



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE October 2, 2013

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an audit report on the City of Clutier, Iowa.

The City's receipts totaled \$704,150 for the year ended June 30, 2012. The receipts included \$29,226 in property tax, \$10,926 from local option sales tax, \$2,363 from unrestricted interest on investments, \$68,395 from charges for service, \$86,298 from operating grants, contributions and restricted interest, \$9,894 from capital grants, contributions and restricted interest, \$25,000 from loan proceeds, \$467,881 from insurance proceeds, \$3,837 from miscellaneous and \$330 from the sale of capital assets.

Disbursements for the year totaled \$610,181, and included \$407,495 for general government, \$91,008 for public safety and \$38,266 for public works. Also, disbursements for business type activities totaled \$44,788.

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/1222-0826-B00F.pdf>.

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CITY OF CLUTIER

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

JUNE 30, 2012

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City of Clutier

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2012)		
Ardene Cross	Mayor	Jan 2012
Arlene Vondracek	Mayor Pro Tem	Jan 2012
Robert Caslavka	Council Member	Jan 2012
Gordon Fassett	Council Member	Jan 2012
Bruce Kriz	Council Member	Jan 2012
Linda Pearson	Council Member	Jan 2012
Tania Morgan	Clerk	(Resigned)
Jennifer Hickman	Clerk	Indefinite
Bruce Reinders	Attorney	Indefinite
(After January 2012)		
Ardene Cross	Mayor	Jan 2014
Arlene Vondracek	Mayor Pro Tem	Jan 2014
Barbara Basemann (Appointed)	Council Member	Nov 2013
Robert Caslavka	Council Member	Jan 2014
Gordon Fassett	Council Member	Jan 2014
Bruce Kriz	Council Member	(Resigned)
Linda Pearson	Council Member	Jan 2014
Jennifer Hickman	Clerk	(Resigned)
Keri Kopriva	Clerk	Indefinite
Bruce Reinders	Attorney	Indefinite

City of Clutier



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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 and each major fund of the City of Clutier, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2011.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2011, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities and each major fund of the City of Clutier 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 August 16, 2013 on our consideration of the City'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's basic financial statements. The supplementary information included in Schedules 1 and 2 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 Clutier's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 11 and 24 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 our audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



MARY MOSIMAN, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 16, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Clutier 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.

Because the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

2012 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities increased \$83,231 during the year, due primarily to grants and insurance proceeds received as a result of storm damage.
- The cash basis net assets of the City's business type activities increased \$10,738 during the year, due primarily to additional customer fees to pay for water tower repair.

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 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 that helps answer this question.

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

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

- Governmental Activities include public safety, public works, culture and recreation and general government. 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 fees.

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 and 2) the Special Revenue, Road Use Tax 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 Water and Sewer Funds, considered to be major funds of the City.

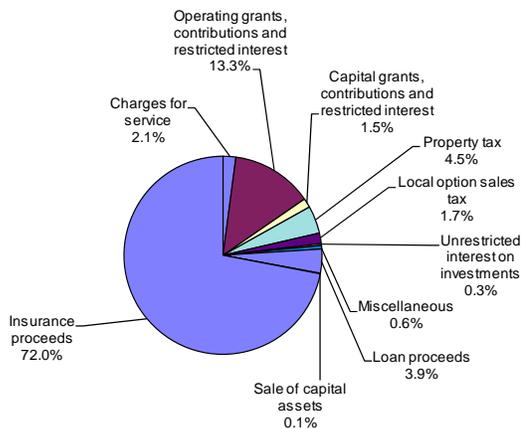
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

