

CITY OF MITCHELLVILLE, IOWA
Independent Auditor's Report
Basic Financial Statements and
Supplementary and Other Information and Findings

June 30, 2013

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City of Mitchellville, Iowa
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bill Roberts	Mayor	December, 2013
Dean McGhee	Council Member	December, 2015
Deb Thomas	Council Member	December, 2015
Ken Thomas	Council Member	December, 2013
Chad Snyder	Council Member	December, 2013
Steve Zook	Council Member	December, 2013
Ruth Norton	City Administrator/ Clerk	Indefinite
Bill Mallory	City Attorney	Indefinite
Timothy Brandt	Director Public Works	Indefinite
Mike Twohey	Fire Chief	Indefinite

POLLARD AND COMPANY P.C.

CERTIFIED PUBLIC ACCOUNTANT

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CERTIFIED PUBLIC ACCOUNTANTS
PRIVATE COMPANIES PRACTICE SECTION
IOWA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Mitchellville

Report on the Financial Statements

I 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 Mitchellville, Iowa as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted the 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mitchellville as of June 30, 2013, and the respective changes in cash financial position for the year then ended in accordance 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. My opinion is not modified with respect to this matter.

Other Matters- Supplementary Information and Other Information

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 and expressed unqualified opinions on those financial statements (which are not presented herein) which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedule 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Other Information, Management Discussion and Analysis and the Budgetary Comparison information has not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also included my report on my consideration of the City's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

April 25, 2014

Pollard and Company P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Mitchellville 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 follows.

FY 2013 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased by \$61,780 from FY 2012 to FY 2013 (despite a decrease in general fund property tax revenue) due to increased Tax Increment Financing and increased Charges for Services.
- The general government disbursements increased \$34,828 from FY 2012 to FY 2013 due to increased employee benefits cost and increased Tax Increment Financing payments.
- The City's total cash basis net assets for FY 2013 were \$1,108,537. Of this amount, the assets of the governmental activities were \$667,838 and the assets of the business type activities were \$440,699.

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 finances.

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

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

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

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

Supplementary Information provides detailed information about the non-major governmental funds.

BASIS OF ACCOUNTING

The City maintains its financial records based on cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information, which helps, answer this question.

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the business at year-end that are available for spending. The major governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits 3) the Debt Service Fund, and 4) the Fire Truck Replacement Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government, operations and 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 include a statement of cash receipts, disbursements, and changes in cash balances.

2) Proprietary funds account for City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer fund.

3) The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	June 30, 2013	June 30, 2012
Program receipts:		
Charges for service	\$137,962	\$131,671
Operating grants, contributions and restricted interest	\$290,201	\$308,088
Capital grants, contributions and restricted interest	\$0	\$0
General receipts:		
Property tax		
for general purpose	\$541,399	\$513,336
for debt service	\$92,659	\$113,490
Tax Incremental Financing	\$77,091	\$26,623
Unrestricted investment earnings	\$1,449	\$2,232
Miscellaneous	\$33,934	\$17,475
Transfers	\$61,263	\$61,498
Total receipts and transfers	\$1,235,958	\$1,174,413
Disbursements:		
Public safety	\$299,369	\$312,973
Public works	\$251,704	\$229,335
Health & Social Services	\$1,500	\$1,000
Culture and recreation	\$127,323	\$135,225
Community and economic development	\$64,750	\$25,641
General government	\$82,611	\$67,576
Debt service	\$200,488	\$221,147
Capital Project	\$0	\$0
Transfers		
Total disbursements	\$1,027,745	\$992,917
Increase(decrease) in cash basis net assets	\$208,213	\$181,496
Cash basis net assets beginning of year	\$459,625	\$278,130
Cash basis net assets end of year	\$667,838	\$459,626

The City's total receipts for governmental activities were \$1,235,958 and the total disbursements of all programs and services were \$1,027,745. The cash-basis net assets end of year 2013 was \$667,838, which was an increase of \$208,213 from the previous year.

Changes in Cash Basis Net Asset of Business Type Activities

	June 30, 2013	June 30, 2012
Program receipts:		
Charges for service		
Water	\$508,780	\$387,146
Sewer	\$313,243	\$255,302
Capital grants, contributions and restricted interest	\$0	\$0
General receipts:		
Bond Proceeds	\$0	\$0
Miscellaneous	\$0	\$0
Transfers		
Total receipts and transfers	\$822,023	\$642,448
Disbursements and transfers:		
Water	\$417,679	\$406,237
Sewer	\$397,670	\$343,446
Transfers	\$61,263	\$61,498
Total disbursements and transfer	\$876,612	\$811,181
Increase (decrease) in cash balance	(\$54,589)	(\$168,733)
Cash basis net assets beginning of year	\$495,288	\$664,021
Cash basis net assets end of year	\$440,699	\$495,288

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Mitchellville completed the year, its governmental funds reported a combined fund balance of \$667,838. An increase of \$208,213 from last year's total of \$459,625. This is due to increases in Employee Benefits Special Revenue, Tax Increment Financing, and Charges for Services.

