash balance increased \$7,670 to \$126,988, due primarily to the operating disbursements being less than operating receipts.
- The Enterprise, Storm Water Fund cash balance increased \$67,424 to \$126,482, due primarily to the operating disbursements being less than operating receipts.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 29, 2012 and resulted in an increase in operating disbursements of approximately \$4,541,000 to various functions, with the main increase to debt service for the refunding of outstanding balance of general obligation capital loan notes.

The City's receipts were \$485,335 more than the amended budget. This was primarily due to the City receiving more local sales and services tax and special assessments than anticipated.

Total disbursements were \$3,936,039 less than the amended budget. The City budgeted for the current refunding of general obligation capital loan notes as debt service. However, the refunding is reported as an other financing use. Actual disbursements for the business type activities function were \$239,319 less than the amended budget.

The City exceeded the amounts budgeted in the public works and capital projects functions for the year ended June 30, 2012 due to higher costs for streets and the aquatic center project than budgeted.

## **DEBT ADMINISTRATION**

At June 30, 2012, the City had \$7,339,000 in notes outstanding, compared to \$7,872,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30,	
	2012	2011
General obligation notes	\$ 7,165	\$ 7,640
Revenue notes	174	232
Total	\$ 7,339	\$ 7,872

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, including TIF, debt is significantly below its constitutional debt limit of approximately \$10.7 million.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Adel's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the County as of August 2012 stands at 4.7% versus 4.9% at August 2011. This compares with the State's unemployment rate of 5.5% and the national rate of 8.1%.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are approximately \$5.3 million, an increase of approximately \$500,000 over the fiscal year 2012 budget. Property tax (benefiting from increases in assessed valuations) is expected to increase approximately \$75,000, other City taxes are expected to increase approximately \$296,000 and charges for service is expected to increase approximately \$98,000. Budgeted disbursements are expected to decrease approximately \$4,153,000 from the final fiscal year 2012 budget. This is primarily due to the decrease in budgeted debt service function disbursements. The City has added no major new programs or initiatives to the fiscal year 2013 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$361,000 by the close of fiscal year 2013.

## **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 City Hall, 301 S. 10<sup>th</sup> Street, City of Adel, Iowa 50003.

## **Basic Financial Statements**

City of Adel

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2012

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 825,786	142,717	42,741
Public works	327,303	-	356,992
Culture and recreation	519,667	141,800	-
Community and economic development	94,243	-	64,156
General government	239,831	3,004	50,684
Debt service	816,684	-	-
Capital projects	636,067	178,916	15,935
Total governmental activities	3,459,581	466,437	530,508
Business type activities:			
Water	522,564	555,685	-
Sewer	403,989	468,108	-
Garbage/recycling	214,509	227,179	-
Storm water	28,520	95,944	-
Total business type activities	1,169,582	1,346,916	-
Total	\$ 4,629,163	1,813,353	530,508
Component units:			
South Dallas County Landfill Agency	\$ 1,783,095	682,587	-
Adel Library Foundation	4,936	-	4,147
Total component units	\$ 1,788,031	682,587	4,147
<b>General Receipts and Transfers:</b>			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local sales and services tax			
Unrestricted interest on investments			
Miscellaneous			
Note proceeds, net of \$53,174 of discount and fees			
Payment to note refunding agent			
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			
<b>Cash Basis Net Assets</b>			
Restricted:			
Streets			
Urban renewal purposes			
Debt service			
Local option sales tax			
Capital projects			
Library Foundation			
Other purposes			
Unrestricted			
<b>Total cash basis net assets</b>			

See notes to financial statements.



Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			Component Units	
Governmental Activities	Business Type Activities	Total	South Dallas County Landfill Agency	Adel Library Foundation
(640,328)	-	(640,328)	-	-
29,689	-	29,689	-	-
(377,867)	-	(377,867)	-	-
(30,087)	-	(30,087)	-	-
(186,143)	-	(186,143)	-	-
(816,684)	-	(816,684)	-	-
(441,216)	-	(441,216)	-	-
<u>(2,462,636)</u>	<u>-</u>	<u>(2,462,636)</u>	<u>-</u>	<u>-</u>
-	33,121	33,121	-	-
-	64,119	64,119	-	-
-	12,670	12,670	-	-
-	67,424	67,424	-	-
-	177,334	177,334	-	-
<u>(2,462,636)</u>	<u>177,334</u>	<u>(2,285,302)</u>	<u>-</u>	<u>-</u>
			(1,100,508)	-
			-	(789)
			<u>(1,100,508)</u>	<u>(789)</u>
1,236,809	-	1,236,809	-	-
377,298	-	377,298	-	-
465,346	-	465,346	-	-
234,487	-	234,487	-	-
1,331	-	1,331	107,728	1,308
8,029	-	8,029	6,716	-
6,176,826	-	6,176,826	-	-
(6,281,246)	-	(6,281,246)	-	-
255,000	(255,000)	-	-	-
<u>2,473,880</u>	<u>(255,000)</u>	<u>2,218,880</u>	<u>114,444</u>	<u>1,308</u>
11,244	(77,666)	(66,422)	(986,064)	519
20,680	1,233,039	1,253,719	5,246,528	238,089
<u>\$ 31,924</u>	<u>1,155,373</u>	<u>1,187,297</u>	<u>4,260,464</u>	<u>238,608</u>
\$ 155,724	-	155,724	-	-
51,487	-	51,487	-	-
-	117,179	117,179	-	-
104,223	-	104,223	-	-
-	189,366	189,366	-	-
-	-	-	-	238,608
60,026	54,491	114,517	1,511,959	-
(339,536)	794,337	454,801	2,748,505	-
<u>\$ 31,924</u>	<u>1,155,373</u>	<u>1,187,297</u>	<u>4,260,464</u>	<u>238,608</u>