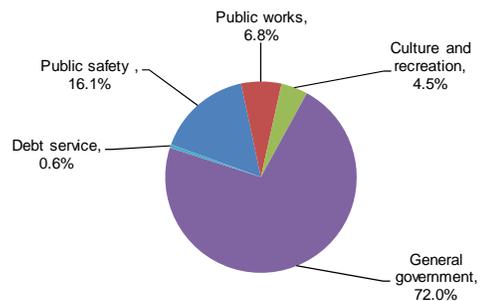
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased over a year ago, increasing from \$226,518 to \$309,749, primarily due to an increase in grants. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2012
Receipts:	
Program receipts:	
Charges for service	\$ 13,427
Operating grants, contributions and restricted interest	86,298
Capital grants, contributions and restricted interest	9,894
General receipts:	
Property tax	29,226
Local option sales tax	10,926
Unrestricted interest on investments	1,805
Loan proceeds	25,000
Insurance proceeds	467,881
Miscellaneous	3,837
Sale of capital assets	330
Total receipts	<u>648,624</u>
Disbursements:	
Public safety	91,008
Public works	38,266
Culture and recreation	25,349
General government	407,495
Debt service	3,275
Total disbursements	<u>565,393</u>
Change in cash basis net assets	83,231
Cash basis net assets beginning of year	<u>226,518</u>
Cash basis net assets end of year	<u>\$ 309,749</u>

Receipts by Source



Disbursements by Function



Total business type activities cash basis net assets increased \$10,738 over a year ago, increasing from \$86,311 to \$97,049.

Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2012
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 40,093
Sewer	14,875
General receipts:	
Unrestricted interest on investments	558
Total receipts	<u>55,526</u>
Disbursements:	
Water	29,273
Sewer	15,515
Total disbursements	<u>44,788</u>
Change in cash basis net assets	10,738
Cash basis net assets beginning of year	<u>86,311</u>
Cash basis net assets end of year	<u>\$ 97,049</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Clutier completed the year, its governmental funds reported a combined fund balance of \$309,749, an increase of \$83,231 over last year's total of \$226,518. 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 \$79,662 over the prior year to \$229,662, due primarily to grants and insurance proceeds received as a result of storm damage exceeding costs in the current year to rebuild and furnish the fire station. Additional costs related to this storm will be paid in fiscal year 2013.
- The Special Revenue, Road Use Tax Fund cash balance increased \$3,569 to \$80,087. The City uses this money to upgrade and maintain the condition of all City roads.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$11,132 to \$62,855, due primarily to customer fees for water tower repairs.
- The Enterprise, Sewer Fund cash balance decreased slightly to \$34,194.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City did not amend its budget.

The City's receipts were \$31,714 more than budgeted. Total disbursements were \$446,870 more than budgeted. Actual disbursements for the public safety, public works, culture and recreation and general government functions were \$66,508, \$866, \$9,849 and \$367,995, respectively, more than budgeted. This was primarily due to spending grants and insurance proceeds not included in the budget.

DEBT ADMINISTRATION

At June 30, 2012, the City had \$31,267 of long-term debt outstanding, compared to \$19,657 last year. The chart below segregates the City's debt into its component parts.

	Outstanding Debt at Year-End	
	June 30,	
	2012	2011
Sewer revenue bonds	\$ -	7,000
Water tower note	-	3,393
Fire truck note	6,267	9,264
Fire station note	25,000	-
Total	\$ 31,267	19,657

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 debt of \$31,267 is well below its constitutional debt limit of approximately \$304,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Clutier'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. The City's fiscal year 2013 taxable valuation increased approximately \$147,000 over fiscal year 2012.

The fiscal year 2013 budget contains total receipts of \$170,967 and disbursements of \$162,379. This budget is similar to the fiscal year 2012 budget which contained total receipts of \$179,225 and disbursements of \$163,311.

The fiscal year 2013 levy is \$7.77026 per \$1,000 of taxable valuation, a decrease from \$8.10000 per \$1,000 of taxable valuation for fiscal year 2012.

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 the City Clerk, 214 Main Street, Clutier, Iowa 52217.

