



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

June 19, 2014

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Bevington, Iowa.

The City's receipts totaled \$108,530 for the year ended June 30, 2013. The receipts included \$29,752 in property tax, \$71,042 from local option sales tax, \$540 from charges for service, \$4,780 from operating grants, contributions and restricted interest, \$2,383 from unrestricted interest on investments and \$33 from other general receipts.

Disbursements for the year ended June 30, 2013 totaled \$68,066, and included \$35,740 for general government, \$30,626 for public works and \$1,700 for public safety.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1322-0576-B00F.pdf>.

###

CITY OF BEVINGTON
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		5-6
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	9
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	10
Notes to Financial Statements		11-14
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds		16
Notes to Other Information – Budgetary Reporting		17
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	19
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>		21-22
Schedule of Findings		23-30
Staff		31

City of Bevington

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jim Bussanmas	Mayor	Jan 2014
Sarah Black	Council Member	Jan 2014
Jeff Bussanmas	Council Member	Jan 2014
Jerry Bussanmas	Council Member	Jan 2014
Paul Courtney	Council Member	Jan 2014
Denyse Thompson	Council Member	Jan 2014
Kathy Kieler	City Clerk	Indefinite
John Casper	Attorney	Indefinite

City of Bevington



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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, each major fund and the aggregate remaining fund information of the City of Bevington, 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 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 Qualified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2012.

Qualified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2012, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Bevington as of June 30, 2013, and the respective changes in its cash basis 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. Our opinions are 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 of Bevington basic financial statements. The supplementary information included in Schedule 1 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 our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2012, as discussed in the "Basis for Modified Opinions" paragraph, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the budgetary comparison information on pages 16 and 17, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 2, 2014 on our consideration of the City of Bevington'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 of Bevington's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 2, 2014

City of Bevington

Basic Financial Statements

Exhibit A

City of Bevington

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

	Disbursements	Program Receipts		Net
		Charges for Service	Operating Grants, Contributions and Restricted Interest	(Disbursements) Receipts and Changes in Cash Basis Net Position
Functions/Programs:				
Governmental activities:				
Public safety	\$ 1,700	-	-	(1,700)
Public works	30,626	-	4,780	(25,846)
General government	35,740	540	-	(35,200)
Total	\$ 68,066	540	4,780	(62,746)
General Receipts:				
Property and other city tax levied for general purposes				29,752
Local option sales tax				71,042
Unrestricted interest on investments				2,383
Miscellaneous				33
Total general receipts				103,210
Change in cash basis net position				40,464
Cash basis net position beginning of year				489,640
Cash basis net position end of year				\$ 530,104
Cash Basis Net Position				
Restricted:				
Streets				\$ 7,036
Local option sales tax				293,895
Unrestricted				229,173
Total cash basis net position				\$ 530,104

See notes to financial statements.

City of Bevington

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

As of and for the year ended June 30, 2013

	Special Revenue			Total
	General	Warren County LOST	Nonmajor	
Receipts:				
Property tax	\$ 29,752	-	-	29,752
Other city tax	-	67,601	3,441	71,042
Licenses and permits	540	-	-	540
Use of money and property	1,244	1,139	-	2,383
Intergovernmental	-	-	4,780	4,780
Miscellaneous	33	-	-	33
Total receipts	31,569	68,740	8,221	108,530
Disbursements:				
Operating:				
Public safety	-	1,357	343	1,700
Public works	195	26,929	3,502	30,626
General government	6,565	28,977	198	35,740
Total disbursements	6,760	57,263	4,043	68,066
Change in cash balances	24,809	11,477	4,178	40,464
Cash balances beginning of year	204,364	277,182	8,094	489,640
Cash balances end of year	\$ 229,173	288,659	12,272	530,104
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -	-	7,036	7,036
Local option sales tax	-	288,659	5,236	293,895
Unassigned	229,173	-	-	229,173
Total cash basis fund balances	\$ 229,173	288,659	12,272	530,104

See notes to financial statements.

City of Bevington

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

The City of Bevington is a political subdivision of the State of Iowa located in Madison and Warren Counties. It was first incorporated in 1916 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, community and economic development and general government services.

A. Reporting Entity

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

Jointly Governed Organizations

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

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 are supported by tax and intergovernmental revenues.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

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

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position 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 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 – Major individual governmental 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 levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

The Special Revenue, Warren County Local Option Sales Tax fund is used to account for the local option sales tax received from the State of Iowa to be used for purposes outlined in the local option sales tax ballot initiative enacted July 10, 2007.

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net 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.

D. Governmental Cash Basis Fund Balances

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

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

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public safety, public works and general government functions.

(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.

