CITY OF BRITT

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

JUNE 30, 2012

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CITY OF BRITT

OFFICIALS

Name	Title	Term Expires
	(Before January 2012)	
David Mitchell	Mayor	Jan 2012
Douglas Weiland	Mayor Pro tem	Jan 2014
Gary Gelner	Council Member	Jan 2012
Curt Gast	Council Member	Jan 2012
Bryan Aitchison	Council Member	Jan 2012
Michael Ostercamp	Council Member	Jan 2014
Jean Purvis	City Clerk	Jan 2012
Darcy Eisenman	Deputy City Clerk	Jan 2012
Jane Swenson	Treasurer	Jan 2012
Earl Hill	Attorney	Jan 2012
	(After January 2012)	
James Nelson	Mayor	Jan 2016
Douglas Weiland	Mayor Pro tem	Jan 2014
Dwight Leerar	Council Member	Jan 2016
Curt Gast	Council Member	Jan 2016
Bryan Aitchison	Council Member	Jan 2016
Michael Ostercamp	Council Member	Jan 2014
Jean Purvis	City Clerk	Jan 2013
Darcy Eisenman	Deputy City Clerk	Jan 2013
Jane Swenson	Treasurer	Jan 2013
Earl Hill	Attorney	Jan 2013

Renner & Birchem, PC
Certified Public Accountants
"Where people who care make the difference"

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Britt, 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 City of Britt'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.

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, each major fund and the aggregate remaining fund information of the City of Britt 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 December 7, 2012 on our consideration of the City of Britt'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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Britt'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 eight years 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 supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 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 City of Britt's basic financial statements. Management's Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 25 through 26 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.

Renner & Birchem, P.C.

December 7, 2012

Renner & Birchem, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Britt 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 74.3%, or $1,771,570, from fiscal 2011 to fiscal 2012. Bond proceeds increased $2,491,173 and capital grants, contributions and restricted interest decreased $876,493.

- Disbursements increased 16.9% or $418,836 in fiscal 2012 from fiscal 2011. Public safety, general government and capital projects disbursements increased $48,294, $27,528 and $326,721, respectively.

- The City's total cash basis net assets increased 94.0%, or $1,276,838 from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased $1,263,447 and the assets of the business type activities increased by $13,391. The increase is due mainly to the advance refunding general obligation bonds held in escrow fair value of $1,256,962 at June 30, 2012.

USING THIS ANNUAL REPORT

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

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

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

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

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

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 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, 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, 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 and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Revolving Loan, 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. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from $1,344,057 to $2,607,504. 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

	Year ended June 30,	
	2012	**2011**
Receipts and transfers:		
Program receipts:		
Charges for service	$64,542	112,807
Operating grants, contributions and restricted interest	248,697	236,914
Capital grants, contributions and restricted interest	211,716	1,088,209
General receipts:		
Property tax	750,512	725,597
Local option sales tax	165,470	125,675
Unrestricted investment earnings	17,112	27,023
Bond proceeds	2,491,173	
Other general receipts	206,279	67,706
Total receipts	4,155,501	2,383,931

Disbursements:		
Public safety	289,096	240,802
Public works	233,872	197,451
Health and social services	5,000	3,570
Culture and recreation	212,764	219,759
Community and economic development	31,800	68,488
General government	202,454	174,926
Debt service	273,163	251,038
Capital projects	1,643,905	1,317,184
Total disbursements	2,892,054	2,473,218
Change in cash basis net assets	1,263,447	(89,287)
Cash basis net assets beginning of year	1,344,057	1,433,344
Cash basis net assets end of year	$2,607,504	1,344,057

The City's total receipts for governmental activities increased by 74.3% or $1,771,570. The total cost of all programs and services increased by $418,836 or 16.9%. The significant increase in receipts was primarily the result of the issuance of advance refunding bonds.

The City's property tax receipts for 2012 increased by $24,915 and bond proceeds increased $2,491,173.