City of Clutier

Basic Financial Statements

City of Clutier

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	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 91,008	-	26,587	7,894
Public works	38,266	11,072	47,962	-
Culture and recreation	25,349	485	11,599	2,000
General government	407,495	1,870	150	-
Debt service	3,275	-	-	-
Total governmental activities	565,393	13,427	86,298	9,894
Business type activities:				
Water	29,273	40,093	-	-
Sewer	15,515	14,875	-	-
Total business type activities	44,788	54,968	-	-
Total	\$ 610,181	68,395	86,298	9,894

General Receipts:

Property and other city tax levied for general purposes

Local option sales tax

Unrestricted interest on investments

Loan proceeds

Insurance proceeds

Miscellaneous

Sale of capital assets

Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

Streets

Other purposes

Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(56,527)	-	(56,527)
20,768	-	20,768
(11,265)	-	(11,265)
(405,475)	-	(405,475)
(3,275)	-	(3,275)
(455,774)	-	(455,774)
-	10,820	10,820
-	(640)	(640)
-	10,180	10,180
(455,774)	10,180	(445,594)
29,226	-	29,226
10,926	-	10,926
1,805	558	2,363
25,000	-	25,000
467,881	-	467,881
3,837	-	3,837
330	-	330
539,005	558	539,563
83,231	10,738	93,969
226,518	86,311	312,829
\$ 309,749	97,049	406,798
\$ 80,087	-	80,087
8,299	-	8,299
221,363	97,049	318,412
\$ 309,749	97,049	406,798

Exhibit B

City of Clutier

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

As of and for the year ended June 30, 2012

	Special Revenue		Total
	General	Road Use Tax	
Receipts:			
Property tax	\$ 29,226	-	29,226
Local option sales tax	10,926	-	10,926
Licenses and permits	875	-	875
Use of money and property	3,737	409	4,146
Intergovernmental	47,547	20,277	67,824
Charges for service	11,795	-	11,795
Miscellaneous	30,621	-	30,621
Total receipts	134,727	20,686	155,413
Disbursements:			
Operating:			
Public safety	91,008	-	91,008
Public works	27,267	10,999	38,266
Culture and recreation	25,349	-	25,349
General government	407,495	-	407,495
Debt service	3,275	-	3,275
Total disbursements	554,394	10,999	565,393
Excess (deficiency) of receipts over (under) disbursements	(419,667)	9,687	(409,980)
Other financing sources (uses):			
Insurance proceeds	467,881	-	467,881
Loan proceeds	25,000	-	25,000
Sale of assets	330	-	330
Operating transfers in	6,118	-	6,118
Operating transfers out	-	(6,118)	(6,118)
Total other financing sources (uses)	499,329	(6,118)	493,211
Change in cash balances	79,662	3,569	83,231
Cash balances beginning of year	150,000	76,518	226,518
Cash balances end of year	\$ 229,662	80,087	309,749
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ -	80,087	80,087
Other purposes	8,299	-	8,299
Unassigned	221,363	-	221,363
Total cash basis fund balances	\$ 229,662	80,087	309,749

See notes to financial statements.

City of Clutier

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	Total
Operating receipts:			
Charges for service	\$ 40,093	14,875	54,968
Operating disbursements:			
Business type activities	25,843	8,165	34,008
Excess of operating receipts over operating disbursements	14,250	6,710	20,960
Non-operating receipts (disbursements):			
Debt service	(3,430)	(7,350)	(10,780)
Interest on investments	312	246	558
Net non-operating receipts (disbursements)	(3,118)	(7,104)	(10,222)
Change in cash balances	11,132	(394)	10,738
Cash balances beginning of year	51,723	34,588	86,311
Cash balances end of year	\$ 62,855	34,194	97,049
Cash Basis Fund Balances			
Unrestricted	\$ 62,855	34,194	97,049

See notes to financial statements

City of Clutier

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

The City of Clutier is a political subdivision of the State of Iowa located in Tama County. It was first incorporated in 1900 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 also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Tama County Assessor's Conference Board, Tama County Joint E911 Service Board and Tama County Emergency Management Commission.

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/components:

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or are 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.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

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

The City reports the following major proprietary funds:

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

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

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 are 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 safety, public works, culture and recreation, general government and business type activities 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.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Loan Agreements

On June 9, 2008, the City entered into a loan agreement for \$15,000 to purchase a fire truck. The loan requires annual installments of \$3,275, including interest at 3.0% per annum, with a final payment of \$3,275 due June 9, 2013. During the year ended June 30, 2012, the City paid principal of \$2,997 and interest of \$278. The unpaid principal balance at June 30, 2012 was \$6,267 and the June 2012 payment was made in July 2012.