- The General Fund cash balance had an increase in revenues, and an increase in spending. Revenue from Public Safety Charges for Services increased \$13,934. During the year general receipts for general purpose property tax increased \$40,216 from, \$513,336 in 2012 to \$541,399 in 2013. The increase in spending was Public Works, Community & Economic Development, and General Government.
- The Road Use Tax Fund cash balance had an increase of \$22,067 from \$164,445 for an end of year balance \$186,512. This is due to trying to increase reserves. The Road Use Tax Fund money is used to help maintain or upgrade the condition of all City roads.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance increased by \$29,838 due primarily to increase in operating receipts

- The Sewer Fund cash balance decreased by \$84,427, due to an increase in disbursements for capital projects.

BUDGETARY HIGHLIGHTS

- The City did not amend the FY13 budget.

DEBT ADMINISTRATION

At June 30, 2013, the City had approximately \$3,940,955 in bonds and other long-term debt.

Outstanding Debt at Year -End

	June 30, 2013	June 30, 2012
General Obligation Capital Loan Notes	\$1,301,000	\$1,450,000
Revenue Loan Notes	\$2,397,000	\$2,551,000
Total	\$3,698,000	\$4,001,000

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,301,000 is below its constitutional debt limit of \$2,292,820.

The City of Mitchellville has elected and appointed officials, and department heads who have considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for various City activities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES.

Mitchellville's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various City activities.

Although property tax valuations increased, the City expects lower revenues from the state. The City budgeted for a very slight increase in receipts for 2014, \$4,899, over 2013 receipts. Budgeted disbursements are expected to increase approximately \$200,000. Increased health care costs, increased unemployment insurance costs, and sewer inflow and infiltration project represent the largest increases.

The Deer Run Development is located off Sixth Street NE. There two single family dwellings built in this fiscal year, the City is hoping more homes will be added to this development in the next year.

CONTRACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tammi Dillavou, Chief Financial Officer, 204 Center Avenue N, PO Box 817, Mitchellville, Iowa 50169.

City of Mitchellville
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2013

Functions/Programs	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Services	Operating Grants, Contributions, and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental Activities						
Public safety	\$ 299,369	\$ 54,150	\$ 62,025	\$ (183,194)	\$	\$ (183,194)
Public works	251,704	79,974	215,856	44,126		44,126
Health and Social Services	1,500			(1,500)		(1,500)
Culture and recreation	127,323	3,838	12,320	(111,165)		(111,165)
Community and economic development	64,750			(64,750)		(64,750)
General government	82,611			(82,611)		(82,611)
Debt service	200,488			(200,488)		(200,488)
Total governmental activities	<u>1,027,745</u>	<u>137,962</u>	<u>290,201</u>	<u>(599,582)</u>		<u>(599,582)</u>
Business type activities						
Water	417,679	508,780			91,101	91,101
Sewer	397,670	313,243			(84,427)	(84,427)
Total business type activities	<u>815,349</u>	<u>822,023</u>			<u>6,674</u>	<u>6,674</u>
Total	<u>\$ 1,843,094</u>	<u>\$ 959,985</u>	<u>\$ 290,201</u>	<u>\$ (599,582)</u>	<u>\$ 6,674</u>	<u>\$ (592,908)</u>
General Receipts						
Property and other city taxes levied for						
General purposes				541,399		541,399
Debt service				92,659		92,659
Tax increment financing				77,091		77,091
Unrestricted interest on investments				1,449		1,449
Miscellaneous				33,934		33,934
Transfers				61,263	(61,263)	
Total general receipts and transfers				<u>807,795</u>	<u>(61,263)</u>	<u>746,532</u>
Change in cash basis net position				208,213	(54,589)	153,624
Cash basis net position beginning of year				459,625	495,288	954,913
Cash basis net position end of year				<u>\$ 667,838</u>	<u>\$ 440,699</u>	<u>\$ 1,108,537</u>
Cash basis net position						
Restricted:						
Nonexpendable- Cemetery perpetual care				\$ 38,942	\$	\$ 38,942
Expendable :						
Debt service				15,282	19,243	34,525
Streets				186,512		186,512
Other purposes				75,032		75,032
Unrestricted				352,070	421,456	773,526
Total cash basis net position				<u>\$ 667,838</u>	<u>\$ 440,699</u>	<u>\$ 1,108,537</u>

There were no reconciling items between the Governmental and Proprietary Statements and the above Statement. See notes to financial statements.