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

(3) 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 contribution to IPERS for the year ended June 30, 2013 was \$130, equal to the required contribution for the year.

(4) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Other Information

City of Bevington

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds

Other Information

Year ended June 30, 2013

	Governmental Funds Actual	Budgeted Amounts Original/Final	Final to Total Variance
Receipts:			
Property tax	\$ 29,752	26,044	3,708
Other city tax	71,042	160,592	(89,550)
Licenses and permits	540	-	540
Use of money and property	2,383	-	2,383
Intergovernmental	4,780	4,500	280
Miscellaneous	33	226,000	(225,967)
Total receipts	108,530	417,136	(308,606)
Disbursements:			
Public safety	1,700	1,268	(432)
Public works	30,626	7,900	(22,726)
Community and economic development	-	500	500
General government	35,740	5,400	(30,340)
Total disbursements	68,066	15,068	(52,998)
Excess of receipts over disbursements	40,464	402,068	(361,604)
Balances beginning of year	489,640	790,720	(301,080)
Balances end of year	\$ 530,104	1,192,788	(662,684)

See accompanying independent auditor's report.

City of Bevington

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. 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 and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. There were no budget amendments during the year.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public safety, public works and general government functions.

Supplementary Information

City of Bevington

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		Total
	Road Use Tax	Madison County LOST	
Receipts:			
Other city tax	\$ -	3,441	3,441
Intergovernmental	4,780	-	4,780
Total receipts	4,780	3,441	8,221
Disbursements:			
Operating:			
Public safety	-	343	343
Public works	3,467	35	3,502
General government	31	167	198
Total disbursements	3,498	545	4,043
Change in cash balances	1,282	2,896	4,178
Cash balances beginning of year	5,754	2,340	8,094
Cash balances end of year	\$ 7,036	5,236	12,272
Cash Basis Fund Balances			
Restricted for other purposes:	\$ 7,036	5,236	12,272

See accompanying independent auditor's report.

City of Bevington



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA
Auditor of State

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 Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Bevington, 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 our report thereon dated June 2, 2014. Our report expressed qualified 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, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balances at July 1, 2012.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Bevington'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 of Bevington's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Bevington'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 of Bevington'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) and (B) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (C) through (J) to be significant deficiencies.

Compliance and Other Matters

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

The City of Bevington's Responses to the Findings

The City of Bevington's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Bevington'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 results 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 of Bevington during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 2, 2014

City of Bevington

Schedule of Findings

Year ended June 30, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) 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. One individual has control over the following areas:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Investing – record keeping, investing, custody of investments and reconciling earnings.
- (4) Disbursements – purchasing, invoice processing, check writing, mailing, recording and reconciling.
- (5) Payroll – preparing, recording and distributing.
- (6) Transfers – recording and reconciling.
- (7) Financial reporting – preparing, distributing and reconciling.

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

Responses – The City of Bevington will continue to utilize the City Clerk for all above duties and have the Mayor and/or Mayor Pro Tem review the duties to ensure proper completion.

Conclusion – Response accepted.

(B) Financial Reporting – During the audit, we identified a material amount of receipts posted to the wrong fund. In addition, disbursements were not properly classified by function. Adjustments were subsequently made by the City to properly classify these amounts in the City’s financial statements.

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

Response – The City of Bevington will follow the proper classification of receipts and disbursements as advised by the Auditors

Conclusion – Response accepted.

City of Bevington

Schedule of Findings

Year ended June 30, 2013

- (C) Purchasing Policies – The City does not have a policy covering the procurement of goods and services.

Recommendation – The City should establish a policy covering procurement to ensure the City receives the best quality and price for purchased goods and services.

Response – The City of Bevington will review and adopt purchasing policies which state when an employee can purchase items prior to City Council approval. The City will also adopt a policy regarding when bids will be required.

Conclusion – Response accepted.

- (D) Property and Liability Insurance – The City's property and liability insurance lapsed, resulting in the City not having property or liability insurance from September 12, 2012 to June 20, 2013.

Recommendation – The City should establish a procedure to periodically review insurance coverage to ensure coverage is adequate and does not lapse.

Response – The City Clerk will ensure City insurance does not lapse in the future. However, the City was not notified of the discontinuation.

Conclusion – Response accepted.

- (E) Unauthorized Salary - The Clerk was paid \$1,587 for fiscal year 2013. This amount includes \$1,500 of salary authorized by the City Council and \$87 for the employee's portion of IPERS benefits. In addition, one City Council member appears to have been paid for a City Council meeting which was not attended in fiscal year 2013.

Recommendation - The City should consult legal counsel on the disposition of these matters.

Response – The City of Bevington will consult legal counsel and follow legal counsel recommendations.

Conclusion – Response accepted.

