

CITY OF ALBIA

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

JUNE 30, 2013

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-7
Management's Discussion and Analysis	8-13
Primary Government Financial Statements:	
Government-wide Financial Statement:	<u>Exhibit</u>
Cash Basis Statement of Activities and Net Position	15
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	16
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	17
Notes to Financial Statements	18-25
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds	27
Notes to Other Information - Budgetary Reporting	28
Supplementary Information:	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	<u>Schedule</u> 1
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Proprietary Funds	30
Schedule of Indebtedness	31
Bond and Note Maturities	32
Schedule of Receipts by Source and Disbursements by Function- All Governmental Funds	33
	34
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 <u>Government Auditing Standards</u>	35-36
Schedule of Findings	37-43

City of Albia

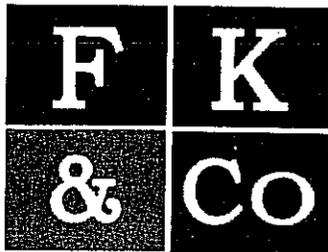
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Clark	Mayor	January 1, 2014
Gene Behrens	Council Member	January 1, 2014
Merle Regenold	Council Member	January 1, 2016
Jeff Stoffa	Council Member	January 1, 2014
Byron Stille*	Council Member	January 1, 2016
Ron Yarkosky	Council Member	January 1, 2016
Rowland Barnes	Council Member	January 1, 2014
Brian Bell **	Council Member	January 1, 2016
Linda Heller	City Clerk/Treasurer	January 1, 2014
Breckenridge Law P.C.	Attorney	January 1, 2014
<u>Library Board</u>		
Sally Bachman	Library Trustee	July 1, 2014
Lois Mick	Library Trustee	July 1, 2014
Matt Foster	Library Trustee	July 1, 2014
Marty Ryan	Library Trustee	July 1, 2014
Sharon Crall	Library Trustee	July 1, 2014
Sue Goode	Library Trustee	July 1, 2014
Joe Starcevic	Library Trustee	July 1, 2014
Richard Haeussler	Library Trustee	July 1, 2017
Dave Paxton	Library Trustee	July 1, 2018
<u>Cemetery Board</u>		
Terri Bender	Cemetery Trustee	July 1, 2014
Sandy Clark	Cemetery Trustee	July 1, 2014
Chris Yarkosky	Cemetery Trustee	July 1, 2016
Richard Brock	Cemetery Trustee	July 1, 2016
Hank Betz	Cemetery Trustee	July 1, 2018

* - Resigned effective September 17, 2012.

** - Appointed effective October 15, 2012.

City of Albia



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

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 Albia, Iowa, (City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's primary government financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

The financial statements referred to above do not include financial data for the City's legally separate component units. The basis of cash receipts and disbursements require financial data for these component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The amount by which this departure would affect the receipts, disbursements and the cash basis balances of the government-wide financial statement for the omitted discretely presented component units has not been determined.

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" paragraph, the financial statement referred to above does not present fairly the financial position of the aggregate discretely presented component units of the City as of June 30, 2013, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Unmodified Opinions

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 for the primary government of the City as of June 30, 2013, 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.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

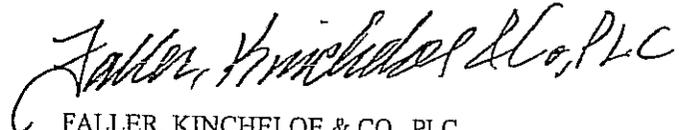
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's primary government financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the primary government financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the primary government financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the primary government financial statements. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the primary government financial statements or to the primary government 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 primary government financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 8 through 13 and 27 through 28 has not been subjected to the auditing procedures applied in the audit of the primary government financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2013, on our consideration of the City's internal control over financial reporting and on 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 in considering the City's internal control over financial reporting and compliance.


FALLER, KINCHELOE & CO., PLC

December 16, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Albia (City) 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, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 36.9%, or approximately \$1,790,000, from fiscal year 2012 to fiscal year 2013. Bond proceeds decreased \$1,642,000 and Capital grants, contributions and restricted interest decreased approximately \$198,000.
- Disbursements of the City's governmental activities increased 62.8%, or approximately \$1,908,000, in fiscal year 2013 from fiscal year 2012. Debt service disbursements increased \$733,000 and capital projects disbursements increased approximately \$1,217,000.
- The City's total cash basis net assets decreased 31.8%, or approximately \$1,878,000, from June 30, 2012 to June 30, 2013. Of this amount, the cash basis net position of the governmental activities decreased approximately \$1,875,000 and the cash basis net position of the business type activities decreased by approximately \$3,000.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. 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 non-major governmental funds and the non-major proprietary 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 operation 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 Position reports information which helps answer this question.

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

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, 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 sanitary sewer system, landfill, airport, and the rural fire department. 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 Trust & Agency funds, 3) the Debt Service Fund, 4) the Capital Projects Fund and, 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds are a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the Sewer Fund, considered to be a major fund of the City. The Airport Fund, Landfill Fund and the Rural Fire Department Fund are considered to be non-major funds of the City.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased sharply from a year ago, decreasing from approximately \$5.46 million to approximately \$3.585 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
(Expressed in Thousands)		
	Year Ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service	\$ 163	175
Operating grants, contributions and restricted interest	797	458
Capital grants, contributions and restricted interest	254	452
General receipts:		
Property tax	1,527	1,453
Local option sales tax	269	620
Grants and contributions not restricted to specific purposes	17	17
Unrestricted interest on investments	3	9
Bond proceeds (net)	-	1,642
Miscellaneous	27	23
Sale of capital assets	4	2
Total receipts	<u>3,061</u>	<u>4,851</u>
Disbursements:		
Public safety	605	586
Public works	411	480
Culture and recreation	390	424
Community and economic development	8	11
General government	261	216
Debt service	1,464	731
Capital projects	1,809	592
Total disbursements	<u>4,948</u>	<u>3,040</u>
Change in cash basis net position before transfers	(1,887)	1,811
Transfers, net	12	29
Change in cash basis net position	(1,875)	1,840
Cash basis net position beginning of year	<u>5,460</u>	<u>3,620</u>
Cash basis net position end of year	<u>\$ 3,585</u>	<u>5,460</u>

The City's total receipts for governmental activities decreased 36.9%, or approximately \$1,790,000. The total cost of all programs and services increased approximately \$1,908,000, or 62.8%, with no new programs added this year. The significant decrease in receipts was the result of a new bond issue in fiscal year 2012. The significant increase in disbursements is the result of an increase in capital projects in fiscal year 2013.