City of Mitchellville, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2013

Exhibit B

	Special Revenue					Total
	General	Road Use Tax	Employee Benefits	Fire Truck Replacement	Debt Service	
Receipts:						
Property Taxes	\$ 364,355	\$	\$ 165,493	\$	\$ 92,659	\$ 634,058
Tax Increment Financing						77,091
Licenses and Permits	6,994					6,994
Use of Money and Property	1,449					1,449
Special Assessments					1,487	1,487
Intergovernmental	74,345	215,856				290,201
Charges for Services	137,962					137,962
Miscellaneous	24,532					24,532
Total Receipts	609,637	215,856	165,493		92,659	1,174,695
Disbursements:						
Operating						
Public Safety	237,261		62,108			299,369
Public Works	74,193	163,789	13,722			251,704
Health and Social Services	1,500					1,500
Culture and Recreation	112,777		14,546			127,323
Community and Economic Development	7,325				57,425	64,750
General Government	80,052		2,559			82,611
Debt Service					200,488	200,488
Total Disbursements	513,108	163,789	92,935		200,488	1,027,745
Excess (deficiency) of receipts over (under) disbursements	96,529	52,067	72,558		(107,829)	146,950
Other financing sources (uses)						
Operating transfers in	13,038			34,924	116,863	186,389
Operating transfers out	(60,524)	(30,000)			(34,602)	(125,126)
Total other financing sources (uses)	(47,486)	(30,000)		34,924	116,863	61,263
Net Change in cash balances	49,043	22,067	72,558	34,924	9,034	208,213
Cash balances beginning of year	208,346	164,445	(29,677)	61,361	6,248	489,025
Cash balances end of year	\$ 257,389	\$ 186,512	\$ 42,881	\$ 96,285	\$ 15,282	\$ 667,838
Cash Basis Fund Balances						
Nonspendable- Cemetery perpetual care						
Restricted for:						
Debt service						
Streets		186,512			15,282	201,794
Other purposes			42,881			42,881
Assigned for fire station purposes				96,285		96,285
Unassigned	257,389				(1,604)	255,785
Total cash basis fund balances	\$ 257,389	\$ 186,512	\$ 42,881	\$ 96,285	\$ 15,282	\$ 667,838

See notes to financial statements

City of Mitchellville, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2013

Exhibit C

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating receipts			
Charges for service	\$ 508,780	\$ 313,243	\$ 822,023
Total operating receipts			
Operating disbursements			
Business-type activities	263,656	236,018	499,674
Total operating disbursements	<u>263,656</u>	<u>236,018</u>	<u>499,674</u>
Excess of operating receipts over operating disbursements	<u>245,124</u>	<u>77,225</u>	<u>322,349</u>
Non-operating (disbursements)			
Debt service	(154,023)	(96,399)	(250,422)
Capital projects		(65,253)	(65,253)
Total non-operating (disbursements)	<u>(154,023)</u>	<u>(161,652)</u>	<u>(315,675)</u>
Excess of receipts over (under) disbursements	91,101	(84,427)	6,674
Operating transfers out	<u>(61,263)</u>		<u>(61,263)</u>
Net change in cash balances	29,838	(84,427)	(54,589)
Cash balances - beginning of year	<u>50,923</u>	<u>444,365</u>	<u>495,288</u>
Cash balances - end of year	<u>\$ 80,761</u>	<u>\$ 359,938</u>	<u>\$ 440,699</u>
Cash basis fund balances			
Restricted for debt service	\$ 12,485	\$ 6,758	\$ 19,243
Assigned for sewer rehabilitation		150,000	150,000
Unrestricted	68,276	203,180	271,456
Total cash basis fund balances	<u>\$ 80,761</u>	<u>\$ 359,938</u>	<u>\$ 440,699</u>

See notes to financial statements

City of Mitchellville, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Fiduciary Funds
As of and for the year ended June 30, 2013

	<u>Blake Trust</u>	<u>Library Memorial</u>	<u>Thomas Mitchell Historical Society</u>
Receipts			
Use of money and property	\$ 419	\$ 39	\$
Miscellaneous		19,165	576
Total receipts	<u>419</u>	<u>19,204</u>	<u>576</u>
Disbursements		<u>687</u>	<u>157</u>
Net change in cash balances	419	18,517	419
Cash balance - beginning of year	63,579	14,192	3,500
Cash balance - end of year	<u><u>\$ 63,998</u></u>	<u><u>\$ 32,709</u></u>	<u><u>\$ 3,919</u></u>

City of Mitchellville, Iowa
Notes To Financial Statements
June 30, 2013

1/ Summary of Significant Accounting Policies

The City of Mitchellville is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1856 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements, and general administrative services.