City of Adel

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

As of and for the year ended June 30, 2012

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
<b>Receipts:</b>			
Property tax	\$ 954,730	-	-
Tax increment financing	-	-	465,346
Local sales and services tax	2,514	-	-
Licenses and permits	72,196	-	-
Use of money and property	49,356	-	-
Intergovernmental	128,453	356,992	-
Charges for service	116,291	-	-
Special assessments	-	-	-
Miscellaneous	41,722	-	-
<b>Total receipts</b>	<b>1,365,262</b>	<b>356,992</b>	<b>465,346</b>
<b>Disbursements:</b>			
<b>Operating:</b>			
Public safety	630,500	-	-
Public works	44,040	246,920	-
Culture and recreation	440,023	-	-
Community and economic development	-	-	94,243
General government	209,591	-	-
Debt service	-	-	-
Capital projects	-	-	-
<b>Total disbursements</b>	<b>1,324,154</b>	<b>246,920</b>	<b>94,243</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>41,108</b>	<b>110,072</b>	<b>371,103</b>
<b>Other financing sources (uses):</b>			
Note proceeds, net of \$53,174 of discount and fees	-	-	-
Payment to note refunding agent	-	-	-
Operating transfers in	9,688	-	-
Operating transfers out	-	-	(335,607)
<b>Total other financing sources (uses)</b>	<b>9,688</b>	<b>-</b>	<b>(335,607)</b>
<b>Net change in cash balances</b>	<b>50,796</b>	<b>110,072</b>	<b>35,496</b>
<b>Cash balances beginning of year</b>	<b>80,463</b>	<b>45,652</b>	<b>1,303</b>
<b>Cash balances end of year</b>	<b>\$ 131,259</b>	<b>155,724</b>	<b>36,799</b>
<b>Cash Basis Fund Balances</b>			
<b>Restricted for:</b>			
Urban renewal purposes	\$ 14,688	-	36,799
Streets	-	155,724	-
Local option sales tax	-	-	-
Other purposes	-	-	-
<b>Unassigned</b>	<b>116,571</b>	<b>-</b>	<b>-</b>
<b>Total cash basis fund balances</b>	<b>\$ 131,259</b>	<b>155,724</b>	<b>36,799</b>

See notes to financial statements.

Local Sales and Services Tax	Debt Service	Capital Projects	Nonmajor	Total
-	377,298	-	279,565	1,611,593
-	-	-	-	465,346
234,487	-	-	-	237,001
-	-	-	-	72,196
-	-	-	-	49,356
-	-	11,255	-	496,700
3,851	-	-	4,404	124,546
11,085	-	167,831	-	178,916
1,725	-	121	41,023	84,591
251,148	377,298	179,207	324,992	3,320,245
-	-	-	175,308	805,808
-	-	-	34,150	325,110
-	-	-	74,576	514,599
-	-	-	-	94,243
-	-	-	25,613	235,204
-	816,684	-	-	816,684
539,940	-	96,127	-	636,067
539,940	816,684	96,127	309,647	3,427,715
(288,792)	(439,386)	83,080	15,345	(107,470)
-	6,176,826	-	-	6,176,826
-	(6,281,246)	-	-	(6,281,246)
250,000	303,777	42,142	-	605,607
-	-	(15,000)	-	(350,607)
250,000	199,357	27,142	-	150,580
(38,792)	(240,029)	110,222	15,345	43,110
143,015	(36,378)	(292,289)	43,274	(14,960)
104,223	(276,407)	(182,067)	58,619	28,150
-	-	-	-	51,487
-	-	-	-	155,724
104,223	-	-	-	104,223
-	-	-	60,026	60,026
-	(276,407)	(182,067)	(1,407)	(343,310)
104,223	(276,407)	(182,067)	58,619	28,150

**City of Adel**

City of Adel

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Governmental Funds

As of and for the year ended June 30, 2012

**Total governmental funds cash balances (page 17)** \$ 28,150

***Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:***

The Internal Service Funds are used by management to charge the costs of equipment replacement, building replacement and partial self funding of the City's flexible benefits plan to individual funds. A portion of the assets of the Internal Service Funds are included in governmental activities in the Statement of Activities and Net Assets.

3,774

**Cash basis net assets of governmental activities (page 15)** \$ 31,924

**Net change in cash balances (page 17)** \$ 43,110

***Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:***

The Internal Service Funds are used by management to charge the costs of equipment replacement, building replacement and partial self funding of the City's flexible benefits plan to individual funds. A portion of the change in net assets of the Internal Service Funds is reported in governmental activities in the Statement of Activities and Net Assets.