The City increased property tax rates for fiscal year 2013. This increase raised the City's property tax receipts approximately \$74,000 from fiscal year 2012 to fiscal year 2013. Property tax receipts are budgeted to remain relatively the same in fiscal year 2014.

The cost of all governmental activities this year was approximately \$4.948 million compared to approximately \$3.040 million last year. However, as shown on the Statement of Activities and Net Position on page 15, the amount taxpayers ultimately financed for these activities was \$3.734 million because some of the cost was paid by those directly benefited from the programs (approximately \$163,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (approximately \$1,051,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in fiscal year 2013 from approximately \$1,086,000 to approximately \$1,214,000, principally due to additional operating grants and contributions in fiscal year 2013 compared to fiscal year 2012.

Changes in Cash Basis Net Position of Business Type Activities		
(Expressed in Thousands)		
	Year Ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 391	319
Airport	14	7
Landfill	17	17
Rural fire department	37	39
Capital grants, contributions and restricted interest	-	12
General receipts:		
Bond proceeds	-	250
Miscellaneous	-	1
Sale of capital assets		3
Total receipts	<u>459</u>	<u>648</u>
Disbursements:		
Sewer	406	291
Airport	6	7
Landfill	8	27
Rural fire department	30	35
Total disbursements	<u>450</u>	<u>360</u>
Change in cash basis net position before transfers	9	288
Transfers, net	<u>(12)</u>	<u>(29)</u>
Change in cash basis net position	(3)	259
Cash basis net position beginning of year	<u>438</u>	<u>179</u>
Cash basis net position end of year	<u>\$ 435</u>	<u>438</u>

Total business type activities receipts for the fiscal year were approximately \$.459 million compared to approximately \$.648 million last year. The significant decrease was due primarily due to bond proceeds received in fiscal year 2012. The cash balance decreased approximately \$3,000 from the prior year. Total disbursements for the fiscal year increased 25% to approximately \$.450 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City completed the year, its governmental funds reported a combined fund balance of \$3,584,777, a decrease of \$1,875,441 under last year's total of \$5,460,218. 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 by \$47,299 from the prior year to \$323,092. The City has been watching the General Fund very close in order to stabilize the balance in this fund.
- The Special Revenue, Road Use Tax Fund cash balance increased by \$32,906 from the prior year to \$60,767. This increase was just due to spending less from this fund in fiscal year 2013.
- The Special Revenue, Aquatic Center Fund cash balance decreased by \$389,592 during the fiscal year to a total of \$2,519,723. This decrease is due to final payments to debt service to retire all of the outstanding debt.
- The Special Revenue, Employee Benefits Fund cash balance increased by \$23,077 from the prior year to \$200,320. In the fiscal year, the City just levied more than related costs incurred in this fund.
- The Debt Service Fund cash balance increased by \$32,387 during the fiscal year to a total of \$56,335. This increase was due to refinancing which occurred, which reduced the amount of interest costs. As a result, this lowered the amount of interest to be paid from this fund.
- The Capital Projects Fund cash balance decreased \$1,648,693 to \$41,681. This decrease is due to capital equipment purchases, street related projects, and building improvements in fiscal year 2013.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance decreased by \$27,325 to \$307,933, due to capital projects completed during the fiscal year.

BUDGETARY HIGHLIGHTS

During the course of the year, the City amended its budget one time. The budget was amended because of equipment purchases and capital projects which were greater than originally anticipated. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$192,634 more than budgeted. This was primarily due to the City receiving more intergovernmental receipts than anticipated, even after the budget amendments.

Even though the City did not go over budget in total, disbursements in the culture and recreation function were \$68,378 more than the amended budget amount. This was primarily due to a clerical error by City personnel when computing the budget amendment amounts.

DEBT ADMINISTRATION

At June 30, 2013, the City had approximately \$4,144,000 in bonds and other long-term debt outstanding, compared to approximately \$5,499,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30,	
	2013	2012
General obligation bonds and notes	\$ 4,100	5,440
Revenue note	44	55
Lease-purchase agreement	-	4
Total	\$ 4,144	5,499

Debt decreased as a result of retiring debt in the fiscal year.

The amount of general obligation debt a political subdivision of the State of Iowa can incur is controlled by constitutional debt limit, which is an amount equal to 5% of the actual value of property within the corporate limits, taken from the last county tax list. The City's debt limit, based upon said valuation, amounts to the following:

Actual Value of Property, 2011	\$ 125,638,997
Debt Limit	<u>5%</u>
	<u>\$ 6,281,950</u>

The City's outstanding general obligation debt of \$4,100,000 is below the constitutional debt limit of \$6,281,950.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy and the rising costs of employee benefits.

These indicators were taken into account when adopting the budget for fiscal year 2014. Amounts available for appropriation in the operating budget are approximately \$4.0 million, keeping in line with 2013 budget year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayer, 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 Linda Heller, City Clerk, 120 South "A" Street, Albia, Iowa 52531.

