

CITY OF ALDEN, IOWA
INDEPENDENT AUDITOR'S REPORT
COMMUNITY DEVELOPMENT BLOCK GRANT 08-DRI-252
JUNE 30, 2012

- Prepared By -

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CITY OF ALDEN, IOWA

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying Schedule of Expenditures of Federal Awards (the Schedule) for the Community Development Block Grant 08-DRI-252 (CDBG) of the City of Alden, Iowa, for the year ended June 30, 2012. This financial schedule is the responsibility of the City's management. My responsibility is to express an opinion on this schedule based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note B, this financial statement was 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 my opinion, the Schedule of Expenditures of Federal Awards referred to above presents fairly, in all material respects, the expenditures of federal awards under CDBG 08-DRI-252 of the City of Alden, Iowa for the year ended June 30, 2012 in conformity with the basis of accounting described in Note B.

In accordance with Government Auditing Standards, I have also issued my report dated February 4, 2013 on my consideration of the City of Alden's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grants, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

A handwritten signature in black ink that reads 'Larry Pump'.

February 4, 2013

CITY OF ALDEN, IOWA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2012

<u>GRANTOR/PROGRAM</u>	<u>CFDA Number</u>	<u>Agency Pass- through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grant	14.228	08-DRI-252	<u>\$703,199</u>

NOTE A

Basis of Presentation - The Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the City of Alden under programs of the federal government for the year ended June 30, 2012 and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the City of Alden, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Alden.

NOTE B

Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the cash basis of accounting and, accordingly, represents the total cash expended for the program for the year ended June 30, 2012. The Schedule does not include transactions that might be included using the accrual basis of accounting as contemplated by generally accepted accounting principles.

NOTE C

Project Total and Local Efforts - The federal CDBG program total over all years was \$1,324,490. The total project cost was \$2,084,767. The cost of the project not funded through the CDBG was the local efforts funded primarily by the Clean Water State Revolving Fund.

See Accompanying Independent Auditor's Report.



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
 WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
 ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
 WITH OMB CIRCULAR A-133**

To the Honorable Mayor and
 Members of the City Council:

Compliance

I have audited the City of Alden, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its Community Development Block Grant (CDBG) 08-DRI-252 program for the year ended June 30, 2012. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal grants is the responsibility of the City's management. My responsibility is to express an opinion on the City's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on CDBG 08-DRI-252 program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the City's compliance with those requirements.

In my opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its CDBG 08-DRI-252 program for the year ended June 30, 2012. However, the results of my auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying Schedule of Findings as item III-A-12.

Internal Control Over Compliance

The management of the City of Alden is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing my audit, I considered the City of Alden's internal control over compliance with requirements that could have a direct and material effect on its CDBG 08-DRI-252 program to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City of Alden's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item III-A-12 to be a material weakness.

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

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to the City of Alden's major federal program and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the City of Alden's compliance but not to provide an opinion on the effectiveness of the City of Alden's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Alden's compliance with requirements applicable to its major federal program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Larry Pump". The signature is written in a cursive, flowing style.

February 4, 2013

CITY OF ALDEN, IOWA
Schedule of Findings
Year Ended June 30, 2012

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

- (a) My report on the Schedule of Expenditures of Federal Awards (the Schedule), which was prepared in conformity with an other comprehensive basis of accounting, expressed an unqualified opinion.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the Schedule of Expenditures of Federal Awards.
- (c) The audit did not disclose any noncompliance which is material to the Schedule of Expenditures of Federal Awards.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the Schedule of Expenditures of Federal Awards.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 - Community Development Block Grant Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Alden did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that certain accounting functions are not properly segregated.

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

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

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF ALDEN, IOWA
Schedule of Findings
Year Ended June 30, 2012

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 14.228: Community Development Block Grant

Federal Award Year: 2012

U.S. Department of Housing and Urban Development passed
Through the Iowa Development of Economic Development

III-A-12 Segregation of Duties - The City did not properly segregate custody, recordkeeping and reconciling functions for receipts and disbursements, including those related to the Federal Program. See Audit Finding II-A-12.

Part IV: Other Findings Related to Statutory Reporting:

Not applicable.