(31,866)

**Change in cash basis net assets of governmental activities (page 15)** \$ 11,244

See notes to financial statements.

City of Adel

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

As of and for the year ended June 30, 2012

	Enterprise			
	Water	Sewer	Garbage / Recycling	Storm Water
Operating receipts:				
Charges for service	\$ 554,567	467,398	227,179	95,944
Miscellaneous	1,118	710	-	-
Total operating receipts	555,685	468,108	227,179	95,944
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
General government	-	-	-	-
Business type activities	463,986	382,656	214,509	28,520
Total operating disbursements	463,986	382,656	214,509	28,520
Excess (deficiency) of operating receipts over (under) operating disbursements	91,699	85,452	12,670	67,424
Non-operating disbursements:				
Debt service	(51,240)	(15,654)	-	-
Excess (deficiency) of receipts over (under) disbursements	40,459	69,798	12,670	67,424
Operating transfers out	(100,000)	(150,000)	(5,000)	-
Net change in cash balances	(59,541)	(80,202)	7,670	67,424
Cash balances beginning of year	431,529	527,891	119,318	59,058
Cash balances end of year	\$ 371,988	447,689	126,988	126,482
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Debt service	\$ 58,500	58,679	-	-
Water deposits	54,491	-	-	-
Water improvement	55,385	-	-	-
Sewer improvement	-	108,079	-	-
Storm water improvement	-	-	-	25,902
Unrestricted	203,612	280,931	126,988	100,580
Total cash basis fund balances	\$ 371,988	447,689	126,988	126,482

See notes to financial statements.

Total	Internal Service
1,345,088	14,970
1,828	-
<u>1,346,916</u>	<u>14,970</u>
-	25,866
-	3,020
-	6,980
-	6,060
1,089,671	17,927
<u>1,089,671</u>	<u>59,853</u>
257,245	(44,883)
<u>(66,894)</u>	<u>-</u>
190,351	(44,883)
<u>(255,000)</u>	<u>-</u>
(64,649)	(44,883)
1,137,796	130,883
<u>1,073,147</u>	<u>86,000</u>
117,179	-
54,491	-
55,385	-
108,079	-
25,902	-
712,111	86,000
<u>1,073,147</u>	<u>86,000</u>

City of Adel

Reconciliation of the Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
to the Statement of Activities and Net Assets –  
Proprietary Funds

As of and for the year ended June 30, 2012

**Total enterprise funds cash balances (page 21)** \$ 1,073,147

***Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:***

The Internal Service Funds are used by management to charge the costs of equipment replacement, building replacement and partial self funding of the City's flexible benefits plan to individual funds. A portion of the assets of the Internal Service Funds are included in business type activities in the Statement of Activities and Net Assets.

82,226

**Cash basis net assets of business type activities (page 17)** \$ 1,155,373

**Net change in cash balances (page 21)** \$ (64,649)

***Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:***

The Internal Service Funds are used by management to charge the costs of equipment replacement, building replacement and partial self funding of the City's flexible benefits plan to individual funds. A portion of the change in net assets of the Internal Service Funds is reported with business type activities.

(13,017)

**Change in cash basis net assets of business type activities (page 17)** \$ (77,666)

See notes to financial statements.



City of Adel

Notes to Financial Statements

June 30, 2012

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

City of Adel is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1848 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, sewer, garbage/recycling and storm water utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Adel 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.

These financial statements present the City of Adel (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Discretely Presented Component Units

The South Dallas County Landfill Agency and the Adel Library Foundation are presented in separate columns to emphasize they are legally separate from the City, but are financially accountable to the City or their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The South Dallas County Landfill Agency is governed by a one member board appointed by the City Council. A financial benefit/burden relationship exists between the City and the South Dallas County Landfill Agency in that the Landfill's operating budget is subject to the approval of the City Council.

The Adel Library Foundation is an entity which is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City.

### Blended Component Unit

Pursuant to Chapter 501B of Code of Iowa, the City of Adel Fire Association (Association) is an unincorporated nonprofit association. The Association exists for charitable purposes in support of the City of Adel Fire Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Association meets the definition of a component unit which should be blended. Based on these criteria, the Association is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. The Association is reported as part of the City and blended into the nonmajor governmental funds.

### 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: Dallas County Assessor's Conference Board, Dallas County Emergency Management Commission, Dallas County Joint E911 Service Board, Central Iowa Regional Transportation and Planning Alliance (CIRTPA), Adel Enterprises, Adel Partners, Metropolitan Advisory Council and the Greater Dallas County Development Alliance.

## 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 service.

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

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 category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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.

Special Revenue:

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

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

The Local Option Sales and Services Tax Fund is used to account for the collection and use of the local option sales and services tax.

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

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

The City reports the following major proprietary funds:

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

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

The Enterprise, Garbage/Recycling Fund accounts for operation and maintenance of the City's solid waste collection and recycling system.

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

The City also reports the following additional proprietary funds:

Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that

basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with 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:

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

Unassigned – All amounts not included in the preceding classification.