Primary Government Financial Statements

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

Functions / Programs:	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities:							
Public safety	\$ 604,991	32,487	6,676	-	(565,828)	-	(565,828)
Public works	411,244	3,072	360,654	7,005	(40,513)	-	(40,513)
Culture and recreation	390,480	94,269	79,334	48,825	(168,052)	-	(168,052)
Community and economic development	7,686	-	8,299	-	613	-	613
General government	260,906	33,190	-	-	(227,716)	-	(227,716)
Debt service	1,463,962	-	342,158	-	(1,121,804)	-	(1,121,804)
Capital projects	1,808,641	-	-	197,931	(1,610,710)	-	(1,610,710)
Total governmental activities	4,947,910	163,018	797,121	253,761	(3,734,010)	-	(3,734,010)
Business type activities:							
Sewer	405,960	390,734	-	-	-	(15,226)	(15,226)
Airport	6,171	14,206	-	-	-	8,035	8,035
Landfill	7,910	16,945	-	-	-	9,035	9,035
Rural fire department	29,829	37,023	-	-	-	7,194	7,194
Total business type activities	449,870	458,908	-	-	-	9,038	9,038
Total	\$ 5,397,780	621,926	797,121	253,761	(3,734,010)	9,038	(3,724,972)
General Receipts and Transfers:							
Property and other city tax levied for:							
General purposes					1,070,820	-	1,070,820
Debt service					456,559	-	456,559
Local option sales tax					268,753	-	268,753
Grants and contributions not restricted to specific purposes					16,580	-	16,580
Unrestricted interest on investments					2,824	525	3,349
Miscellaneous					26,635	-	26,635
Sale of capital assets					3,941	-	3,941
Transfers					12,457	(12,457)	-
Total general receipts and transfers					1,858,569	(11,932)	1,846,637
Change in cash basis net position					(1,875,441)	(2,894)	(1,878,335)
Cash basis net position beginning of year					5,460,218	437,264	5,897,482
Cash basis net position end of year					\$ 3,584,777	434,370	4,019,147
Cash Basis Net Position							
Restricted:							
Nonexpendable:							
Cemetery perpetual care					\$ 87,482	-	87,482
Expendable:							
Insurance					32,193	-	32,193
Debt service					56,335	22,304	78,639
Streets					60,767	-	60,767
Other purposes					3,057,101	-	3,057,101
Unrestricted					290,899	412,066	702,965
Total cash basis net position					\$ 3,584,777	434,370	4,019,147

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, 2013

	Special Revenue				Debt Service	Capital Projects	Nonmajor	Total
	General	Road Use Tax	Aquatic Center	Employee Benefits				
Receipts:								
Property tax	\$ 705,963	-	-	337,187	456,559	-	-	1,499,709
Other city tax	26,461	-	268,752	11,386	6,403	-	-	313,002
Licenses and permits	11,249	-	-	-	-	-	-	11,249
Use of money and property	8,648	-	17,885	-	1,590	580	799	29,502
Intergovernmental	80,579	360,654	322,682	-	-	194,992	2,598	961,505
Charges for service	98,275	-	-	-	-	-	-	98,275
Miscellaneous	69,698	-	872	17,602	-	2,359	52,298	142,829
Total receipts	<u>1,000,873</u>	<u>360,654</u>	<u>610,191</u>	<u>366,175</u>	<u>464,552</u>	<u>197,931</u>	<u>55,695</u>	<u>3,056,071</u>
Disbursements:								
Operating:								
Public safety	451,780	-	-	148,236	-	-	4,975	604,991
Public works	4,392	327,748	-	79,104	-	-	-	411,244
Culture and recreation	309,224	-	18,133	46,971	-	-	16,152	390,480
Community and economic development	-	-	-	-	-	-	7,686	7,686
General government	192,119	-	-	68,787	-	-	-	260,906
Debt service	-	-	-	-	1,463,962	-	-	1,463,962
Capital projects	-	-	-	-	-	1,808,641	-	1,808,641
Total disbursements	<u>957,515</u>	<u>327,748</u>	<u>18,133</u>	<u>343,098</u>	<u>1,463,962</u>	<u>1,808,641</u>	<u>28,813</u>	<u>4,947,910</u>
Excess (deficiency) of receipts over (under) disbursements	<u>43,358</u>	<u>32,906</u>	<u>592,058</u>	<u>23,077</u>	<u>(999,410)</u>	<u>(1,610,710)</u>	<u>26,882</u>	<u>(1,891,839)</u>
Other financing sources (uses):								
Sale of capital assets	3,941	-	-	-	-	-	-	3,941
Operating transfers in	-	-	-	-	1,031,797	-	293	1,032,090
Operating transfers out	-	-	(981,650)	-	-	(37,983)	-	(1,019,633)
Total other financing sources (uses)	<u>3,941</u>	<u>-</u>	<u>(981,650)</u>	<u>-</u>	<u>1,031,797</u>	<u>(37,983)</u>	<u>293</u>	<u>16,398</u>
Change in cash balances	<u>47,299</u>	<u>32,906</u>	<u>(389,592)</u>	<u>23,077</u>	<u>32,387</u>	<u>(1,648,693)</u>	<u>27,175</u>	<u>(1,875,441)</u>
Cash balances beginning of year	<u>275,793</u>	<u>27,861</u>	<u>2,909,315</u>	<u>177,243</u>	<u>23,948</u>	<u>1,690,374</u>	<u>355,684</u>	<u>5,460,218</u>
Cash balances end of year	<u>\$ 323,092</u>	<u>60,767</u>	<u>2,519,723</u>	<u>200,320</u>	<u>56,335</u>	<u>41,681</u>	<u>382,859</u>	<u>3,584,777</u>
Cash Basis Fund Balances								
Nonspendable:								
Cemetery perpetual care	\$ -	-	-	-	-	-	87,482	87,482
Restricted for:								
Insurance	32,193	-	-	-	-	-	-	32,193
Debt service	-	-	-	-	56,335	-	-	56,335
Streets	-	60,767	-	-	-	-	-	60,767
Other purposes	-	-	2,519,723	200,320	-	41,681	295,377	3,057,101
Assigned	50,282	-	-	-	-	-	-	50,282
Unassigned	240,617	-	-	-	-	-	-	240,617
Total cash basis fund balances	<u>\$ 323,092</u>	<u>60,767</u>	<u>2,519,723</u>	<u>200,320</u>	<u>56,335</u>	<u>41,681</u>	<u>382,859</u>	<u>3,584,777</u>

See notes to financial statements.

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

As of and for the year ended June 30, 2013

	Enterprise		
	Sewer	Nonmajor	Total
Operating receipts:			
Licenses and permits	\$ -	100	100
Use of money and property	358	14,373	14,731
Charges for service	390,734	53,868	444,602
Total operating receipts	<u>391,092</u>	<u>68,341</u>	<u>459,433</u>
Operating disbursements:			
Business type activities	247,016	31,144	278,160
Total operating disbursements	<u>247,016</u>	<u>31,144</u>	<u>278,160</u>
Excess of operating receipts over operating disbursements	<u>144,076</u>	<u>37,197</u>	<u>181,273</u>
Non-operating receipts (disbursements):			
Debt service	-	(12,766)	(12,766)
Capital projects	(158,944)	-	(158,944)
Net non-operating receipts (disbursements)	<u>(158,944)</u>	<u>(12,766)</u>	<u>(171,710)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(14,868)</u>	<u>24,431</u>	<u>9,563</u>
Other financing sources (uses):			
Operating transfers out	(12,457)	-	(12,457)
Total other financing sources (uses)	<u>(12,457)</u>	<u>-</u>	<u>(12,457)</u>
Change in cash balances	(27,325)	24,431	(2,894)
Cash balances beginning of year	<u>335,258</u>	<u>102,006</u>	<u>437,264</u>
Cash balances end of year	<u>\$ 307,933</u>	<u>126,437</u>	<u>434,370</u>
Cash Basis Fund Balances			
Restricted for debt service	\$ -	22,304	22,304
Unrestricted	<u>307,933</u>	<u>104,133</u>	<u>412,066</u>
Total cash basis fund balances	<u>\$ 307,933</u>	<u>126,437</u>	<u>434,370</u>

See notes to financial statements.