The cost of all governmental activities this year was $2.89 million compared to $2.47 million last year. However, as shown in the Statement of Activities and Net Assets on page 14, the amount taxpayers ultimately financed for these activities was $2,367,099, because some of the cost was paid by those directly benefited from the programs ($64,542) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest ($460,413). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2012 from $1,437,930 to $524,955, principally due to receiving grant proceeds to complete the Fire Station addition in the previous year.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service:		
Water	$177,068	177,397
Sewer	187,603	188,580
Total receipts	364,671	365,977
Disbursements:		
Water	225,624	177,739
Sewer	125,656	123,013
Total disbursements and transfers	351,280	300,752
Change in cash basis net assets	13,391	65,225
Cash basis net assets beginning of year	611,526	546,301
Cash basis net assets end of year	$624,917	611,526

Total business type activities receipts for the fiscal year were $364,671 compared to $365,977 last year. Total disbursements for the fiscal year increased by 16.8% to a total of $351,280. The cash balance increased by $13,391 during the fiscal year compared to an increase of $65,225 last year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Britt completed the year, its governmental funds reported a combined fund balance of $1,349,254, an increase of $5,197 from last year's total of $1,344,057. 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 decreased $52,283 from the prior year to $214,502.
- The Local Option Tax Fund cash balance increased by $300,947 to $598,215, including a transfer of $300,000 from the Capital Projects Fund.
- The Capital Projects Fund cash balance decreased by $300,947 to $132,584 during the fiscal year, due to the 1st Street project.
- The Debt Service Fund cash balance increased by $1,258,559 to $1,263,265 during the fiscal year. The increase is due primarily to the advance refunding bond proceeds held in escrow until the debt is refunded in 2013 and 2015.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by $48,556 to $264,516 during the fiscal year and will be used to maintain service and repair the water system.

- The Sewer Fund cash balance increased by $61,947 to $360,401 during the fiscal year and will be used to maintain service and repair the sewer system.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. The amendment was approved on April 2, 2012 and resulted in an increase in operating disbursements to provide for additional costs in certain City departments.

The City exceeded the amounts budgeted in the debt service function for the year ended June 30, 2012 due to additional disbursements for the refunding capital loan notes.

DEBT ADMINISTRATION

At June 30, 2012, the City had $3,820,000 in general obligation bonds, compared to $1,775,000 last year, as shown below.

Outstanding Debt at Year-End

	June 30,	
	2012	**2011**
General obligation bonds and short-term borrowing	$3,820,000	1,775,000

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of $3,820,000 compared to its constitutional debt limit of $3,715,799. The total debt includes $1,290,000 in advance refunding capital loan notes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Britt's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for various City activities.

These among other economic factors were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are $1.7 million, a decrease of 33.9% from the final 2012 budget. Budgeted disbursements are expected to decrease by approximately $1.2 million over 2012 actual.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately $258,000 by the close of 2013. Actual amounts can and usually do differ from budgeted amounts.

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 Jeanie Purvis, City Clerk, 170 Main Avenue South, Britt, Iowa.

BASIC FINANCIAL STATEMENTS

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2012

		Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental activities:							
Public safety	$ 289,096		15,465		(273,631)		(273,631)
Public works	233,872	27,057	196,247		(10,568)		(10,568)
Health and social services	5,000				(5,000)		(5,000)
Culture and recreation	212,764	37,485	36,985		(138,294)		(138,294)
Community and economic development	31,800				(31,800)		(31,800)
General government	202,454				(202,454)		(202,454)
Debt service	273,163				(273,163)		(273,163)
Capital projects	1,643,905			211,716	(1,432,189)		(1,432,189)
Total governmental activities	2,892,054	64,542	248,697	211,716	(2,367,099)		(2,367,099)
Business type activities:							
Water	225,624	177,068				(48,556)	(48,556)
Sewer	125,656	187,603				61,947	61,947
Total business type activities	351,280	364,671				13,391	13,391
Total	$ 3,243,334	429,213	248,697	211,716	(2,367,099)	13,391	(2,353,708)
General Receipts:							
Property tax levied for:							
General purposes					$ 421,091		421,091
Employee benefits and insurance					74,799		74,799
Debt service					254,622		254,622
Local option sales tax					165,470		165,470
Unrestricted interest on investments					17,112		17,112
Miscellaneous					206,279		206,279
Bond proceeds					2,491,173		2,491,173
Total general receipts and transfers					3,630,546		3,630,546
Change in cash basis net assets					1,263,447	13,391	1,276,838
Cash basis net assets beginning of year					1,344,057	611,526	1,955,583
Cash basis net assets end of year					$ 2,607,504	624,917	3,232,421
Cash Basis Net Assets							
Restricted:							
Expendable:							
Streets					$ 191,441		191,441
Debt service					1,263,265		1,263,265
Other purposes					882,205		882,205
Unrestricted					270,593	624,917	895,510
Total cash basis net assets					$ 2,607,504	624,917	3,232,421

See notes to financial statements.