A. Reporting Entity

For financial reporting purposes, the City of Mitchellville 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 board and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units that meet the criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the City's citizenry, but do not meet the criteria for 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: The Safety Coalition of Central Iowa Cities, HAZ-MAT Services, Urban Design Standards and Construction Specification Agreement, and City of Colfax Mutual Fire and Police Assistance Agreement.

As of July, 2010, in conjunction with 23 other governmental agencies, the City became a member, under a 28E agreement, of the Central Regional Iowa Drinking Water Commission, which shall provide planning activities for water supply, treatment, distribution and storage facilities when the activities impact two or more members. The Commission board consists of a representative of each of the participating members.

In addition, the City, in conjunction with seventeen other cities, created the Metro Waste Authority. The Authority board consists of an elected representative of the governing body of each participating governmental jurisdiction. The purpose of this joint public body is to provide for the economic disposal of all solid waste produced or generated by the jurisdictions and private contractors. During the year ended June 30, 2013, the City paid the Metro Waste Authority \$ 16,970 for the Curb It Program.

B. Basis of Presentation

Government-wide Financial Statements - 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 services.

B. Basis of Presentation (continued)

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position.

Net position are reported in three categories:

Nonexpendable restricted net position are subject to externally imposed stipulations which require them to be maintained permanently by the City.

Expendable restricted net position result 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 consist of cash balances not meeting the definition of the preceding categories. Unrestricted net positions often has 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 direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

Fire Truck Replacement Fund is used to account for the replacement of the truck.

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 City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

The City of Mitchellville 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.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost- reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net 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 a propriety 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 places on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned- Amounts the Council intends to use for specific purposes.

Unassigned- All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

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. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$753,442 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

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

3/ Bonds and Notes Payable

Urban Service Area Agreement

In October 2005, Polk County and the City entered into an agreement under Chapter 28 of the Code of Iowa to provide water and sewer extensions to customers outside the city limits. In prior years, the service fees were divided 50% to the City and 50% to a Joint Water and Sewer Trust Fund maintained by the County to be applied to construction costs within the Urban Service area. On October 29, 2009, the agreement was amended as follows: beginning in the year ending June 30, 2011 and continuing until January , 2026, the city will make annual payments to Polk County to repay 75% of the construction costs. As of June 30, 2013, the total to be paid is \$242,955. The remainder will be paid by revenues generated from connection fees and development agreements.

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

Year Ending	General Obligation Bonds		Revenue Bonds/ Notes		Total		
	June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2014		156,000	44,110	159,000	71,910	315,000	116,020
2015		162,000	38,660	163,000	67,140	325,000	105,800
2016		163,000	32,945	168,000	62,250	331,000	95,195
2017		140,000	27,130	174,000	57,210	314,000	84,340
2018		146,000	22,205	179,000	51,990	325,000	74,195
2019-2023		360,000	53,645	976,000	176,280	1,336,000	229,925
2024-2026		174,000	10,560	578,000	32,670	752,000	43,230
Total		\$ 1,301,000	\$ 229,255	\$ 2,397,000	\$ 519,450	\$ 3,698,000	\$ 748,705

Revenue Bonds and Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$2,230,000 in water revenue bonds issued in September 2005. Proceeds from the bonds provided financing for the water system construction and improvement. The bonds are payable solely from water customer net receipts and are payable through 2026. The total principal and interest remaining to be paid on the bonds is \$1,948,510. For the current year, principal and interest paid and customer net receipts were \$147,790 and \$245,124, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,200,000 in sewer revenue capital notes issued in May 2004. Proceeds from the notes provided financing for the sewer treatment plant construction and improvement. The notes are payable solely from sewer customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the notes is \$ 967,940. For the current year, principal and interest paid and customer net receipts were \$80,740 and \$77,225, respectively.

The resolutions providing for the issuance of the revenue bonds/notes include the following provisions.

- a) The bonds/notes will only be redeemed from the future earnings of each enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.

- b) Sufficient monthly transfers shall be made to separate water and sewer revenue bond/note sinking accounts for the purpose of making the bond/note principal and interest payments when due.
- c) User rates shall be established and charged to customers of the activity at least sufficient to pay the expenses of operation and maintenance and to have a balance of net revenues equal to at least 110% of the principal and interest on the bonds/notes falling due in the same year. During the year, the City met this test for water but not for sewer operations,

In July, 2013, the City increased the water and sewer rates as required by the above resolution.