City of Albia

Notes to Financial Statements

June 30, 2013

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

The City of Albia (City) is a political subdivision of the State of Iowa located in Monroe County. It 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 governmental services. The City also provides sewer utilities and airport services for its citizens.

A. Reporting Entity

Except as discussed below, for financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City (the primary government) and exclude the City's component units. The component units discussed below are not included in the City's reporting entity although its operational or financial relationship with the City is significant.

Excluded Component Units

The Albia Municipal Waterworks was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Municipal Waterworks is governed by a three-member board appointed by the Mayor and approved by the City Council. The Waterworks' operating budget is subject to the approval of the City Council. Complete financial statements of the component unit, which will issue separate financial statements, can be obtained from the Municipal Waterworks administrative office.

The Fire/Rescue Association of Albia, Iowa was established under Chapter 504 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific financial burdens on the City. The purpose of the Fire/Rescue Association of Albia, Iowa is to support the activities of the Albia, Iowa fire department.

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: Monroe County Assessor's Conference Board and the Monroe County Joint E-911 Service Board.

Related Organization

The City Council members are also responsible for appointing the members of the Low Rent Housing Board, but the City's accountability for this organization does not extend beyond making the appointments.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position (previously referred to as 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 Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position 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 and proprietary funds are aggregated and reported as nonmajor governmental funds and nonmajor proprietary funds.

The City reports the following major governmental funds:

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

Special Revenue:

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

The Aquatic Center Fund is used to account for the local option sales tax collections to be used for the related costs and debt associated with the aquatic center.

The Employee Benefits Fund is utilized to account for property tax and other receipts to be used for the payment of employee benefits.

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

The Capital Projects Fund is used to account for bond proceeds and government grants to be used for costs associated with major road construction projects and the purchase of capital equipment.

The City reports the following major proprietary fund:

The Enterprise, 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 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 is both restricted and unrestricted cash basis net position 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 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 City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the culture and recreation function.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. However, at times during the fiscal year, the City's deposits in banks were not 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 the 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 Government Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

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 and Notes Payable**

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

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 425,000	81,626	10,932	1,834	435,932	83,460
2015	445,000	77,732	11,383	1,383	456,383	79,115
2016	390,000	72,973	11,852	914	401,852	73,887
2017	445,000	67,560	10,302	425	455,302	67,985
2018	445,000	57,637	-	-	445,000	57,637
2019	460,000	47,007	-	-	460,000	47,007
2020	480,000	35,272	-	-	480,000	35,272
2021	300,000	22,197	-	-	300,000	22,197
2022	305,000	15,470	-	-	305,000	15,470
2023	200,000	8,100	-	-	200,000	8,100
2024	205,000	4,100	-	-	205,000	4,100
	<u>\$4,100,000</u>	<u>489,674</u>	<u>44,469</u>	<u>4,556</u>	<u>4,144,469</u>	<u>494,230</u>

General Obligation Refunding Bonds

In the prior year, the City defeased various bonds issued by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities placed in the trust funds. The investments and fixed earnings from the investments were sufficient to fully service the defeased debt until the debt was called or matured. During the year ended June 30, 2013, the remaining outstanding balance of the defeased bonds were paid in full.

Revenue Note

The City has pledged future township fire receipts, net of specified operating disbursements, to repay \$102,900 in a fire department revenue note issued in October, 2006. Proceeds from the note provided financing for the purchase of a new fire truck. The note is payable solely from township fire net receipts and is payable through fiscal year 2017. Annual principal and interest payments on the note are expected to require less than 64 percent of net receipts. The total principal and interest remaining to be paid on the note is \$49,025. For the current year, principal and interest paid and total customer net receipts were \$12,766 and \$20,127 respectively.

The note is payable to the U.S. Department of Agriculture (USDA) in annual installments of \$12,766, including interest at 4.125% per annum. During the year ended June 30, 2013, a payment of \$12,766 was made to the USDA, leaving a principal balance due at June 30, 2013 of \$44,469.

The resolution for the issuance of the fire department revenue note includes the following provisions:

- (a) The note will only be redeemed from the future earnings of the enterprise activity and the note holder holds a lien on the future earnings of the funds.
- (b) The City shall make annual payments of \$12,766 to the USDA, including interest at 4.125%, per annum, in fiscal years 2008 through 2017, inclusive.
- (c) Sufficient monthly transfers shall be made to a fire department revenue note sinking account for the purpose of making the above payments when due.
- (d) Additional monthly transfers of \$107 per month until \$12,166 is accumulated shall be made to a fire department revenue note reserve account until a specific maximum balance has been accumulated. This account is restricted for making the annual principal and interest payments whenever there is insufficient money in the fire department revenue note sinking account.

The City's balance in the fire department revenue note reserve account was deficient by \$95 as of June 30, 2013. As a result, it appears the City is technically in non-compliance with the USDA loan requirements in relation to this loan.

(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 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$61,542, \$55,225 and \$53,168, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses, and an independent contractor. There are 18 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you go basis. The most recent active member monthly premiums for the City and the plan members are \$550.92 for single coverage, \$1,074.68/\$1,128.28 for employee/spouse coverage, \$1,042.89 for employee/dependent coverage, and \$1,610.41/\$1,690.77 for family coverage. The difference in the premiums for the same group represents differences in the types of coverage provided. For the year ended June 30, 2013, the City contributed \$199,990 and plan members eligible for benefits contributed \$20,695 to the plan.

(6) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, holiday and compensatory leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for compensated absences payable to employees at June 30, 2013 primarily relating to the General Fund, was \$32,330. The liability has been computed based on rates of pay in effect at June 30, 2013.