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

As of and for the year ended June 30, 2012

	General	Local Option	Debt Service	Capital Projects	Nonmajor	Total
Receipts:						
Property tax	$ 421,091		254,622		74,799	750,512
Other city tax	1,522	163,948				165,470
Licenses and permits	22,367					22,367
Use of money and property	18,119	1,404				19,523
Intergovernmental	52,450			211,716	196,247	460,413
Charges for services	64,542					64,542
Special assessments				71,895		71,895
Miscellaneous	73,205				36,401	109,606
Total receipts	653,296	165,352	254,622	283,611	307,447	1,664,328
Disbursements:						
Operating:						
Public safety	248,256				40,840	289,096
Public works	37,437				196,435	233,872
Health and social services	5,000					5,000
Culture and recreation	200,701				12,063	212,764
Community and economic development	25,940	5,064			796	31,800
General government	188,245				14,209	202,454
Debt service			273,163			273,163
Capital projects		289,988		1,353,917		1,643,905
Total disbursements	705,579	295,052	273,163	1,353,917	264,343	2,892,054
Excess (deficiency) of receipts over (under) disbursements	(52,283)	(129,700)	(18,541)	(1,070,306)	43,104	(1,227,726)
Other financing sources (uses):						
Bond proceeds		133,265		1,080,808		1,214,073
Bond proceeds, discount of $12,900			1,277,100			1,277,100
Operating transfers in		300,000		2,618		302,618
Operating transfers out		(2,618)		(300,000)		(302,618)
Total other financing sources (uses)		430,647	1,277,100	783,426		2,491,173
Net change in cash balances	(52,283)	300,947	1,258,559	(286,880)	43,104	1,263,447
Cash balances beginning of year	266,785	297,268	4,706	419,464	355,834	1,344,057
Cash balances end of year	$ 214,502	598,215	1,263,265	132,584	398,938	2,607,504
Cash Basis Fund Balances						
Restricted For:						
Debt service			1,263,265			1,263,265
Streets					191,441	191,441
Other purposes	$ 370	598,215		132,584	151,036	882,205
Unassigned	214,132				56,461	270,593
Total cash basis fund balances	$ 214,502	598,215	1,263,265	132,584	398,938	2,607,504

See notes to financial statements.

Exhibit C

City of Britt

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

As of and for the year ended June 30, 2012

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for service	$ 177,068	187,603	364,671
Total operating receipts	177,068	187,603	364,671
Operating disbursements:			
Business type activities	225,624	125,656	351,280
Total operating disbursements	225,624	125,656	351,280
Excess (deficiency) of receipts over (under) disbursements	(48,556)	61,947	13,391
Cash balances beginning of year	313,072	298,454	611,526
Cash balances end of year	$ 264,516	360,401	624,917
Cash Basis Fund Balances			
Unreserved	$ 264,516	360,401	624,917
Total cash basis fund balances	$ 264,516	360,401	624,917

See notes to financial statements.

(1) Summary of Significant Accounting Policies

The City of Britt is a political subdivision of the State of Iowa located in Hancock County. It was first incorporated in 1878 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, community and economic development and general government services. The City of Britt also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Britt has included all funds, organizations, agencies, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Britt has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also 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: Hancock County Assessor's Conference Board and Hancock County Development Commission, Hancock County Disaster/911 and Hancock County Task Force.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

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

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets 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 and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Local Option Tax Fund is used to account for local option sales tax collected.

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

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

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

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

D. Governmental Cash Basis Fund Balances:

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

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

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

Assigned – Amounts the Council intends to use for specific purposes

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the debt service function.

(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 U.S. Government Obligations with a carrying amount and fair market value of $1,256,962.