E. **Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the public works and capital projects functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2012, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$366,431 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

**(3) Notes Payable**

Annual debt service requirements to maturity for general obligation notes and revenue notes are as follows:

Year Ending June 30,	General Obligation					
	Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 565,000	180,150	64,000	6,570	629,000	186,720
2014	595,000	172,820	64,000	4,000	659,000	176,820
2015	610,000	164,085	15,000	1,380	625,000	165,465
2016	630,000	153,990	15,000	930	645,000	154,920
2017	645,000	142,475	16,000	480	661,000	142,955
2018-2022	2,450,000	493,930	-	-	2,450,000	493,930
2023-2027	1,070,000	205,680	-	-	1,070,000	205,680
2028-2031	600,000	56,250	-	-	600,000	56,250
Total	\$ 7,165,000	1,569,380	174,000	13,360	7,339,000	1,582,740

General Obligation Refunding Notes

In September 2011, the City issued \$2,325,000 and \$1,740,000 of general obligation refunding notes, Series 2011A and 2011B. The notes were issued to refund the outstanding balance of \$525,000 of the \$1,000,000 general obligation capital loan notes issued October 1, 2002, to refund the outstanding balance of \$1,170,000 of the \$1,610,000 general obligation capital loan notes issued April 15, 2005 and to refund \$2,460,000 of the \$2,555,000 general obligation capital loan notes issued June 29, 2010.

General Obligation Advanced Refunding Notes

In September 2011, the City issued \$2,165,000 of general obligation refunding capital loan notes, Series 2011C. The City entered into an escrow agreement with Wells Fargo Bank, N.A. and deposited the proceeds from the refunding notes. The notes were issued to advance refund the outstanding balance of \$1,950,000 of the \$2,600,000 general obligation capital loan notes issued June 1, 2004.

The City obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$307,098 on the three refundings.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$310,000 of water revenue notes issued in June 2006. Proceeds from the notes provided financing for water capital project construction. The notes are payable solely from water customer net receipts and are payable through 2014. Annual principal and interest payments on the notes are expected to require less than 56% of net receipts. The total principal and interest remaining to be paid on the notes is \$106,550. For the current year, principal and interest paid and total customer net receipts were \$51,240 and \$91,699, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$309,000 of sewer revenue notes issued in June 1997. Proceeds from the notes provided financing for the construction of improvements to the sewer plant. The notes are payable solely from sewer customer net receipts and are payable through 2017. Annual principal and interest payments on the notes are expected to require less than 19% of net receipts. The total principal and interest remaining to be paid on the notes is \$80,810. For the current year, principal and interest paid and total customer net receipts were \$15,610 and \$85,452, respectively.

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers to a water reserve account and a sewer revenue reserve account within the Enterprise Funds shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.
- (d) User rates shall be established at a level which produces and maintains net receipts at a level not less than 100% for the water revenue notes and 110% for the sewer revenue notes of the amount of principal and interest on the notes falling due in the same year.
- (e) Sufficient monthly transfers shall be made to a separate water improvement account within the Enterprise Funds until a balance of \$50,000 has been accumulated.

#### **(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 5.38% of their annual covered salary and the City is required to contribute 8.07% 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 contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$86,024, \$85,688 and \$75,902, respectively, equal to the required contributions for each year.

**(5) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees and retirees and their spouses. There are 21 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug and dental benefits are provided through a fully-insured plan with Wellmark and Delta Dental, respectively. Retirees under age 65 would pay the same premium for the medical/prescription drug and dental 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 \$509 to \$563 for single coverage and \$963 to \$1,729 for family coverage for medical/prescription drug benefits and \$35 for single coverage and \$72 to \$126 for family coverage for dental benefits. For the year ended June 30, 2012, the City contributed \$176,423 and plan members eligible for benefits contributed \$19,603 to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory time 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 and compensatory time payable to employees at June 30, 2012, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 60,000
Compensatory time	14,000
Total	<u>\$ 74,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Urban Renewal Tax Increment	\$ 4,688
	Enterprise:	
	Garbage/Recycling	5,000
		<u>9,688</u>
Special Revenue:	Enterprise:	
	Local Sales and Services Tax	
	Water	100,000
	Sewer	150,000
		<u>250,000</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	288,777
	Capital Projects	15,000
		<u>303,777</u>
Capital Projects	Special Revenue:	
	Urban Renewal Tax Increment	42,142
Total		<u>\$ 605,607</u>

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

**(8) Risk Management**

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

**(9) Rebate Agreements**

The City has entered into three rebate agreements to assist in certain urban renewal projects. The City agreed to rebate incremental property tax paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated for a period of up to five years beginning with the tax year in which the property tax on the completed value of the improvements are first paid. During the year ended June 30, 2012, the City rebated \$52,681 of incremental property tax to the participating companies.

**(10) Interfund Loan**

On August 9, 2011, the City agreed to an interfund loan to advance \$100,000 from the Enterprise, Water Fund and \$150,000 from the Enterprise, Sewer Fund to the Special Revenue, Local Sales and Services Tax Fund for the purpose of paying for phase II of design work for the aquatic center project. Payments are to be made from subsequent monthly local option sales tax receipts or bond sale proceeds, whichever are available first, until the loan is repaid. The loan bears interest at 1.5% per annum. During the year ended June 30, 2012, no payments were made.