- (F) Timely Deposits – Receipts to be deposited were sometimes held until approved by the City Council, resulting in receipts not being deposited in a timely manner.

Recommendation – To safeguard cash and increase funds available for investment, receipts should be deposited intact on a timely basis.

Response – All deposits will be immediately deposited into the City of Bevington's bank of record.

Conclusion – Response accepted.

City of Bevington

Schedule of Findings

Year ended June 30, 2013

- (G) Computer System – The following weaknesses in the City’s computer system were noted:

The City does not have written policies for:

- (1) Requiring the use of a user name or password.
- (2) Requiring the maintenance of password privacy and confidentiality.
- (3) Requiring passwords be changed at least every 60 to 90 days.
- (4) Personal use of equipment and software.
- (5) Usage of the internet.
- (6) Running an anti-virus program on the City’s computer.
- (7) Ensuring only software licensed to the City is installed on the City’s computer.

Also, the City does not have a written disaster recovery plan.

Recommendation – The City should develop written policies addressing the above items to improve the City’s control over its computer system. Also, a written disaster recovery plan should be developed and tested periodically.

Response – Policies regarding computer usage will be reviewed and implemented as the City Council recommends.

Conclusion – Response accepted.

- (H) Accounting Policies and Procedures – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policy and procedures manual should be developed to provide the following benefits: aid in training additional or replacement staff, help achieve uniformity in accounting and in the application of policies and procedures and ensure City funds are utilized properly.

Response – Accounting policies and procedures will be reviewed and implemented as the City Council recommends.

Conclusion – Response accepted.

- (I) Travel Policy – The City has not adopted a travel or mileage reimbursement policy. City officials and employees are reimbursed mileage for City business. However, we were unable to determine the propriety of these claims due to missing data on the reimbursement request and absence of a policy defining the documentation necessary for reimbursement.

Recommendation – The City should adopt a travel reimbursement policy stating when an official or employee will be reimbursed for travel and the amount to be reimbursed. In addition, the policy should specifically state the information required to be submitted for reimbursement.

City of Bevington

Schedule of Findings

Year ended June 30, 2013

Response – The City of Bevington will review and adopt a travel policy that includes when a City official is paid for mileage and what the mileage rate will be.

Conclusion – Response accepted.

- (J) Disbursements – The supporting documentation for two of twenty disbursements tested was not adequate to support the disbursements.

Recommendation – All disbursements should be supported by invoices which include a description of the goods or services provided and the date of service. In addition, if a hand written invoice is provided, it should be signed by the individual requesting payment.

Response – All disbursements will be supported by invoices with a detailed description of the goods or services provided.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Bevington

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 public safety, public works and general government functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The disbursements will not exceed the amount budgeted in the future for public safety, public works and general government unless amended as required.

Conclusion – Response accepted.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jeff Bussanmus, City Council Member	Snow plowing	\$ 1,500
Jerry Bussanmus, City Council Member, Owner of Bevington Mini Storage	Storage unit rent during City Hall construction	275
Jim Bussanmus, Mayor	Mowing	335
Shane Thompson, brother of Denyse Thompson, City Council Member	Moving City Hall and furnishings	250
Sarah Black, City Council Member	Cleaning	280

In accordance with Chapter 362.5(3)(K) of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since total transactions with each individual were less than \$2,500 during the year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – Except as noted below, no transactions were found that we believe should have been approved in the City Council minutes but were not.

City of Bevington

Schedule of Findings

Year ended June 30, 2013

The City Council meeting minutes were not signed in accordance with Chapter 380.7 of the Code of Iowa.

Although minutes of Council meetings were posted, they did not include a list of all claims, including the reason for the claim, total disbursements from each fund or a summary of all receipts as required by Chapter 372.13(6) of the Code of Iowa.

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

The City Council minutes did not reflect approval of one alcoholic beverage license during the 2013 fiscal year.

In order to address a petition concern, disbursements for the period January 1, 2011 through December 31, 2013 were reviewed for proper City Council approval. There were 38 disbursements for which City Council approval could not be found. There were also 15 disbursements which were approved by the City Council after the disbursement was made even though the City does not have an approved policy for paying claims before City Council approval.

In accordance with Chapter 362.6 of the Code of Iowa, a City Council member should abstain from voting on measures in which they have a conflict of interest. In three instances, a City Council member voted on a measure in which the City Council member or a close family member had a direct or indirect interest.

Recommendation – The City should comply with Chapters 380.7 and 372.13(6) of the Code of Iowa and ensure annual individual gross salaries are published as required. In addition, the City should take steps to ensure all disbursements are approved by the City Council and documented in the meeting minutes. Furthermore, the City should adopt a written disbursement policy to allow payment of certain recurring bills prior to City Council approval. For those disbursements paid prior to City Council approval, a listing should be provided to the City Council at the next City Council meeting for review and approval.