On March 30, 2012, the City entered into a loan agreement for \$25,000 to build an addition to the fire station for the City Clerk’s office. The loan requires annual installments of \$4,013, including interest at 3.0% per annum, with a final payment due March 30, 2019. No payments were made during the year ended June 30, 2012. The unpaid principal balance at June 30, 2012 was \$25,000.

(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 year ended June 30, 2012 was \$2,068, equal to the required contribution for the year.

(5) 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: Road Use Tax	\$ 6,118

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

(6) Risk Management

The City is a member of 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% 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. 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 its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2012 were \$7,539.

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. 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 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. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the City's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a 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 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% 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 workers compensation and employee blanket bond. 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.

Other Information

City of Clutier
 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	Enterprise Funds Actual
Receipts:		
Property tax	\$ 29,226	-
Other city tax	10,926	-
Licenses and permits	875	-
Use of money and property	4,146	558
Intergovernmental	67,824	-
Charges for service	11,795	54,968
Miscellaneous	30,621	-
Total receipts	<u>155,413</u>	<u>55,526</u>
Disbursements:		
Public safety	91,008	-
Public works	38,266	-
Culture and recreation	25,349	-
Community and economic development	-	-
General government	407,495	-
Debt service	3,275	-
Business type activities	-	44,788
Total disbursements	<u>565,393</u>	<u>44,788</u>
Excess (deficiency) of receipts over (under) disbursements	(409,980)	10,738
Other financing sources, net	<u>493,211</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	83,231	10,738
Balances beginning of year	<u>226,518</u>	<u>86,311</u>
Balances end of year	<u>\$ 309,749</u>	<u>97,049</u>

See accompanying independent auditor's report.

Total	Budgeted	Final to Total Variance
	Amounts Original/Final	
29,226	28,475	751
10,926	15,150	(4,224)
875	800	75
4,704	3,500	1,204
67,824	43,800	24,024
66,763	69,500	(2,737)
30,621	18,000	12,621
<u>210,939</u>	<u>179,225</u>	<u>31,714</u>
91,008	24,500	(66,508)
38,266	37,400	(866)
25,349	15,500	(9,849)
-	1,550	1,550
407,495	39,500	(367,995)
3,275	3,275	-
44,788	41,586	(3,202)
<u>610,181</u>	<u>163,311</u>	<u>(446,870)</u>
(399,242)	15,914	(415,156)
<u>493,211</u>	-	<u>493,211</u>
93,969	15,914	78,055
<u>312,829</u>	<u>337,995</u>	<u>(25,166)</u>
<u>406,798</u>	<u>353,909</u>	<u>52,889</u>

City of Clutier

Notes to Other Information – Budgetary Reporting

June 30, 2012

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue 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, there were no budget amendments.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, general government and business type activities functions.

Supplementary Information

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Revenue bonds and notes:			
Sewer	Nov 7, 1973	5.00%	\$ 140,000
Water tower	Sep 13, 2007	4.95	43,000
Total			
Loan agreements:			
Fire truck	Jun 9, 2008	3.00%	\$ 15,000
Fire station addition	Mar 30, 2012	3.00	25,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid
7,000	7,000	-	350
3,393	3,393	-	37
<u>\$ 10,393</u>	<u>10,393</u>	<u>-</u>	<u>387</u>
9,264	2,997	6,267	278
-	-	25,000	-
<u>\$ 9,264</u>	<u>2,997</u>	<u>31,267</u>	<u>278</u>

Schedule 2

City of Clutier
Loan Maturities
June 30, 2012

Year Ending June 30,	Loan Agreements				
	Fire Truck		Fire Station Addition		Total
	Issued June 9, 2008		Issued Mar 30, 2012		
	Interest		Interest		
Rate	Amount	Rate	Amount		
2013	3.00%	\$ 6,267	3.00%	\$ 3,263	9,530
2014		-	3.00	3,361	3,361
2015		-	3.00	3,461	3,461
2016		-	3.00	3,564	3,564
2017		-	3.00	3,672	3,672
2018		-	3.00	3,783	3,783
2019		-	3.00	3,896	3,896
Total		<u>\$ 6,267</u>		<u>\$ 25,000</u>	<u>31,267</u>

See accompanying independent auditor's report.