**(11) Deficit Balances**

The Special Revenue, Short Term Projects Fund, the Debt Service Fund, the Capital Projects Fund and the Internal Service, Flex Benefits Fund had deficit balances of \$1,407, \$276,407, \$182,067 and \$31,878, respectively, at June 30, 2012.

**(12) Subsequent Events**

In July 2012, the City approved the issuance of general obligation urban renewal bonds and general obligation refunding capital loan notes of \$3,500,000 and \$1,135,000, respectively.



## **Other Information**

City of Adel  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances –  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 1,611,593	-	-
Tax increment financing	465,346	-	-
Local option sales and services tax	237,001	-	-
Licenses and permits	72,196	-	-
Use of money and property	49,356	-	-
Intergovernmental	496,700	-	-
Charges for service	124,546	1,360,058	14,970
Special assessments	178,916	-	-
Miscellaneous	84,591	1,828	15,341
Total receipts	3,320,245	1,361,886	30,311
<b>Disbursements:</b>			
Public safety	805,808	25,866	31,086
Public works	325,110	3,020	3,020
Culture and recreation	514,599	6,980	6,980
Community and economic development	94,243	-	-
General government	235,204	6,060	6,060
Debt service	816,684	-	-
Capital projects	636,067	-	-
Business type activities	-	1,174,492	17,927
Total disbursements	3,427,715	1,216,418	65,073
Excess (deficiency) of receipts over (under) disbursements	(107,470)	145,468	(34,762)
Other financing sources (uses), net	150,580	(255,000)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	43,110	(109,532)	(34,762)
Balances beginning of year	(14,960)	1,268,679	130,883
Balances end of year	\$ 28,150	1,159,147	96,121

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,611,593	1,569,097	1,569,097	42,496
465,346	466,933	466,993	(1,647)
237,001	41,477	41,477	195,524
72,196	41,725	41,725	30,471
49,356	45,000	45,000	4,356
496,700	468,239	468,239	28,461
1,469,634	1,426,454	1,426,454	43,180
178,916	40,000	40,000	138,916
71,078	55,000	67,500	3,578
4,651,820	4,153,925	4,166,485	485,335
800,588	819,194	826,694	26,106
325,110	310,286	310,286	(14,824)
514,599	503,622	526,622	12,023
94,243	101,766	106,008	11,765
235,204	182,967	240,902	5,698
816,684	722,861	4,914,003	4,097,319
636,067	194,700	194,700	(441,367)
1,156,565	1,138,884	1,395,884	239,319
4,579,060	3,974,280	8,515,099	3,936,039
72,760	179,645	(4,348,614)	4,421,374
(104,420)	-	4,050,580	(4,155,000)
(31,660)	179,645	(298,034)	266,374
1,122,836	3,429,481	3,429,481	(2,306,645)
1,091,176	3,609,126	3,131,447	(2,040,271)

City of Adel

Notes to Other Information – Budgetary Reporting

June 30, 2012

The budgetary comparison is presented 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 the component units and the Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects 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 \$4,540,819. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the public works and capital projects functions.

**Supplementary Information**

City of Adel

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

As of and for the year ended June 30, 2012

	Library Memorial	Employee Benefits	Special Police DARE
Receipts:			
Property tax	\$ -	279,565	-
Charges for service	-	-	-
Miscellaneous	4,314	5,846	21
Total receipts	4,314	285,411	21
Disbursements:			
Operating:			
Public safety	-	165,060	809
Public works	-	34,150	-
Culture and recreation	5,302	59,763	-
General government	-	25,613	-
Total disbursements	5,302	284,586	809
Net change in cash balances	(988)	825	(788)
Cash balances beginning of year	14,669	11,639	1,595
Cash balances end of year	\$ 13,681	12,464	807
<b>Cash Basis Fund Balances</b>			
Restricted for other purposes	\$ 13,681	12,464	807
Unassigned	-	-	-
Total cash basis fund balances	\$ 13,681	12,464	807

See accompanying independent auditor's report.

Revenue				
Short Term Projects	Historical Museum	Fire Association	Police Forfeiture	Total
-	-	-	-	279,565
4,404	-	-	-	4,404
4,836	10,665	15,341	-	41,023
9,240	10,665	15,341	-	324,992
-	-	5,220	4,219	175,308
-	-	-	-	34,150
9,271	240	-	-	74,576
-	-	-	-	25,613
9,271	240	5,220	4,219	309,647
(31)	10,425	10,121	(4,219)	15,345
(1,376)	1,747	-	15,000	43,274
(1,407)	12,172	10,121	10,781	58,619
-	12,172	10,121	10,781	60,026
(1,407)	-	-	-	(1,407)
(1,407)	12,172	10,121	10,781	58,619

**City of Adel**



## City of Adel

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Internal Service Funds

Year ended June 30, 2012

	Equipment Replacement	Building Replacement	Flex Benefits	Total
Operating receipts:				
Charges for service	\$ -	-	14,970	14,970
Operating disbursements:				
Governmental activities:				
Public safety	-	4,368	21,498	25,866
Public works	-	-	3,020	3,020
Culture and recreation	-	-	6,980	6,980
General government	-	829	5,231	6,060
Business type activities:				
Water	-	-	10,106	10,106
Sewer	-	-	7,821	7,821
Total operating disbursements	-	5,197	54,656	59,853
Net change in cash balances	-	(5,197)	(39,686)	(44,883)
Cash balances beginning of year	76,037	47,038	7,808	130,883
Cash balances end of year	\$ 76,037	41,841	(31,878)	86,000
<b>Cash Basis Fund Balances</b>				
Unrestricted	\$ 76,037	41,841	(31,878)	86,000

See accompanying independent auditor's report.