4/ Urban Renewal Area Tax Increment Financing

In 1994, the City established an Urban Renewal Area. In accordance with Chapter 403.19 of the Code of Iowa, the City may enter into an agreement with the county, school and other taxing jurisdictions, to use the increase in taxes, as a result of the incremental property tax valuation increase, in the Urban Renewal Area. The taxes so collected are paid into the City's Special Revenue Fund and are expended on project costs and obligations.

In 2006, The City and Eastern Polk Development, LLC entered into a development agreement in which the City will pay the tax increment financing taxes to the entity, beginning on the date that the taxes become available and continuing for a total of ten fiscal years. The total payments shall not exceed \$700,000. The City has certified the agreement to the county auditor and the first year of collection was June 30, 2012. The obligation is not a general obligation of the City, however, the debt is subject to the constitutional debt limitation of the City.

The agreement specifically requires the developer to build on 20 lots which must qualify for low and moderate income (LMI) housing. Upon completion of such, the developer will receive \$200,000. The City is accumulating the LMI portion of the tax increment financing taxes in a special revenue fund. If the developer does not fulfill the obligation, the City will be required to develop a plan to spend the accumulated LMI funds in a residential development area. The balance of the tax increment financing taxes is being paid to the developer to satisfy the remaining obligation which at June 30, 2013 was \$430,621.

5/ 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 \$36,223 \$31, 970 ,and \$30,739, respectively, equal to the required contributions for each year.

6/ Compensated Absences

City employees accumulate a limited amount of earned but unused vacation 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 these earned termination payments payable to employees at June 30, 2013, primarily relating to the General Fund, is \$18,000. This liability has been computed based on rates of pay as of June 30, 2013.

- a) 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 to equal 300 percent of the total current member's 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 annual contributions to the Pool for the year ended June 30, 2013 were \$30,862.

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 \$150,000 each occurrence, each location, with excess coverage reinsured by the 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 members' risk-sharing certificate or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. 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 percent of its casualty capital contributions. However, the refund is reduced by the amount of capital contributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

- b) The City is a member of the Iowa Municipalities Workers' Compensation Association (IMWCA) which provides workers' compensation coverage to its members. The Association is governed by a board of directors elected by representatives of the governing bodies of each participating governmental jurisdictions. The City has executed a Worker's Compensation coverage agreement with the Association which extends through June 30, 2013 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the period ended June 30, 2013, the City paid worker's compensation insurance premiums of \$18,012 to the Association.

8/ Interfund Transfers

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

	Transfer To				Total
	General	Fire Truck	Debt Service	TIF- LMI	
Transfer from					
Water	\$	\$	\$ 61,263	\$	\$ 61,263
General		34,924	25,600		60,524
Emergency Levy	11,551				11,551
Road Use Tax			30,000		30,000
Special Assessment	1,487				1,487
Tax Increment Financing				21,564	21,564
	<u>\$ 13,038</u>	<u>\$ 34,924</u>	<u>\$ 116,863</u>	<u>\$ 21,564</u>	<u>\$ 186,389</u>

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

9/ Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that effect the reported amounts and disclosure of liabilities, contingent liabilities, and commitments at the date of the financial statements, and the classification of receipts and disbursements during the reporting period. Actual results could differ from the estimates that were used.

10/ Other Postemployment Benefits (OPEB)

Plan Description- The City participates in a single-employer benefit plan which provides medical/prescription drug and dental benefits for active employees, retirees and their spouses. There are 11 active and no retired members in the plan. Participants must be age 55 or older at retirement. The benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the full premium for the benefits while the City contributes to the premium of active employees.

Funding Policy- 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 \$722 for single coverage, and \$1,832 for family coverage. The City pays the full cost of the single coverage and 30% of the difference between single coverage and any family coverage for those employees electing such coverage. The contribution requirements of plan members are established and may be amended by the City. For the year ended June 30, 2013, the City contributed \$120,793 and plan members eligible for benefits contributed \$12,672 to the plan.

11/ Commitments

In July 2011, the U. S. Environmental Protection Agency (EPA) issued an Administrative Compliance Order based on an inspection of the Mitchellville Waste Water Treatment Facility. Subsequently, the City hired an engineering firm to address the EPA's remedial requirements and identify causes of the violations at the Facility. Among other issues, the engineers considered inflow and infiltration in the collection system. The report has been submitted and approved by the EPA. The City has committed to the 2013 collection system rehabilitation project and to submit a Community Development Block Grant application to defray some of the project costs. The cost of the project is estimated to be \$1,100,000. The City Council has assigned \$ 150,000 toward the project from unrestricted fund balances toward the project.