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) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds Payable

Annual debt service requirements to maturity for general obligation indebtedness is as follows:

Year Ending June 30,	General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest
2013	$ 250,000	112,361	250,000	112,361
2014	355,000	103,485	355,000	103,485
2015	365,000	94,105	365,000	94,105
2016	490,000	83,920	490,000	83,920
2017	510,000	71,768	510,000	71,768
2018-2022	1,850,000	206,845	1,850,000	206,845
	$ 3,820,000	672,484	3,820,000	672,484

General Obligation Refunding Bonds

On May 22, 2012, the City issued $1,290,000 of general obligation refunding bonds for the crossover advance refunding of $380,000 of general obligation capital loan, dated March 15, 2007 and $845,000 of general obligation aquatic center bonds, series 2008, dated August 1, 2008. The City entered into an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. government securities. These securities were placed in an escrow account for the express purpose of paying the interest on the general obligation refunding bonds as due until the cross over dates of June 1, 2013, at which time the refunded general obligation capital loan, dated March 15, 2007, become callable, and June 1, 2015, at which time the refunded general obligation aquatic center bonds, series 2008, of $845,000 become callable. After the principal and interest on all of the outstanding notes have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the City. The transactions and balances of the escrow account are recorded by the City since the refunded debt is not considered extinguished.

The refunding resulted in an economic gain of $64,817.

(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 contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were $32,958, $28,021 and $26,145 respectively, equal to the required contribution for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. Sick leave hours are accumulated for subsequent use but are not paid 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 comp time termination payments payable to employees at June 30, 2012, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount June 30, 2012
Vacation and Comp Time	$ 24,833

This liability has been computed based on rates of pay as of June 30, 2012.

(6) Interfund Transfers

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

Transfer to	Transfer from	Amount
Capital Projects	Special Revenue:	
	Local Option Sales Tax	$ 2,618
Special Revenue	Capital Projects	
Local Option Sales Tax		300,000
Total		$ 302,618

(7) Related Party Transactions

No transactions between the City and City officials occurred during the year ended June 30, 2012.

(8) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from it's operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2012 were $44,811.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $350,000 per claim.

Claims exceeding $350,000 are reinsured in an amount not to exceed $2,650,000 per claim. For members requiring specific coverage from $3,000,000 to $12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to $150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for the period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with fidelity bonding. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 8 active members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Principal. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees. The dental benefits are provided through a fully-insured plan with Delta Dental. Retirees pay the same premium for the 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 retiree benefit plan on pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are $483.63 for single coverage for medical/prescription drug benefits and $37.17 for single coverage and $127.97 for family coverage for dental benefits. The same monthly premiums apply to retirees. For the year ended June 30, 2012 the city contributed $51,493 to the plan.

OTHER INFORMATION

City of Britt

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	Total	Budgeted Amounts Original	Budgeted Amounts Final	Final to Total Variance
Receipts:						
Property tax	$ 750,512		750,512	717,022	717,022	33,490
Other city tax	165,470		165,470	185,601	185,601	(20,131)
Licenses and permits	22,367		22,367	3,925	3,925	18,442
Use of money and property	19,523		19,523	47,240	47,240	(27,717)
Intergovernmental	460,413		460,413	768,063	793,063	(332,650)
Charges for services	64,542	364,671	429,213	386,575	386,575	42,638
Special assessment	71,895		71,895		450,000	(378,105)
Miscellaneous	109,606		109,606	53,233	53,233	56,373
Total receipts	1,664,328	364,671	2,028,999	2,161,659	2,636,659	(607,660)
Disbursements:						
Public safety	289,096		289,096	290,204	305,204	16,108
Public works	233,872		233,872	310,021	344,521	110,649
Health and social services	5,000		5,000	5,000	5,000	
Culture and recreation	212,764		212,764	227,739	277,739	64,975
Community and economic development	31,800		31,800	140,788	140,788	108,988
General government	202,454		202,454	290,981	329,981	127,527
Debt service	273,163		273,163	254,313	254,313	(18,850)
Capital projects	1,643,905		1,643,905	1,401,708	1,718,443	74,538
Business type activities		351,280	351,280	415,551	415,551	64,271
Total disbursements	2,892,054	351,280	3,243,334	3,336,305	3,791,540	548,206
Excess (deficiency) of receipts over (under) disbursements	(1,227,726)	13,391	(1,214,335)	(1,174,646)	(1,154,881)	(59,454)
Other financing sources net	2,491,173		2,491,173	1,000,000	966,735	1,524,438
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,263,447	13,391	1,276,838	(174,646)	(188,146)	1,464,984
Balances beginning of year	1,344,057	611,526	1,955,583	2,001,113	2,001,113	(45,530)
Cash balances end of year	$ 2,607,504	624,917	3,232,421	1,826,467	1,812,967	1,419,454

See accompanying independent auditor's report.