City of Adel  
Schedule of Indebtedness  
Year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Capital loan notes	Oct 1, 2002	3.00-5.00%	\$ 1,000,000
Capital loan notes	Jun 1, 2004	2.25-5.30	2,600,000
Capital loan notes	Apr 15, 2005	3.10-4.15	1,610,000
Capital loan notes	Feb 28, 2007	3.65-4.15	1,800,000
Capital loan notes	Jun 29, 2010	2.40	2,555,000
Refunding capital loan notes	Sept. 27,2011	1.30-3.75	2,325,000
Refunding capital loan notes	Sept. 27,2011	0.50-1.90	1,740,000
Refunding capital loan notes	Sept. 27,2011	0.50-3.15	2,165,000
Total			
Revenue notes:			
Sewer	Jun 26, 1997	3.00% *	\$ 309,000
Water	Jun 15, 2006	3.95-4.40	310,000
Total			

\* The agreement also requires the City to annually pay a .05% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
525,000	-	525,000	-	8,051
1,950,000	-	1,950,000	-	-
1,170,000	-	1,170,000	-	14,730
1,455,000	-	105,000	1,350,000	57,858
2,540,000	-	2,480,000	60,000	10,120
-	2,325,000	-	2,325,000	47,068
-	1,740,000	235,000	1,505,000	13,174
-	2,165,000	240,000	1,925,000	25,947
<u>\$ 7,640,000</u>	<u>6,230,000</u>	<u>6,705,000</u>	<u>7,165,000</u>	<u>176,948</u>
87,000	-	13,000	74,000	2,610
145,000	-	45,000	100,000	6,240
<u>\$ 232,000</u>	<u>-</u>	<u>58,000</u>	<u>174,000</u>	<u>8,850</u>

City of Adel  
Note Maturities  
June 30, 2012

Year Ending June 30,	General Obligation Refunding					
	Capital Loan Notes Issued Feb 28, 2007		Capital Loan Notes Issued Jun 29, 2010		Capital Loan Notes Issued Sept 27, 2011	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2013	3.80%	\$ 105,000	2.40%	\$ 20,000	-	\$ -
2014	3.85	110,000	2.40	20,000	1.30%	15,000
2015	3.85	110,000	2.40	20,000	1.30	50,000
2016	3.90	120,000	-	-	1.65	100,000
2017	3.95	120,000	-	-	2.00	100,000
2018	4.00	155,000	-	-	2.30	110,000
2019	4.05	200,000	-	-	2.50	150,000
2020	4.10	210,000	-	-	2.70	150,000
2021	4.15	220,000	-	-	2.90	150,000
2022	-	-	-	-	3.10	150,000
2023	-	-	-	-	3.25	150,000
2024	-	-	-	-	3.35	150,000
2025	-	-	-	-	3.45	150,000
2026	-	-	-	-	3.75	150,000
2027	-	-	-	-	3.75	150,000
2028	-	-	-	-	3.75	150,000
2029	-	-	-	-	3.75	150,000
2030	-	-	-	-	3.75	150,000
2031	-	-	-	-	3.75	150,000
Total		<u>\$ 1,350,000</u>		<u>\$ 60,000</u>		<u>\$ 2,325,000</u>

Year Ending June 30,	Revenue Notes				
	Sewer		Water		Total
	Issued Jun 26, 1997		Issued Jun 15, 2006		
	Interest Rates	Amount	Interest Rates	Amount	
2013	3.92%	\$ 14,000	4.30%	\$ 50,000	64,000
2014	3.92	14,000	4.40	50,000	64,000
2015	3.92	15,000	-	-	15,000
2016	3.92	15,000	-	-	15,000
2017	3.92	16,000	-	-	16,000
Total		<u>\$ 74,000</u>		<u>\$ 100,000</u>	<u>174,000</u>

See accompanying independent auditor's report.



City of Adel

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Nine Years

	2012	2011	2010	2009
<b>Receipts:</b>				
Property tax	\$ 1,611,593	1,561,144	1,539,578	1,483,628
Tax increment financing	465,346	467,273	473,457	445,748
Other city tax	237,001	136,256	5,301	6,439
Licenses and permits	72,196	35,522	20,082	30,964
Use of money and property	49,356	56,996	48,251	49,501
Intergovernmental	496,700	542,442	425,202	459,541
Charges for service	124,546	132,885	130,725	153,382
Special assessments	178,916	43,819	8,553	28,936
Miscellaneous	84,591	124,221	131,813	152,889
<b>Total</b>	<b>\$ 3,320,245</b>	<b>3,100,558</b>	<b>2,782,962</b>	<b>2,811,028</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 805,808	782,863	775,402	780,846
Public works	325,110	366,024	345,804	371,991
Culture and recreation	514,599	577,657	531,748	523,375
Community and economic development	94,243	89,977	120,609	145,513
General government	235,204	212,663	230,178	252,274
Debt service	816,684	704,716	705,798	700,572
Capital projects	636,067	2,365,269	604,318	548,770
<b>Total</b>	<b>\$ 3,427,715</b>	<b>5,099,169</b>	<b>3,313,857</b>	<b>3,323,341</b>

See accompanying independent auditor's report.