Effective January 1, 2013, the City and Waste Management of Iowa entered into an agreement to pay 93 monthly payments for the use of toter garbage carts. The monthly payments are estimated to be \$305. At June 30, 2013, the estimated remaining payments totaled \$ 27,000.

City of Mitchellville, Iowa
 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	Enterprise Funds Actual	Net
Receipts			
Property Taxes	\$ 634,058	\$	\$ 634,058
Tax Increment Financing	77,091		77,091
Licenses and Permits	6,994		6,994
Use of Money and Property	1,449		1,449
Special Assessments	1,487		1,487
Intergovernmental	290,201		290,201
Charges for Service	137,962	822,023	959,985
Miscellaneous	25,453		25,453
Total Receipts	<u>1,174,695</u>	<u>822,023</u>	<u>1,996,718</u>
Disbursements			
Public Safety	299,369		299,369
Public Works	251,704		251,704
Health and Social Services	1,500		1,500
Culture and recreation	127,323		127,323
Community and Economic Development	64,750		64,750
General Government	82,611		82,611
Debt Service	200,488	250,422	450,910
Business Type Activities		564,927	564,927
Total Disbursements	<u>1,027,745</u>	<u>815,349</u>	<u>1,843,094</u>
Excess (deficiency) of receipts over (under) disbursements	<u>146,950</u>	<u>6,674</u>	<u>153,624</u>
Other financing sources, net	<u>61,263</u>	<u>(61,263)</u>	
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>208,213</u>	<u>(54,589)</u>	<u>153,624</u>
Balance - beginning of year	459,625	495,288	954,913
Balance - end of year	<u>\$ 667,838</u>	<u>\$ 440,699</u>	<u>\$ 1,108,537</u>

See accompanying independent auditors' report.

Budgeted Amounts

<u>Original and</u>	<u>Final to Net</u>
<u>Final</u>	<u>Variance</u>
\$ 631,279	\$ 2,779
80,692	(3,601)
7,575	(581)
3,850	(2,401)
14,246	(12,759)
268,176	22,025
1,107,861	(147,876)
42,036	(16,583)
<u>2,155,715</u>	<u>(158,997)</u>
396,947	97,578
317,671	65,967
1,500	
178,137	50,914
89,542	24,792
100,074	17,463
200,488	(250,422)
949,931	385,004
<u>2,234,290</u>	<u>391,296</u>
<u>(78,575)</u>	<u>231,199</u>
<u>86,863</u>	<u>414,113</u>
<u>8,288</u>	<u>116,146</u>
<u>942,020</u>	<u>69,874</u>
<u>\$ 950,308</u>	<u>\$ 186,020</u>

City of Mitchellville, Iowa
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 Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the debt service function by \$250,422. This was primarily due to classifying enterprise funds debt service as business type function in the published budget rather than debt service. If the proper function had been used, disbursements would not have been exceeded.

City of Mitchellville, Iowa
 Schedule of Cash Receipts, Disbursements, and Changes in Cash Balances
 Nonmajor Governmental Funds
 As of and for the year ended June 30, 2013
 Schedule 1

	Special Revenue					Total
	Tax Increment Financing	Increment Financing LMI	Emergency Levy	Special Assessment	Park Fund	
Receipts						
Property tax			\$ 11,551			\$ 11,551
Tax Increment Financing	77,091					77,091
Special Assessments			1,487			1,487
Miscellaneous					920	921
Total Receipts	77,091		11,551	1,487	920	91,050
Disbursements- Operating						
Community and Economic Development	57,425					57,425
Total Disbursements	57,425					57,425
Excess (deficiency) of receipts over (under) disbursements	19,666		11,551	1,487	1	920
Other financing sources (uses)						
Operating transfers in		21,564				21,564
Operating transfers out	(21,564)		(11,551)	(1,487)		(34,602)
Total other financing sources (uses)	(21,564)	21,564	(11,551)	(1,487)		(13,038)
Net change in cash balances	(1,898)	21,564			1	20,587
Cash balance - beginning of year	294	7,187			3,399	48,902
Cash balance - end of year	\$ (1,604)	\$ 28,751	\$	\$	\$ 3,400	\$ 69,489
Cash basis fund balances						
Nonspendable - Cemetery perpetual care						\$ 38,942
Restricted for other purposes		28,751			3,400	32,151
Unassigned	(1,604)					(1,604)
Total cash basis fund balances	\$ (1,604)	\$ 28,751	\$	\$	\$ 3,400	\$ 69,489

See accompanying independent auditor's report.