City of Britt

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 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 or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budget disbursements by $455,235. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the debt service function.

SUPPLEMENTARY INFORMATION

City of Britt Schedule 1

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

As of and for the year ended June 30, 2012

	Special Revenue				
	Road Use Tax	Revolving Loan	Employee Benefits	Sunset Ridge	Total
Receipts:					
Property tax			74,799		74,799
Intergovernmental	$ 196,247				196,247
Miscellaneous		17,965		18,436	36,401
Total receipts	196,247	17,965	74,799	18,436	307,447
Disbursements:					
Public safety			40,840		40,840
Public works	183,050		13,385		196,435
Culture and recreation			12,063		12,063
Community and economic development			796		796
General government			14,209		14,209
Total disbursements	183,050		81,293		264,343
Net change in cash balances	13,197	17,965	(6,494)	18,436	43,104
Cash balances beginning of year	178,244	90,860	48,705	38,025	355,834
Cash balances end of year	$ 191,441	108,825	42,211	56,461	398,938
Cash Basis Fund Balances					
Restricted For:					
Streets	$ 191,441				191,441
Other purposes		108,825	42,211		151,036
Unassigned				56,461	56,461
Total Cash Basis Fund Balances	$ 191,441	108,825	42,211	56,461	398,938

See accompanying independent auditor's report.

Schedule 2

City of Britt

Schedule of Indebtedness

Year ended June 30, 2012

Obligation	Date of Issue	Interest Rate	Amount Originally Issued	Balance Beginning of Year	Issued During the Year	Redeemed During Year	Balance End of Year	Interest Paid
General Obligation Bonds:								
Capital Loan	3-15-07	3.9-4.3%	$ 845,000	550,000		85,000	465,000	22,990
Aquatic Center	8-1-08	4.5-4.6%	1,550,000	1,225,000		90,000	1,135,000	55,323
First Street	9-29-11	.95-3.70%	930,000		930,000		930,000	15,741
Refunding Capital Loan Notes, Series 2012	5-22-12	.60-2.25%	1,290,000		1,290,000		1,290,000	
Total				$ 1,775,000	2,220,000	175,000	3,820,000	94,054

See accompanying independent auditor's report.

Schedule 3

City of Britt

Bond and Note Maturities

June 30, 2012

Year Ending June 30,	General Obligation Bond								
	Capital Loan Issued March 15, 2007		Aquatic Center Issued August 1, 2008		1st Street Issued September 29, 2011		Refunding Capital Loan Notes, Series 2012 Issued May 7, 2012		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
2013	4.10%	$ 85,000	4.50%	95,000	.95%	70,000			250,000
2014	4.15	90,000	4.50	95,000	1.10	70,000	.60%	100,000	355,000
2015	4.20	95,000	4.50	100,000	1.35	70,000	.75	100,000	365,000
2016	4.25	95,000	4.50	105,000	1.70	70,000	1.00	220,000	490,000
2017	4.30	100,000	4.55	110,000	2.00	75,000	1.15	225,000	510,000
2018			4.55	115,000	2.30	75,000	1.45	125,000	315,000
2019			4.40	120,000	2.65	75,000	1.65	125,000	320,000
2020			4.50	125,000	2.95	80,000	1.85	130,000	335,000
2021			4.55	130,000	3.15	80,000	2.00	130,000	340,000
2022			4.60	140,000	3.35	85,000	2.25	135,000	360,000
2023					3.55	90,000			90,000
2024					3.70	90,000			90,000
Total		**$ 465,000**		**1,135,000**		**930,000**		**1,290,000**	**3,820,000**

See accompanying independent auditor's report.