2008	2007	2006	2005	2004
1,462,337	1,306,736	1,214,167	1,231,889	1,209,994
357,449	335,343	338,005	334,406	308,734
6,191	6,355	51,698	9,622	6,174
29,059	57,008	84,249	99,610	29,476
122,458	127,168	101,573	58,328	26,892
342,075	326,922	329,448	345,590	341,249
129,482	129,033	105,163	164,373	119,810
36,679	206,648	50,291	22,553	47,615
202,769	125,962	432,106	151,494	740,112
<u>2,688,499</u>	<u>2,621,175</u>	<u>2,706,700</u>	<u>2,417,865</u>	<u>2,830,056</u>
676,871	613,718	550,119	527,147	602,796
318,469	346,757	291,767	338,276	382,280
470,579	408,423	435,096	345,241	359,094
129,666	58,476	94,236	56,238	81,218
184,558	187,673	215,456	255,105	187,818
717,810	3,844,998	821,609	515,837	667,377
119,581	2,410,874	977,057	2,393,528	1,002,337
<u>2,617,534</u>	<u>7,870,919</u>	<u>3,385,340</u>	<u>4,431,372</u>	<u>3,282,920</u>

**City of Adel**





**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Adel, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 10, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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. The financial statements of the South Dallas County Landfill Agency are included in these financial statements as a discretely presented component unit. This report does not include the results of the testing of internal control over financial reporting or compliance and other matters reported on in the financial statements of the South Dallas County Landfill Agency.

Internal Control Over Financial Reporting

The management of the City of Adel is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Adel's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Adel's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Adel's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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

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

#### Compliance and Other Matters

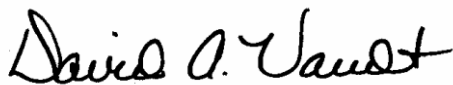
As part of obtaining reasonable assurance about whether the City of Adel's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

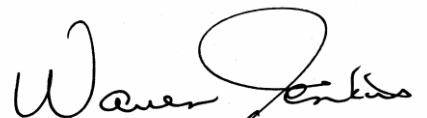
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions 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 Adel's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Adel'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 Adel and other parties to whom the City of Adel may report and is not intended to be and should not be used by anyone other than these specified parties.

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

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 10, 2012

City of Adel

Schedule of Findings

Year ended June 30, 2012

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Investments – recordkeeping, investing and reconciling earnings.
- (3) Long-term debt – recordkeeping, compliance and debt payment processing.
- (4) Payroll – recordkeeping, preparation and distribution.

For the Adel Library Foundation, one individual has control over each of the following areas:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – collecting, depositing, posting and reconciling.
- (3) Disbursements - preparing, recording and reconciling.

For the Fire Association, one individual has control over each of the following areas:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – collecting, depositing, posting and reconciling.
- (3) Disbursements - preparing, recording and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City, Library Foundation and Fire Association should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations prepared should be performed and the review should be documented by the initials or signature of the reviewer and the date of the review.

Responses:

City – The City will continue to work on segregation of duties.

Library Foundation – The Library Foundation will require two signatures on all receipts and disbursements.

Fire Department – The Fire Chief will review and initial disbursements, receipts and the bank reconciliation.

Conclusion – Responses accepted.

City of Adel

Schedule of Findings

Year ended June 30, 2012

- (B) Financial Reporting – During the audit, we identified material amounts of receipts, disbursements and transfers not posted correctly. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements.

Recommendation – The City should implement procedures to ensure receipts, disbursements and transfers are properly recorded in the City's financial statements.

Response – The City will work on a policy containing a system of checks and balances to ensure receipts, disbursements and transfers are properly recorded.

Conclusion – Response accepted.

- (C) Computer Systems – The following weaknesses in the City's computer system were noted:

The City does not have written policies for:

- Requiring use of passwords and requiring passwords be changed at least every 60 to 90 days.
- Requiring the maintenance of password privacy and confidentiality.
- Requiring password history be maintained to prevent employees from reusing the same password.

Recommendation – The City should develop written policies addressing the above items to improve the City's control over its computer systems.

Response – The City will work with its software vendor to automatically or, require through accounting policy, to manually change passwords every 90 days and dictate through policy confidentiality and redundancy measures.

Conclusion – Response accepted.

- (D) Journal Entries - Journal entries were not reviewed and approved by an independent person.

Recommendation – To strengthen controls, journal entries should be reviewed and approved by an independent person.

Response – All journal entries will be reviewed by the Clerk and/or Administrator on a monthly basis.

Conclusion – Response accepted.

- (E) Parks and Recreation Receipts Process – Generally, one individual has control over collecting, depositing and reconciling parks and recreation receipts for which no compensating controls exist.