City of Mitchellville, Iowa
Schedule of Indebtedness
For the year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Notes			
Water Treatment Plant	June, 2006	3.00%	1,050,000
Library Renovations	August, 2006	4.25%	255,000
City Hall/Center Avenue Improvements	June, 2008	2.70% - 3.90%	810,000
Capital Loan Notes Series 2009A	July, 2009	4.00%	185,000
Totals			
TIF Development Agreement	May, 2006	0.00%	500,000
TIF Development Agreement- LMI	May, 2006	0.00%	200,000
Totals			
Revenue Bonds/Notes			
Sewer Revenue Capital Notes	May, 2004	3.00%	1,200,000
Water Revenue Bonds	September, 2005	3.00%	2,230,000
Totals			

Urban Service Area Agreement

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 685,000		\$ 39,000	\$ 646,000	\$ 20,550
120,000		30,000	90,000	5,100
505,000		60,000	445,000	18,025
140,000		20,000	120,000	5,600
<u>\$ 1,450,000</u>	<u>\$</u>	<u>\$ 149,000</u>	<u>\$ 1,301,000</u>	<u>\$ 49,275</u>
\$ 488,046		\$ 57,425	\$ 430,621	
192,813		21,564	171,249	
<u>\$ 680,859</u>		<u>\$ 78,989</u>	<u>\$ 601,870</u>	
\$ 858,000	\$	\$ 55,000	\$ 803,000	\$ 25,740
1,693,000		99,000	1,594,000	50,790
<u>\$ 2,551,000</u>	<u>\$</u>	<u>\$ 154,000</u>	<u>\$ 2,397,000</u>	<u>\$ 76,530</u>
\$ 256,469	\$	\$ 13,514	\$ 242,955	

City of Mitchellville, Iowa
 Bond and Note Maturities
 June 30, 2013

General Obligation Bonds and Notes

Year Ending June 30,	Water Capital Notes		Capital Loan Notes Series 2009A		Library Renovations		City Hall/Center Avenue		Total
	Issued June 1, 2006		Issued July 22, 2009		Issued August 21, 2006		Issued June 17, 2008		
	Rates %	Amount	Rate %	Amount	Rate %	Amount	Rates %	Amount	
2014	3.00	41,000	4.00	20,000	4.25	30,000	3.30	65,000	156,000
2015	3.00	42,000	4.00	20,000	4.25	30,000	3.40	70,000	162,000
2016	3.00	43,000	4.00	20,000	4.25	30,000	3.50	70,000	163,000
2017	3.00	45,000	4.00	20,000			3.70	75,000	140,000
2018	3.00	46,000	4.00	20,000			3.80	80,000	146,000
2019	3.00	48,000	4.00	20,000			3.90	85,000	153,000
2020	3.00	49,000							49,000
2021	3.00	51,000							51,000
2022	3.00	53,000							53,000
2023	3.00	54,000							54,000
2024		56,000							56,000
2025		58,000							58,000
2026	3.00	60,000							60,000
Totals		\$ 646,000		\$ 120,000		\$ 90,000		\$ 445,000	\$ 1,301,000

	Water Revenue Bonds		Urban Service Area		Sewer Revenue Capital Notes	
	Issued September 21, 2005		Issued October 29, 2009		Issued May 17, 2004	
	Rate %	Amount	Rate %	Amount	Rate %	Amount
2014	3.00	102,000	0.00	14,115	3.00	57,000
2015	3.00	105,000	0.00	14,715	3.00	58,000
2016	3.00	108,000	0.00	15,316	3.00	60,000
2017	3.00	112,000	0.00	15,917	3.00	62,000
2018	3.00	115,000	0.00	16,818	3.00	64,000
2019	3.00	118,000	0.00	17,418	3.00	66,000
2020	3.00	122,000	0.00	18,319	3.00	67,000
2021	3.00	126,000	0.00	19,220	3.00	69,000
2022	3.00	129,000	0.00	20,121	3.00	72,000
2023	3.00	133,000	0.00	21,022	3.00	74,000
2024	3.00	137,000	0.00	21,923	3.00	76,000
2025	3.00	141,000	0.00	23,425	3.00	78,000
2026	3.00	146,000	0.00	24,626		
Totals		\$ 1,594,000		\$ 242,955		\$ 803,000

See accompanying independent auditors' report

City of Mitchellville, Iowa
Schedule of Receipts by Source and Disbursements by Function
All Government Funds
For the Last Nine Years