(7) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Library	Capital Projects	\$ 293
Debt Service	Special Revenue:	
	Aquatic Center	981,650
	Capital Projects	37,690
	Enterprise:	
	Sewer	12,457
		<u>1,031,797</u>
	Total	<u>\$ 1,032,090</u>

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

(8) **Related Party Transactions**

The City had business transactions between the City and City officials, totaling \$15,077 during the year ended June 30, 2013.

(9) **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 679 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 at a level determined by the Board not to exceed 300% of 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 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, 2013 were \$57,744.

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 \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington 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, 2013, 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 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 in the amount of \$1,000,000 for each accident, \$1,000,000 memorandum limit, and \$1,000,000 each employee. 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.

(10) Contingencies

In prior years, the City received payments in lieu of taxes from the local housing agency. However it was later determined that some of these funds should have been distributed to the other political subdivisions in the county. The City Attorney's position was that the City owed the other political subdivisions in the County for the past five years only, which would amount to approximately \$21,000. However, in fiscal year 2004, the City agreed to pay approximately \$64,000 to the other political subdivisions in settlement of the payments in lieu of taxes from the local housing agency. The City and other political subdivisions signed an agreement whereby the other political subdivisions will receive the City's share of the payments in lieu of taxes until the City's liability has been satisfied. At June 30, 2013, the City owed approximately \$39,000 to the other political subdivisions in settlement of the payments in lieu of taxes from the local housing agency.

The City participates in a number of Federal and State grant/loan programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

(11) Commitments

The City has committed \$5,000 to be paid to a local organization. This commitment is expected to be paid over the next five years.

The City entered into agreements for the repair and reconstruction of its sewer system. Total costs to be paid on this project are expected to be approximately \$350,000. The costs for this project will be paid for from existing cash reserves.

(12) Fund Balance

The City's assigned fund balance in the General Fund as of June 30, 2013 consists of the following:

<u>Purpose</u>	<u>Amount</u>
Library	\$ 16,020
Cemetery	21,245
Park	2,565
Fire Protection	3,336
Community Policing	<u>7,116</u>
Total	<u>\$ 50,282</u>

(13) Restatement

The Library Endowment Fund, which was previously reported as a Permanent Fund, has been reclassified and is now included in the Special Revenue, Library Fund.

(14) Subsequent Events

The City has evaluated all subsequent events through December 16, 2013, the date the financial statements were available to be issued.

Other Information

City of Albia

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, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 1,499,709	-	1,499,709	1,503,798	1,503,798	(4,089)
Other city tax	313,002	-	313,002	636,126	636,126	(323,124)
Licenses and permits	11,249	100	11,349	10,050	10,050	1,299
Use of money and property	29,502	14,731	44,233	92,900	92,900	(48,667)
Intergovernmental	961,505	-	961,505	583,323	583,323	378,182
Charges for service	98,275	444,602	542,877	488,189	488,189	54,688
Miscellaneous	142,829	-	142,829	8,484	8,484	134,345
Total receipts	3,056,071	459,433	3,515,504	3,322,870	3,322,870	192,634
Disbursements:						
Public safety	604,991	-	604,991	645,965	665,965	60,974
Public works	411,244	-	411,244	436,809	451,809	40,565
Culture and recreation	390,480	-	390,480	314,102	322,102	(68,378)
Community and economic development	7,686	-	7,686	3,000	10,000	2,314
General government	260,906	-	260,906	252,991	267,991	7,085
Debt service	1,463,962	-	1,463,962	770,913	1,720,913	256,951
Capital projects	1,808,641	-	1,808,641	2,150,000	2,150,000	341,359
Business type activities	-	449,870	449,870	535,705	735,705	285,835
Total disbursements	4,947,910	449,870	5,397,780	5,109,485	6,324,485	926,705
Excess (deficiency) of receipts over (under) disbursements	(1,891,839)	9,563	(1,882,276)	(1,786,615)	(3,001,615)	1,119,339
Other financing sources, net	16,398	(12,457)	3,941	2,050,000	2,050,000	(2,046,059)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,875,441)	(2,894)	(1,878,335)	263,385	(951,615)	(926,720)
Balances beginning of year	5,460,218	437,264	5,897,482	3,967,551	7,935,102	(2,037,620)
Balances end of year	\$ 3,584,777	434,370	4,019,147	4,230,936	6,983,487	(2,964,340)

See accompanying independent auditor's report.

City of Albia

Notes to Other Information - Budgetary Reporting

June 30, 2013

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. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,215,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the culture and recreation function.

Supplementary Information

City of Albia

Schedule 1

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

As of and for the year ended June 30, 2013

	Special Revenue				Permanent	Total
	Cooper Estate Bequest	Historical Preservation Board	Police Department	Library	Cemetery Perpetual Care	
Receipts:						
Use of money and property	\$ 799	-	-	-	-	799
Intergovernmental	-	-	-	2,598	-	2,598
Miscellaneous	-	7,500	2,812	40,940	1,046	52,298
Total receipts	799	7,500	2,812	43,538	1,046	55,695
Disbursements:						
Operating:						
Public safety	-	-	4,975	-	-	4,975
Culture and recreation	-	-	-	16,152	-	16,152
Community and economic development	-	7,686	-	-	-	7,686
Total disbursements	-	7,686	4,975	16,152	-	28,813
Excess (deficiency) of receipts over (under) disbursements	799	(186)	(2,163)	27,386	1,046	26,882
Other financing sources:						
Operating transfers in	-	-	-	293	-	293
Total other financing sources (uses)	-	-	-	293	-	293
Change in cash balances	799	(186)	(2,163)	27,679	1,046	27,175
Cash balances beginning of year	133,224	2,641	19,784	113,599	86,436	355,684
Cash balances end of year	\$ 134,023	2,455	17,621	141,278	87,482	382,859
Cash Basis Fund Balances						
Nonspendable:						
Cemetery perpetual care	\$ -	-	-	-	87,482	87,482
Restricted for other purposes	134,023	2,455	17,621	141,278	-	295,377
Total cash basis fund balances	\$ 134,023	2,455	17,621	141,278	87,482	382,859

See accompanying independent auditor's report.