City of Adel

Schedule of Findings

Year ended June 30, 2012

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Currently available staff, including elected officials, should be utilized to provide additional control through review of financial transactions and reconciliations.

Response – Staff will work to ensure more than one person is involved in the processes and the same person will not collect monies, reconcile and prepare the deposit.

Conclusion – Response accepted.

- (F) Library Change Fund – The Library collects fees for copy and fax services, along with donations or gifts for Library operations and improvements. Periodically, these receipts are given to the City Clerk for inclusion in the accounting records. The Library withholds approximately \$40 in bills and coins to continue to make change, as necessary, from these receipts. The City Council has not approved a change fund for the Library and the change fund is not maintained on an imprest basis.

Recommendation – If the City Council determines a change fund is necessary at the Library, a specific amount should be approved and established. This change fund should then be maintained on an imprest basis to improve the accountability for cash and provide for the reconciliation of receipts and deposits.

Response – This will go before the City Council for action. If a change fund is necessary it will be maintained on an imprest basis.

Conclusion – Response accepted.

- (G) Accounting Policies and Procedures Manual – The City and Fire Association do not have current accounting policies and procedures manuals.

Recommendation – Accounting policies and procedures manuals should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- (4) Ensure City accounts are appropriately utilized.

Responses:

City – The City worked on its financial policies last year, and this year will focus on the daily accounting functions and put into formal procedures.

Fire Association – We will work toward creating an accounting policy and procedure manual.

Conclusion – Responses accepted.

City of Adel

Schedule of Findings

Year ended June 30, 2012

- (H) Bank Reconciliation – Although monthly bank reconciliations were prepared, variances existed between the bank balance and the Treasurer’s general ledger balance. Additionally, the reconciliation was not reviewed by an independent person. The variances were resolved for audit purposes.

Recommendation – To improve financial accountability and control, monthly bank reconciliations should be performed and variances between book and bank balances should be investigated and resolved timely. In addition, the reconciliation should be reviewed by an independent person and the review should be documented by the initials or signature of the reviewer and the date of the review.

Response – The City will implement a new policy covering bank reconciliation. It will be done monthly at the same time as journal entries are reviewed by Clerk and/or Administrator.

Conclusion – Response accepted.

- (I) Travel Policy – The City has adopted a travel reimbursement policy. However, one claim tested did not include the required travel expense report and reimbursement request form, including detailed receipts for meals.

Recommendation – The City should comply with the travel reimbursement policy, including a requirement all reimbursement disbursements be itemized and supported as required.

Response – An updated training and travel policy has been drafted and will be adopted which contains a provision all reimbursement disbursements be itemized.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Adel

Schedule of Findings

Year ended June 30, 2012

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the public works and capital project functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City will ensure compliance next fiscal year and in the years following.

Conclusion – Response accepted.

- (2) Questionable Disbursements – Certain disbursements we believe 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 were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Adel Flowers	Flowers for funeral and two new area businesses	\$ 153

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 requirements for proper documentation.

Response – It would be impossible to draft a policy covering all unusual circumstances, therefore, we use the Internal Revenue Code pertaining to De Mimimis Fringe Benefits as a guide and inquire with legal counsel on all occasions.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

City of Adel

Schedule of Findings

Year ended June 30, 2012

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Notes – No instances of non-compliance with revenue note requirements for the year ended June 30, 2012 were noted.
- (9) Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of taxes to repay the certified indebtedness. Chapter 403.19 of the Code of Iowa does not allow a municipality to set aside taxes divided for tax increment purposes for future urban renewal projects. Indebtedness incurred is to be certified to the County Auditor and the divided taxes are to be used to pay the principal of and interest on the certified indebtedness. In addition, Chapter 403.19(5)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from reduction in debt or for any other reason to the County Auditor.

The City has used TIF receipts to pay general obligation debt, legal and other fees and economic development grants and projects, but has not certified these costs as TIF debt.

Recommendation – The City should consult TIF legal counsel to determine the disposition of the City’s TIF certifications and the amount of TIF debt to be certified.

Response – We are currently working with Ahlers & Cooney, LLC to resolve this.

Conclusion – Response accepted.

- (10) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than two years to the State Treasurer’s Office annually. The City did not remit these obligations as required.

Recommendation – Outstanding checks should be reviewed annually and items over two years old should be remitted to the State Treasurer’s Office as required.

Response – This will be done in October 2012.

Conclusion – Response accepted.

- (11) Financial Condition – The Special Revenue, Short Term Projects Fund, the Debt Service Fund, the Capital Projects Fund and the Internal Service, Flex Benefits Fund had deficit balances of \$1,407, \$276,407, \$182,067 and \$31,878, respectively, at June 30, 2012.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – We are in the process of eliminating or lowering these deficits.

Conclusion – Response accepted.



City of Adel  
Schedule of Findings  
Year ended June 30, 2012

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City of Adel

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager  
Brett M. Zeller, Senior Auditor II  
Ryan T. Jelsma, Staff Auditor  
Cory A. Lee, Staff Auditor  
Elissa R. Olson, Assistant Auditor  
April D. Harbst, Auditor Intern

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State