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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of the City of Clutier, 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 August 16, 2013. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2011. Except as noted in the Independent Auditor's Report, 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 Clutier is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Clutier'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 Clutier's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Clutier'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 Clutier'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) through (D) 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 (E) through (M) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Clutier'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 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 Clutier's responses to the 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 Clutier'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 Clutier and other parties to whom the City of Clutier 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 Clutier 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.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 16, 2013

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

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important element in designing internal control to safeguard assets and reasonably ensure the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one person has control over each of the following areas:
- (1) Accounting system – performing all general accounting functions and having custody of assets.
 - (2) Cash and petty cash – reconciling bank accounts, initiating and recording cash receipt and disbursement transactions.
 - (3) Investments – investing, recording and custody.
 - (4) Long term debt – recording and reconciling.
 - (5) Receipts – collecting, depositing, journalizing and posting.
 - (6) Utility receipts – billing, collecting, depositing, posting and reconciling.
 - (7) Disbursements – purchasing, recording and reconciling.
 - (8) Payroll – recordkeeping, preparation and distribution.
 - (9) Computer system – performing all general accounting functions and controlling all data input and output.
 - (10) Financial reporting – preparing, reconciling and distributing.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Evidence of review of reconciliations should be indicated by the signature or initials of the independent reviewer and the date of the review.

Response – The City Council will implement segregation of duties as recommended.

Conclusion – Response accepted.

- (B) Bank Reconciliations and Financial Reports – Complete monthly bank to book reconciliations which included all City bank accounts and investments were not prepared. In addition, monthly financial reports which include all City accounts and activity were not prepared and provided to the City Council for review and approval.

City of Clutier

Schedule of Findings

Year ended June 30, 2012

Recommendation – Monthly bank to book reconciliations which include all City bank accounts and investments should be prepared. Variances, if any, should be resolved timely. Monthly financial reports which include all City accounts and activity and bank to book reconciliations should be provided to the City Council each month for review and approval.

Response – Reconciliations, reports and a review of financial activities will be provided to the City Council monthly.

Conclusion – Response accepted.

- (C) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections, delinquent accounts and adjustments were not reconciled during the year.

Recommendation – Procedures should be established to reconcile utility billings, collections, delinquent accounts and adjustments for each billing period. The City Council or other independent person should review the reconciliations and monitor delinquencies.

Response – Reconciliations and review of billing, collecting, adjusting and maintenance of delinquent utility accounts will be done monthly.

Conclusion – Response accepted.

- (D) Financial Reporting - Adjustments – Several adjustments to the financial accounting system were made at the time of system implementation during the year. No supporting documentation for these adjustments was maintained.

Recommendation – Supporting documentation for adjustments should be maintained.

Response – The City will discuss controls and requirements to support future adjustments so accuracy and appropriateness is ensured.

Conclusion – Response accepted.

- (E) Accounting Procedures Manual – The City does not have a current accounting policies and procedures manual. In addition, the City does not have a personnel policy manual.

Recommendation – An accounting policies and procedures manual, in addition to a personnel policy manual, 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.

City of Clutier

Schedule of Findings

Year ended June 30, 2012

Response – An accounting procedures manual and personnel policy manual will be developed by the City.

Conclusion – Response accepted.

- (F) Chart of Accounts and Annual Financial Report – The City has not fully implemented the Uniform Chart of Accounts for Iowa City Governments approved by the City Finance Committee on September 25, 2002. As a result, certain disbursements were not properly reported in the Annual Financial Report. This was resolved for financial reporting purposes

Recommendation – To provide better information and control, the City should follow the Uniform Chart of Accounts for Iowa City Governments.

Response – The City has implemented municipal accounting software as of July 1, 2013 to comply with the Uniform Chart of Accounts for Iowa City Governments.

Conclusion – Response accepted.