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

As of and for the year ended June 30, 2013

	Enterprise			Total
	Airport	Landfill	Rural Fire Department	
Operating receipts:				
Licenses and permits	\$ -	100	-	100
Use of money and property	14,206	-	167	14,373
Charges for service	-	16,845	37,023	53,868
Total operating receipts	<u>14,206</u>	<u>16,945</u>	<u>37,190</u>	<u>68,341</u>
Operating disbursements:				
Business type activities	6,171	7,910	17,063	31,144
Total operating disbursements	<u>6,171</u>	<u>7,910</u>	<u>17,063</u>	<u>31,144</u>
Excess of operating receipts over operating disbursements	<u>8,035</u>	<u>9,035</u>	<u>20,127</u>	<u>37,197</u>
Non-operating receipts (disbursements):				
Debt service	-	-	(12,766)	(12,766)
Net non-operating receipts (disbursements)	<u>-</u>	<u>-</u>	<u>(12,766)</u>	<u>(12,766)</u>
Change in cash balances	8,035	9,035	7,361	24,431
Cash balances beginning of year	<u>16,872</u>	<u>55,890</u>	<u>29,244</u>	<u>102,006</u>
Cash balances end of year	<u>\$ 24,907</u>	<u>64,925</u>	<u>36,605</u>	<u>126,437</u>
Cash Basis Fund Balances				
Restricted for debt service	\$ -	-	22,304	22,304
Unrestricted	<u>24,907</u>	<u>64,925</u>	<u>14,301</u>	<u>104,133</u>
Total cash basis fund balances	<u>\$ 24,907</u>	<u>64,925</u>	<u>36,605</u>	<u>126,437</u>

See accompanying independent auditor's report.

City of Albia

Schedule of Indebtedness

Year ended June 30, 2013

Schedule 3

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds and Notes-									
Swimming Pool Bonds	December 1, 2003	2.25 to 4.00%	\$ 2,000,000	945,000	-	945,000	-	35,850	-
Corporate Purpose Bonds	May 1, 2008	3.10 to 3.80%	640,000	255,000	-	60,000	195,000	9,217	-
Street Improvement Bonds	August 1, 2009	3.25 to 3.75%	670,000	670,000	-	-	670,000	23,617	-
Corporate Purpose Bonds	September 1, 2010	1.25 to 3.40%	845,000	790,000	-	45,000	745,000	21,710	-
Corporate Purpose and Refunding Bonds	June 1, 2012	0.35 to 2.00%	2,780,000	2,780,000	-	290,000	2,490,000	30,668	-
Total				\$ 5,440,000	-	1,340,000	4,100,000	121,062	-
Revenue Note-									
Fire Department	October 30, 2006	4.125%	\$ 102,900	54,976	-	10,507	44,469	2,259	-
Lease Purchase Agreement- Equipment	June 3, 2008	7.95%	\$ 21,396	4,153	-	4,153	-	152	-

See accompanying independent auditor's report.

Bond and Note Maturities

June 30, 2013

General Obligation Bonds and Notes									
Year Ending June 30,	Corporate Purpose Bonds Issued May 1, 2008		Street Improvement Bonds Issued August 1, 2009		Corporate Purpose Bonds Issued September 1, 2010		Corporate Purpose and Refunding Bonds Issued June 1, 2012		Total
	Interest		Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2014	3.35%	\$ 45,000	-	\$ -	1.80%	\$ 50,000	0.45%	\$ 330,000	425,000
2015	3.80%	50,000	-	-	1.80%	55,000	0.55%	340,000	445,000
2016	3.80%	50,000	-	-	2.50%	55,000	0.75%	285,000	390,000
2017	3.80%	50,000	3.25%	125,000	2.50%	90,000	0.95%	180,000	445,000
2018	-	-	3.40%	175,000	3.00%	90,000	1.10%	180,000	445,000
2019	-	-	3.60%	180,000	3.00%	95,000	1.30%	185,000	460,000
2020	-	-	3.75%	190,000	3.10%	100,000	1.50%	190,000	480,000
2021	-	-	-	-	3.25%	105,000	1.70%	195,000	300,000
2022	-	-	-	-	3.40%	105,000	1.90%	200,000	305,000
2023	-	-	-	-	-	-	2.00%	200,000	200,000
2024	-	-	-	-	-	-	2.00%	205,000	205,000
		<u>\$ 195,000</u>		<u>\$ 670,000</u>		<u>\$ 745,000</u>		<u>\$ 2,490,000</u>	<u>4,100,000</u>

Revenue Note		
Fire Department		
Issued October 30, 2006		
Year Ending June 30,	Interest	
	Rates	Amount
2014	4.125%	\$ 10,932
2015	4.125%	11,383
2016	4.125%	11,852
2017	4.125%	10,302
		<u>\$ 44,469</u>

See accompanying independent auditor's report.

City of Albia

Schedule 5

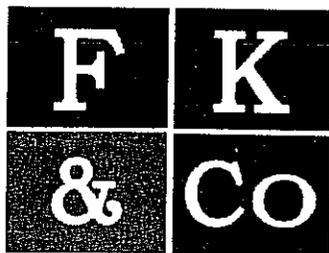
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Receipts:										
Property tax	\$ 1,499,709	1,452,512	1,404,213	1,213,781	1,259,475	1,194,235	1,171,575	1,083,508	946,940	950,378
Other city tax	313,002	637,070	673,919	717,285	821,020	720,239	802,383	592,594	395,200	132,780
Licenses and permits	11,249	16,218	12,716	18,261	13,035	14,213	10,027	12,467	12,251	10,933
Use of money and property	29,502	44,947	52,454	66,274	80,900	49,674	34,441	18,817	50,775	51,900
Intergovernmental	961,505	844,041	542,179	608,350	692,753	399,788	552,749	815,230	491,131	403,254
Charges for service	98,275	147,558	101,446	108,171	101,782	142,031	152,345	78,802	23,630	6,588
Special assessments	-	-	-	-	-	-	-	-	-	5,269
Miscellaneous	142,829	64,899	74,562	77,634	92,487	45,622	147,615	113,930	46,933	123,574
Total	\$ 3,056,071	3,207,245	2,861,489	2,809,756	3,061,452	2,565,802	2,871,135	2,715,348	1,966,860	1,684,676