Response – The City Clerk will ensure the Mayor or Mayor Pro Tem sign the approved monthly minutes. The City Clerk will post each City official's gross salary at the end of each year. The City Council will adopt a policy regarding what items can be paid for prior to the monthly City Council meetings and, as always, any purchases will be listed in the minutes and approved by the City Council at the meeting.

Conclusion – Response accepted.

- (7) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

City of Bevington

Schedule of Findings

Year ended June 30, 2013

Response – The City of Bevington will adopt a written investment policy and a depository resolution recommended by the City Council.

Conclusion – Response accepted.

- (8) Annual Financial Reports (AFR) – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due the City, and all expenditures....”. The City’s Annual Financial Report contained material errors and fund balances do not materially agree with City records. In addition, the Annual Financial Report was not posted in three locations as required. The Annual Financial Report was not filed and a signed copy of the cover page was not sent to the Office of Auditor of State by December 1, 2013 as required.

Recommendation – The Annual Financial Report should be amended to correct material errors and the amounts reported should be supported by the City’s records.

Response – The AFR will be reviewed and amended as recommended by the City Council. The AFR will be filed and the first page will be signed as required.

Conclusion – Response accepted.

- (9) 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 City retains electronic images of the front of cancelled checks, but not the back of cancelled checks.

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

Response – The City Clerk will ask the City of Bevington’s bank of record to copy both the front and back of each check.

Conclusion – Response accepted.

- (10) Code of Ordinances – The City has not compiled a Code of Ordinances within the past five years as required by Chapter 380.8 of the Code of Iowa.

Recommendation – The City should compile a Code of Ordinances..

Response – The City of Bevington will review and compile a Code of Ordinances at least once every five years.

Conclusion – Response accepted.

- (11) Sealed Bids – The City advertised for sealed bids in accordance with Chapter 26.3 of the Code of Iowa. Chapter 26.9 of the Code of Iowa requires the City to award the contract to the lowest responsive responsible bidder. The City did not select the lowest bid and the City did not document why the other bids were not considered to be responsive and/or responsible.

Recommendation – If the City does not select the lowest bid, the reasons the lower bid(s) are not considered to be responsive and/or responsible should be documented.

City of Bevington

Schedule of Findings

Year ended June 30, 2013

Response – In the future when bids are required, the City of Bevington will not only verbally discuss all bids submitted but will document in writing why certain bids were not selected.

Conclusion – Response accepted.

- (12) Payroll – Wages were not reported as required on IRS Form W-2 for the City Clerk.

Recommendation – The City should consult legal counsel to ensure the City is in compliance with IRS regulations.

Response – The City of Bevington will consult legal counsel for recommendations on how to proceed.

Conclusion – Response accepted.

- (13) Contract Labor – The City did not file a form 1099 with the Internal Revenue Service for contract labor in excess of \$600 for the calendar years ended December 31, 2012 or December 31, 2013.

Recommendation – The City should establish procedures to ensure all 1099 forms are properly completed and filed.

Response – The City Clerk will ensure a 1099 is completed for any labor in excess of \$600.

Conclusions – Response accepted.

- (14) City Street Financial Report – The fiscal year 2013 City Street Financial Report ending balance does not agree to the City's records. In addition, the report does not appear to have been approved by City Council Resolution as stated on the report.

Recommendation – The City should review the fiscal year 2013 City Street Financial Report and contact the Iowa Department of Transportation (DOT) to resolve discrepancies. The City should ensure amounts reported agree in future years.

Response – The City Council will review the City Street Financial Report for accuracy starting with the 2014 RUT report.

Conclusion – Response accepted.

- (15) Building Permits and Zoning Enforcement – The City adopted zoning ordinances on August 7, 2008. These ordinances established the need for building permits and created the position of Zoning Administrator to enforce the ordinances. As of March 15, 2014, the City has not appointed a Zoning Administrator or passed a resolution to delegate the authority to an employee or elected official.

Recommendation – The City should appoint a Zoning Administrator or pass a resolution delegating this authority to an official or another employee.

Response – The City Council will review the need for a Zoning Administrator and pass a policy regarding enforcing zoning ordinances.

Conclusion – Response accepted.

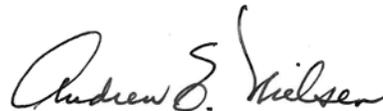
- (16) Petition for Audit – Except as noted, all items included in the petition for audit have been resolved.

City of Bevington

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager
Karen J. Kibbe, Senior Auditor II
Jeremy L. Krajicek, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State