- (G) Computer System – During our review of internal control, the existing control activities in the City's computer system were evaluated to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City's computer system were noted:

The City does not have written policies over the computer system for:

- Requiring backups be performed daily and stored off site.
- Requiring password changes every 60 to 90 days to maintain password privacy and confidentiality.
- Requiring password length to be at least 8 characters.
- Requiring computers to have a log off function when not in use.
- Requiring a computer lockout function if passwords are incorrectly entered more than three times.

Also, the City does not have a written disaster recovery plan for its computer system.

In addition, employees share the same password and user id to access computer financial software.

Furthermore, back-up of the City's financial information is not being performed.

Recommendation – The City should develop written policies addressing the above items to improve the City's control over its computer system. A written disaster recovery plan should be developed and tested periodically. Employees should have separate passwords and user id's. Also, the City should implement a back-up system and a copy should be retained off site.

City of Clutier

Schedule of Findings

Year ended June 30, 2012

Response – A computer system manual will be developed by the City. A disaster recovery plan will be developed by the City. The City has requested separate user id's and passwords for employees with computer access from the software vendor. The City will develop and implement a back-up system.

Conclusion – Response accepted.

- (H) Payroll – There is no indication timesheets are reviewed by supervisory personnel prior to preparation of payroll.

Recommendation – Procedures should be established to ensure timesheets are reviewed by supervisory personnel prior to preparation of payroll.

Response – A City Council member will review timesheets before payroll is issued.

Conclusion – Response accepted.

- (I) Personnel Files – Documentation of authorized pay rates for certain employees could not be located.

Recommendation – The City should maintain supporting documentation of authorized pay rates for all employees.

Response – The City will keep authorized pay rates documented and current.

Conclusion – Response accepted.

- (J) Timesheets – Timesheets for the month of January 2012 could not be located.

Recommendation – The City should maintain all supporting documentation for payroll.

Response – The City is maintaining supporting documentation for payroll.

Conclusion – Response accepted.

- (K) Disbursements – Certain disbursements tested did not have supporting documentation attached to the claim.

Recommendation – Supporting documentation should be maintained with all disbursements and should be reviewed by the City Council prior to approving the claim to be paid.

Response – The City reviews all claims and will ensure supporting documentation is attached to the claim before paid.

Conclusion – Response accepted.

City of Clutier

Schedule of Findings

Year ended June 30, 2012

- (L) Transfers – A transfer between the General Fund and the Special Revenue, Road Use Tax Fund was not approved by the City Council prior to making the transfer.

Recommendation – The City Council should approve all fund transfers prior to the actual transfer and document approval and amount(s) as part of the minutes record.

Response – The City will require all future fund transfers be approved and recorded in the meeting minutes.

Conclusion – Response accepted.

- (M) City Street Financial Report (Road Use Tax Report) – The fiscal year 2012 City Street Financial Report ending balance does not agree to the City's records. The City's June 30, 2012 balance is \$8,171 less than the 2012 City Street Financial Report ending balance.

Recommendation – The City should review the fiscal year 2012 City Street Financial Report and contact the Iowa Department of Transportation (DOT) to resolve discrepancies. The City should ensure amounts reported agree in future years.

Response – The City will contact Iowa DOT to resolve and confirm accuracy of future reports.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Clutier

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 safety, public works, culture and recreation, general government and business type activities 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 sufficient amounts as required by Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City will amend the budget in the future.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Linda Pearson, Council Member, Spouse owns Pearson Auto Service	Auto repair	\$ 331

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions do not appear to represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year.

- (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 City Council minutes but were not. The City did not publish minutes, including total disbursements from each fund and a summary of receipts, as required by Chapter 372.13(6) of the Code of Iowa. In addition, the minutes were not signed by the City Clerk.

Also, the City did not publish annual gross salaries in accordance with an Attorney General’s opinion dated April 12, 1978. Furthermore, authorized pay rates were not documented in the minutes.

City of Clutier

Schedule of Findings

Year ended June 30, 2012

Recommendation – The City should publish minutes, including total disbursements from each fund and a summary of receipts. Also the City should publish annual individual salaries as required. Also, the minutes should be signed to authenticate the record. Furthermore, authorized pay rates should be approved and documented in the minutes.