	2013	2012	2011	2010	2009	2008
Receipts						
Property taxes	\$ 634,058	\$ 626,826	\$ 607,925	\$ 591,537	\$ 534,729	\$ 503,636
Tax Increment Financing	77,091	26,623				
Licenses and permits	6,994	9,858	17,371	6,365	8,592	11,926
Use of money and property	1,449	2,232	2,927	4,300	12,799	26,476
Special Assessments	1,487	400	888	948	400	
Intergovernmental	290,201	308,088	283,315	259,532	296,142	253,493
Charges for service	137,962	121,813	85,611	93,650	93,874	127,224
Miscellaneous	25,453	17,075	23,469	20,317	76,533	106,943
Total	\$ 1,174,695	\$ 1,112,915	\$ 1,021,506	\$ 976,649	\$ 1,023,069	\$ 1,029,698
Disbursements						
Operating						
Public safety	\$ 299,369	\$ 312,973	\$ 327,179	\$ 271,759	\$ 326,809	\$ 389,989
Public works	251,704	229,355	254,744	304,644	281,503	442,743
Health and social services	1,500					
Culture and recreation	127,323	136,225	136,693	141,008	150,021	123,509
Community and economic development	64,750	25,641	5,960	6,152	11,004	24,787
General government	82,611	67,576	53,633	96,077	99,344	111,070
Debt service	200,488	221,147	272,475	269,577	274,753	199,658
Capital projects				251,084	896,560	237,685
Total	\$ 1,027,745	\$ 992,917	\$ 1,050,684	\$ 1,340,301	\$ 2,039,994	\$ 1,529,441

See accompanying independent auditors' report.

Schedule 4

	2007	2006	2005
\$	484,798	\$ 499,829	\$ 492,370
	12,664	14,828	8,525
	32,527	16,155	7,166
	303,544	214,152	185,486
	126,160	113,830	113,646
	681,272	62,197	35,337
\$	<u>1,640,965</u>	<u>\$ 920,991</u>	<u>\$ 842,530</u>

\$	413,684	\$ 304,815	\$ 268,519
	513,887	274,089	224,577
	110,388	120,699	120,433
	16,638	5,863	5,857
	78,508	92,410	90,115
	154,753	71,208	73,702
	745,256	43,254	
\$	<u>2,033,114</u>	<u>\$ 912,338</u>	<u>\$ 783,203</u>

POLLARD AND COMPANY P.C.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of the City Council

I 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 financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mitchellville, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued my report thereon as dated below. My report expressed unqualified opinions on the 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 my audit, I considered the City of Mitchellville's internal control over financial reporting as a basis for designing my auditing procedures to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control.

My 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, I have identified a deficiency in internal control, described in Part I of the accompanying Schedule of Findings that I consider to be a material weakness.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mitchellville's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my 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 of Mitchellville's responses to findings identified in my 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 I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

April 25, 2014

Pollard and Company P.C.

CITY OF MITCHELLVILLE, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

PART I Findings Related to the Financial Statements

I-A-13 Segregation of Duties

One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The posting of the cash receipts and disbursements to the general ledger, reconciliations and securities control and custody were all done by the same person for the majority of the fiscal year ended June 30, 2013..

Recommendation

I realize that 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.

Response

With the employment of a chief financial officer/ treasurer duties will be assigned to the extent possible to provide additional controls through review of financial transactions and reports and segregation of duties.

Conclusion- Response accepted.

PART II Other Findings Related to Statutory Reporting

II-A-13 Certified Budget

Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in debt service function.

Recommendation

The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa.

Response

The published budget included the enterprise funds debt service as a business type function rather than debt service. If it had been classified to match the financial statements, the debt service budget function would not have been exceeded. The budget and financials will be properly coordinated in the future as applicable.

Conclusion- Response accepted.

II-B-13 Questionable Disbursements

I noted no disbursements for parties,banquets or other entertainment expenses that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-13 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-13 Business Transactions

There were no business transactions between the City and City officials or employees during the year.

II-E-13 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions.

II-F-13 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-13 Deposits and Investments

Deposits and investments were in compliance with Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-13 Revenue Bonds and Notes

As noted in Note 3, the City did not maintain sufficient rates to service the revenue bonds and notes as required by the resolutions.

Recommendation

The City should periodically determine if rates are sufficient to provide net operating revenues which exceed 110% of the debt service required on the revenue notes.

Response

Sewer rates were increased on July 1, 2013.

Conclusion

Response accepted.

II-I-13 Urban Renewal Annual Report

The following exceptions were noted:

The City did not include the beginning and ending cash balances of the Special Revenue, Urban Renewal Tax Increment – Low to Moderate Income Fund on the Levy Authority Summary.

The amount reported by the City as TIF debt outstanding was overstated by \$208,252.

Recommendation

The City should ensure the cash balances and debt amounts reported on the Levy Authority Summary agree with the City's records.

Response

These items will be corrected on next year's report.

Conclusion

Response accepted.