Disbursements:										
Operating:										
Public safety	\$ 604,991	586,038	622,247	550,295	499,768	539,780	682,761	504,928	523,795	452,930
Public works	411,244	479,953	453,114	463,730	433,586	485,546	421,834	369,213	362,559	352,137
Culture and recreation	390,480	424,215	399,970	368,501	292,741	289,273	302,258	233,024	152,510	193,891
Community and economic development	7,686	10,978	749	13,046	9,185	46,670	2,477	11,714	32,956	47,637
General government	260,906	216,486	189,982	217,841	225,846	253,739	299,152	301,257	228,492	289,948
Debt service	1,463,962	730,569	727,495	669,920	633,696	1,086,975	620,756	1,478,044	417,219	387,104
Capital projects	1,808,641	592,173	636,784	688,093	743,120	197,074	635,254	1,275,365	1,867,844	235,007
Total	\$ 4,947,910	3,040,412	3,030,341	2,971,426	2,837,942	2,899,057	2,964,492	4,173,545	3,585,375	1,958,654

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Albia, Iowa, (City) as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's primary government financial statements, and have issued our report thereon dated December 16, 2013. Our report expressed unmodified opinions on the primary government financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and 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's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A), (C) and (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 deficiency described in the accompanying Schedule of Findings as item (B) to be a significant deficiency.

-35-

Joel C. Faller, CPA

Alan Kincheloe, CPA

Ryan Roof, CPA

2721 SW 30th Street
(515) 362-5672

Des Moines, Iowa
CPA@FKCcpa.com

50321-1409
Fax (515) 362-5674

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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, 2013 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.

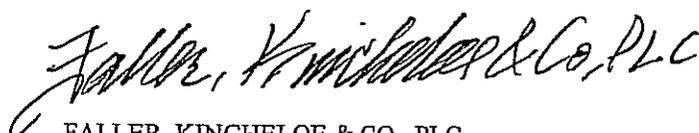
City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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


FALLER, KINCHELOE & CO., PLC

December 16, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although one full-time individual and one part-time individual are involved in the accounting duties of the City of Albia, (City) there is insufficient segregation of duties to prevent one individual from having control over each of the following areas for the City:

- 1) Cash – reconciling bank accounts, initiating cash receipts and handling and recording cash.
- 2) Investments – detailed record keeping, custody and reconciling.
- 3) Long-term debt – recording and reconciling.
- 4) Receipts – collecting, depositing, posting and reconciling.
- 5) Accounting system – performing all general accounting functions and having custody of City assets.
- 6) Disbursements – preparing checks, signing checks and access to the accounting records.
- 7) Petty cash – custody, reconciling and recording.
- 8) Payroll – recordkeeping, preparation and distribution.

Recommendation – We realize with a limited number of office employees, segregation of duties is difficult. 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. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and date of the review.

Response – The City will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

(B) Library Procedures – The Library receives monies from memorials, donations, the State of Iowa, and from miscellaneous fees. Library monies are not timely deposited. Currently the monies are normally deposited approximately once per month. In addition, Library monies on hand are taken home at night by the Librarian for safekeeping.

Recommendation – Library monies should be deposited when cash and checks on hand exceed \$100. In addition, Library monies should not be taken home at night by the Librarian.

Response – We will implement the above to the best of our ability.

Conclusion – Response accepted.

City of Albia

Schedule of Findings

Year ended June 30, 2013

- (C) Adjustments – Instances were noted where receipts and disbursements were not always properly classified in the accounting records. As a result, material adjustments were made to the accounting records in order to properly classify these receipts and disbursements to the appropriate accounts.

Recommendation – The City should implement procedures to ensure all receipts and disbursements are properly classified in the accounting records.

Response – We will work on the proper classification of receipts and disbursements.

Conclusion – Response accepted.

- (D) Bank Reconciliations – At June 30, 2013, the cash and investment balance of \$4,019,146 recorded in the City's general ledger did not reconcile to the reconciled bank balance of \$4,020,505. City personnel were unable to explain this difference.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved monthly.

Response – Will implement this recommendation.

Conclusion – Response accepted.

- (E) Financial Reporting – We noted that while management is capable of preparing accurate financial statements that provide information sufficient for City Council members to make management decisions, reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including note disclosures. Due to the technical nature of these requirements, management does not prepare this information, which is a common situation in small entities.

Recommendation – Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare OCBOA financial statements.

Response – These are very technical issues that the average citizen would not understand. This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with the OCBOA requirement.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Albia

Schedule of Findings

Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

- (1) **Certified Budget** – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the culture and recreation function. Chapter 384.20 of the Code of Iowa states, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

The City of Albia’s (City) budget was adopted by motion of the Council. Chapter 384.16 of the Code of Iowa states, in part, “... the Council shall adopt by resolution a budget...”

The City’s budget amendment was not published within 10 to 20 days of the public hearing, as required by Chapters 384.18 and 384.16 of the Code of Iowa.

The City’s budget amendment was passed in May, 2013. The July, 2012 cash balance on the budget amendment passed in May, 2013 was \$7,935,102, but the actual July, 2012 cash balance was \$5,897,482, or a difference of over \$2,000,000. It is unclear why the City passed a budget amendment in which the cash balance as of July, 2012, was materially inaccurate.

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. The budget should be adopted by resolution of the Council in accordance with Code of Iowa requirements. In addition, the budget amendment should be published in accordance with the Code of Iowa requirements. Also, the City needs to ensure the amounts on the budget amendment approved by the City Council reflect actual known balances.

Response – We will implement these recommendations.

Conclusion – Response accepted.

- (2) **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.
- (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 detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction/Description</u>	<u>Amount</u>
John Hughes, Volunteer Fireman, Owner, Hughes Automotive	Service Equipment	\$ 50
Warren Woolums, Volunteer Fireman	Service Equipment	524
Ray Vitko, Jr. Volunteer Fireman, Part-Owner, Vitko’s	Service Equipment and Fuel	14,503

In accordance with Chapter 362.5 of the Code of Iowa, the transactions with the Volunteer Fireman do not appear to represent conflicts of interest.

- (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 that the coverage is adequate for current operations.

City of Albia

Schedule of Findings

Year ended June 30, 2013

- (6) City Council Minutes - Transactions were found that we believe should have been approved in the Council minutes but were not.

Interfund transfers and some claims paid were not approved by the City Council. A summary of all receipts was not consistently published in the newspaper. Several claims were not published in the newspaper. Some City Council minutes, and related claims, were not published within fifteen days of the City Council meetings. Chapter 372.13(6) of the Code of Iowa requires a summary of all receipts, total expenditures from each city fund, and all claims be published in the newspaper within fifteen days of the City Council meeting. In addition, this same Code Section requires that the City Council approve all claims.