Schedule 4

City of Britt

Schedule of Receipts by Source and Disbursements by Function –
All Governmental Funds

For the Last Nine Years

	2012	2,011	2010	2009	2008	2007	2006	2005	2004
Receipts:									
Property tax	$ 750,512	725,597	722,995	712,536	704,736	587,176	527,179	452,456	424,817
Tax increment financing					525	86,642	57,755	46,303	19,110
Other city tax	165,470	125,675	178,531	162,349	127,991	134,871	142,126	122,940	126,438
Licenses and permits	22,367	6,514	22,364	24,020	23,992	22,291	2,651	1,981	3,969
Use of money and property	19,523	31,936	34,314	36,907	39,846	39,016	7,787	22,930	25,352
Intergovernmental	460,413	1,325,123	535,380	434,906	206,767	233,654	292,596	262,084	321,789
Charges for service	64,542	112,807	88,157	73,814	39,329	46,713	38,844	43,713	36,732
Special assessments	71,895								
Miscellaneous	109,606	56,279	55,288	262,375	301,394	149,765	147,244	92,955	116,808
Total	$ 1,664,328	2,383,931	1,637,029	1,706,907	1,444,580	1,300,128	1,216,182	1,045,362	1,075,015
Disbursements:									
Operating:									
Public safety	$ 289,096	240,802	217,064	231,053	219,589	236,671	246,957	215,160	210,273
Public works	233,872	197,451	210,408	285,650	282,552	319,535	285,894	381,731	180,968
Health and social services	5,000	3,570	3,500	3,500					
Culture and recreation	212,764	219,759	207,378	205,604	114,609	162,517	164,626	153,489	117,531
Community and economic development	31,800	68,488	45,583	64,894	87,336	95,011	156,537	117,946	165,503
General government	202,454	174,926	203,231	193,162	190,036	233,067	223,085	164,539	78,845
Debt service	273,163	251,038	247,600	325,867	107,319	158,533	183,818	159,815	54,692
Capital projects	1,643,905	1,317,184	400,161	2,024,181	128,333	279,726	694,880	91,982	126,410
Total	$ 2,892,054	2,473,218	1,534,925	3,333,911	1,129,774	1,485,060	1,955,797	1,284,662	934,222

See accompanying independent auditor's report.

Renner & Birchem, PC
Certified Public Accountants
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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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 Britt, 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 December 7, 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.

Internal Control Over Financial Reporting

The management of the City of Britt is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Britt'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 Britt's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Britt's internal control over financial reporting.

Our consideration of the 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 combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Britt's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-12 and I-B-12 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 deficiency described in Part I of the accompanying Schedule of Findings as item I-C-12 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Britt'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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 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 Britt'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 Britt's responses and, accordingly, we express no opinion of 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 Britt and other parties to whom the City of Britt may report including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Renner + Birchem, P.C.

December 7, 2012

Renner & Birchem, P.C.

City of Britt

Schedule of Findings

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

I-A-12 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The areas of cash receipts, cash disbursements, investments, and payroll under ideal conditions would be segregated.

Recommendation - We realize that with a limited number of 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 - We will investigate this.

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

I-B-12 Preparation of Financial Statements – The City does not have an internal control system designed to provide for the preparation of the financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for a governmental entity similar in population to the City of Britt. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

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

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

Conclusion - Response accepted.

Part I: Findings Related to the Financial Statements (continued):

I-C-12 Credit Cards – The City has credit cards for use by employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. Personal items were purchased with the library credit card and subsequently reimbursed.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges. Cards should never be used for personal items and policies should prohibit purchases for City items being co-mingled with personal items.

Response – Although we have not established a formal written policy detailing specifics on the use of City credit cards, we have unwritten guidelines. We will review procedures and guidelines and establish a written policy.

Conclusion - Response accepted.

Instances of Non-compliance:

No matters were noted.

City of Britt

Schedule of Findings

Year ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting:

II-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 exceed the amounts budgeted in the debt service function. 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 costs and expense of the advanced refunding bond caused the disbursement to exceed budgeted amounts.

Conclusion - Response accepted.

II-B-12 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-12 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-12 Business Transactions - No transactions between the City and City officials were noted.

II-E-12 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-12 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-12 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.