Response – The City is currently publishing meeting minutes in the Traer Star Clipper and keeps a copy of minutes signed by the Mayor and City Clerk. The City will keep authorized pay rates documented internally and report publicly annually.

Conclusion – Response accepted.

- (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 Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.
- (9) Loan Agreement – During the year, the City entered into a loan agreement for \$25,000. However, the City did not comply with the provisions of Chapters 384.24A and 384.25 of the Code of Iowa which require certain authorization procedures be followed, including notice, publication of intended action and time and place of the meeting to approve the intended action.

Recommendation – The City should comply with Chapters 384.24A and 384.25 of the Code of Iowa when entering into loan agreements.

Response – The City will hold public hearings for any long-term debt proposals per Code of Iowa.

Conclusion – Response accepted.

- (10) Emergency Repairs – The City authorized emergency repairs to the City's fire building pursuant to Chapter 384.103(2) of the Code of Iowa. There is no documentation of the reason to institute emergency proceedings or a certificate from a competent licensed engineer or registered architect certifying emergency repairs were necessary.

Recommendation – In the future, the City should document the reason to institute emergency proceedings and obtain a certificate from a competent licensed engineer or registered architect certifying emergency repairs are necessary.

Response – The City will document and obtain certification as recommended should emergency repairs be needed in the future.

Conclusion – Response accepted.

City of Clutier

Schedule of Findings

Year ended June 30, 2012

(11) Clutier Cemetery – The following instances of non-compliance by the Cemetery were noted:

- (1) An annual report for the Clutier Perpetual Care Cemetery was not filed with the Insurance Commissioner as required by Chapter 523I.813 of the Code of Iowa.
- (2) The Cemetery did not maintain a registry of individuals who have purchased lots subject to the perpetual care requirements of Iowa law, including the amount deposited in trust for each individual. The registry is to include all transactions made on or after July 1, 1995.
- (3) Chapter 523I.807 of the Code of Iowa requires \$50 or 20% of the gross selling price, whichever is greater, received for each sale of interment rights shall be placed in a perpetual account. As of June 30, 2012, no Perpetual Care Fund has been established. Instead, all funds received were combined with the General Fund.

Recommendation – The City should properly submit annual reports to the Insurance Commissioner and comply with registry requirements. A Perpetual Care Fund should be established and all perpetual care funds should be transferred to a newly established fund.

Response – The City will report to Insurance Commissioner annually in the future. The City will discuss creating and maintaining both a registry and a Perpetual Care Fund for the Clutier Cemetery. The City will consult legal counsel to help resolve this issue.

Conclusion – Response accepted.

(12) City Code – The City Code has not been recodified within the past five years.

Recommendation – Chapter 380.8 of the Code of Iowa requires cities to compile a code of ordinances containing all ordinances in effect, except grade ordinances, bond ordinances, zoning ordinances and ordinances for vacating streets and alleys, at least once every five years. The City should review this for compliance.

Response – The City is currently in the process of codification.

Conclusion – Response accepted.

(13) Annual Financial Report – The City did not publish the Annual Financial Report for the year ended June 30, 2012 by December 1 as required by Chapter 384.22 of the Code of Iowa. In addition, the prior year ending fund balance at June 30, 2011 did not equal the beginning fund balance at July 1, 2011 for the General Fund and the Special Revenue, Road Use Tax Fund. Also, certain expenditure functions were incorrect. These were corrected for financial reporting purposes. Furthermore, debt of \$25,000 was not reported.

City of Clutier

Schedule of Findings

Year ended June 30, 2012

Recommendation – The City should publish the Annual Financial Report as required by Chapter 384.22 of the Code of Iowa. The City should ensure prior year fund balances equal beginning fund balances for the subsequent year. Also, the City should ensure expenditure functions are correct. Furthermore, all outstanding debt at the end of the year should be reported on the AFR.

Response – The City will ensure equal fund balances are reported on the Annual Financial Report correctly and it is published annually as required.

Conclusion – Response acknowledged. Expenditures by function should also be correct and all debt outstanding should be reported.

City of Clutier

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Russell G. Jordan, CPA, Staff Auditor
Jesse J. Probasco, Assistant Auditor

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