The City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.

Recommendation - The City should implement procedures to ensure that all interfund transfers and claims paid are approved by the City Council. The City should also implement procedures to ensure that total expenditures from each city fund, all claims, a summary of all receipts, and all City Council minutes are included in the newspaper publication. In addition, the City should ensure that all this information is timely published in the newspaper as required by the Code of Iowa. The City should also publish annual salaries as required.

Response - We will implement these recommendations.

Conclusion - Response accepted.

- (7) Deposits and Investments - The City's depository resolution does not include one depository used by the City. In addition, the depository resolution refers to an outdated section of the Code of Iowa. At times during the year, the cash in bank amount exceeded the deposit resolution amount for one bank.

Other than the above, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

Recommendation - The City implement procedures to ensure compliance with the Code of Iowa in relation to the City's depository resolution, which should include all depositories used by the City, and references used in the resolution should refer to the current sections of the Code of Iowa. In addition, the deposit resolution amounts should exceed the cash in bank balances at all times.

Response - The above issues were an oversight on our part. We will implement the above recommendations.

Conclusion - Response accepted.

- (8) Revenue Note - The City has not complied with the fire department revenue note resolutions.

The City's cash balance in the fire department revenue note reserve account was deficient by \$95 as of June 30, 2013.

Recommendation - The City implement procedures to ensure the fire department revenue note reserve account cash balance meets the requirements as established by the U.S. Department of Agriculture revenue note resolutions.

Response - We will implement this recommendation in the future.

Conclusion - Response accepted.

City of Albia

Schedule of Findings

Year ended June 30, 2013

- (9) Compliance Issues – The City levies a tax to pay for liability insurance coverage. The proceeds of this tax are used to pay all the costs associated with liability insurance coverage. However, the costs incurred by the sewer and airport operations for liability insurance coverage should be charged to those funds instead of the tax levy for liability insurance coverage.

The City has not turned over old uncashed checks to the State of Iowa, as required by Chapter 556 of the Code of Iowa.

Recommendation – Costs incurred for liability insurance coverage for the sewer and airport operations should be charged to those funds. Also, old uncashed checks should be turned over to the State of Iowa, in accordance with the Code of Iowa.

Response – We will implement these recommendations.

Conclusion – Response accepted.

- (10) Monies Not Collected – Our review noted where individuals did not pay the City \$1,000 in rent for airplane hangar rental. The condition has been noted for several years; however, the City has not followed-up on this issue.

The group that rents the day care building did not pay \$600 in yearly rent to the City in fiscal year 2012 and fiscal year 2013, as required by the agreement between the City and the daycare. This condition was noted in the prior year; however, the City has not followed-up on this issue.

The City of Melrose has not paid its \$220 library fee due to the City. The City did not realize this until we brought it their attention.

It appears the City is due an additional \$2,752 from a Department of Homeland Security grant. The City could have claimed this money over two years ago. However, City personnel were unable to explain why they have not claimed these funds from the Department of Homeland Security.

Recommendation – The City implement procedures to ensure all monies due to the City are identified and received on a timely basis. This would include monies from the rental of airplane hangars, building rent, library fee, and reimbursement due from the Department of Homeland Security.

Response – We will review this and take appropriate action.

Conclusion – Response accepted.

- (11) Tax Issues – Several IRS-1099 Misc. forms were not issued as required. It appears the Iowa Workforce report submitted to the State of Iowa for one quarter was materially inaccurate.

Recommendation – The City issue IRS 1099-Misc. forms as required. In addition, the City implement procedures to ensure the Iowa Workforce reports submitted to the State of Iowa are accurate.

Response – We will implement these recommendations.

Conclusion – Response accepted.

City of Albia

Schedule of Findings

Year ended June 30, 2013

- (12) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Police Department retains electronic images of the front of cancelled checks, but not the back of cancelled checks.

Recommendation – The Police Department retain an image of both the front and back of each cancelled check as required.

Response – The Police Department will request that the back of the checks be included with the bank statement.

Conclusion – Response accepted.

- (13) Payroll – In some instances, the timecards were not signed by the employees' supervisor, and the beginning work time and ending work time was not documented on the timecards. In addition, instances were noted where there was not always written authorization for the amount of deductions withheld from the employees' paycheck.

Recommendation – The City implement procedures to ensure the beginning work time and ending work time is documented on the timecards, and that the timecards are signed by the employees' supervisor. In addition, written authorizations should be maintained for the amount of deductions withheld from the employees' paycheck.

Response – We will attempt to implement these recommendations.

Conclusion – Response accepted.

- (14) Council Pay – Chapter 380.6 of the Code of Iowa states that an ordinance has to be published in the newspaper in order for the ordinance to become effective. This same code section goes on to further state that the ordinance becomes effective when it is published, unless a subsequent effective date is provided within the ordinance.

Chapter 372.13 of the Code of Iowa states that by ordinance the City Council shall set the compensation of the City Council members. This same Code of Iowa section goes on to state that a change in compensation of City Council members becomes effective for all City Council members at the beginning of the term of the City Council members elected at the election next following the change in compensation.

The City Council members' rate of pay increased from \$25 per meeting to \$35 per meeting on January 1, 2012. However, the ordinance increasing the rate of pay for the City Council members was not published until August 2, 2012. Therefore, based on the above Code sections, it would appear that the City Council members' rate of pay should not be increased to \$35 per meeting until January 1, 2014. As a result, it would appear that all of the City Council members were overpaid for the period from January 1, 2012 until June 30, 2013.

Recommendation – The City work with the City Attorney to determine the legality of the City Council member pay.

Response – We will work with the City Attorney on the City Council pay issue, and follow his guidance.

Conclusion – Response accepted.

City of Albia

Schedule of Findings

Year ended June 30, 2013

(15) Miscellaneous – The City has credit cards for use by various 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. Additionally, supporting documentation was not always available to support credit card charges.

Weight tickets which document tons of asphalt paid by the City were not consistently retained or agreed to the summary billing from the contractor.

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 the 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.

Weight tickets should be obtained and retained for all asphalt purchases, and should be agreed to the summary billing from the contractor.

Response – We will attempt to implement these recommendations.

Conclusion – Response accepted.