



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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Auditor of State

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Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

FOR RELEASE

June 4, 2014

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$1,998,989 for the year ended June 30, 2013. The receipts included \$46,735 in property tax, \$9,285 from local option sales tax, \$266 from unrestricted interest on investments, \$75,082 from charges for service, \$55,365 from operating grants, contributions and restricted interest, \$728,312 from capital grants, contributions and restricted interest, \$555,000 from note proceeds, \$525,880 from revenue anticipation project note proceeds and \$3,064 from other general receipts.

Disbursements for the year ended June 30, 2013 totaled \$1,968,992, and included \$63,332 for general government, \$39,031 for public safety and \$27,318 for public works. Also, disbursements for business type activities totaled \$1,822,732.

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/1322-0618-B00F.pdf>.

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**CITY OF HASTINGS**

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

**JUNE 30, 2013**

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## City of Hastings

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Troy Hatcher	Mayor	(Resigned Apr 2013)
Mike Coates (Appointed Apr 2013)	Mayor	Nov 2013
Mike Coates	Mayor Pro Tem	(Resigned Apr 2013)
Dustin Crouse	Council Member	(Resigned July 2012)
Rodney Courtier (Appointed Aug 2012)	Council Member	Nov 2013
Kindra Copperstone	Council Member	Jan 2014
Christine Courtier	Council Member	Jan 2014
Mike Moraine	Council Member	Jan 2014
Dustin Swagel	Council Member	Jan 2014
Lana Moyers	City Clerk	(Resigned Aug 2012)
Tanya Swagel (Appointed Jan 2013)	City Clerk	Indefinite
Matthew Woods	Attorney	Indefinite

**City of Hastings**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Hastings, 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 Modified 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.

### Modified 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, the business type activities, each major fund and the aggregate remaining fund information of the City of Hastings 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 Hastings' basic financial statements. The supplementary information included in Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

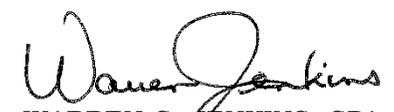
The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial 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, 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's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 28 through 30, 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 May 14, 2014 on our consideration of the City of Hastings' 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 Hastings' internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 14, 2014

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Hastings provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

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

### **2013 FINANCIAL HIGHLIGHTS**

- The cash basis net position of the City's governmental activities decreased approximately \$4,300, or 7.9%, during the year.
- The cash basis net position of the City's business type activities increased approximately \$34,300, or 41.9%, during the year, due primarily to grant funds held at year end for a sewer project.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statement consists of a 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 financial statement by providing information about the most significant funds.

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

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

Supplementary Information provides detailed information about the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

### **BASIS OF ACCOUNTING**

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

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government 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 balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund and 4) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$54,022 to \$49,765. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

<u>Changes in Cash Basis Net Position of Governmental Activities</u>	
	<u>Year ended June 30, 2013</u>
Receipts:	
Program receipts:	
Charges for service	\$ 737
Operating grants, contributions and restricted interest	55,365
General receipts:	
Property tax	46,735
Local option sales tax	9,285
Unrestricted interest on investments	219
Miscellaneous	3,064
Total receipts	<u>115,405</u>
Disbursements:	
Public safety	39,031
Public works	27,318
Culture and recreation	3,889
Community and economic development	1,237
General government	63,332
Debt service	11,453
Total disbursements	<u>146,260</u>
Change in cash basis net position before transfers	(30,855)
Transfers, net	<u>26,598</u>
Change in cash basis net position	(4,257)
Cash basis net position beginning of year	<u>54,022</u>
Cash basis net position end of year	<u>\$ 49,765</u>

Total business type activities cash basis net position increased \$34,254 from a year ago, from \$81,740 to \$115,994.

<u>Changes in Cash Basis Net Position of Business Type Activities</u>	
	<u>Year ended June 30, 2013</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 52,726
Sewer	21,619
Capital grants and contributions	728,312
General receipts:	
Unrestricted interest on investments	47
Revenue anticipation project note proceeds	525,880
Note proceeds	555,000
Total receipts	<u>1,883,584</u>
Disbursements:	
Water	48,504
Sewer	1,774,228
Total disbursements:	<u>1,822,732</u>
Change in cash basis net position before transfers	60,852
Transfers, net	<u>(26,598)</u>
Change in cash basis net position	34,254
Cash basis net position beginning of year	<u>81,740</u>
Cash basis net position end of year	<u>\$ 115,994</u>

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Hastings completed the year, its governmental funds reported a combined fund balance of \$49,765, a decrease of \$4,257 from last year’s total of \$54,022. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$23,296 from the prior year to a deficit balance of \$2,656, primarily due to an increase in insurance, legal and audit costs.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$6,518 to a deficit of \$2,396. The decrease is primarily due to increased costs for street maintenance and equipment repair.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$9,285 to \$10,056. The City uses this money for community betterment. No disbursements were made during the year ended June 30, 2013.
- The Debt Service Fund cash balance increased \$16,219 to \$17,723. The increase was due to the City levying property tax in previous years to pay the water revenue notes from the Debt Service Fund rather than the Enterprise, Water Fund. During fiscal year 2013, the City transferred \$15,687 from the Enterprise, Water Fund to the Debt Service fund to reimburse for disbursements improperly made in prior years.
- The Permanent, Cemetery Perpetual Care Fund increased \$360 to \$25,850 at June 30, 2013.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance decreased \$22,329 to \$47,917. The decrease is due to transfers to the General, the Debt Service and the Special Revenue, Road Use Tax Funds during the fiscal year to reimburse these funds for disbursements improperly made in prior years.
- The Enterprise, Sewer Fund cash balance increased \$56,583 to \$68,077 due to an increase in sewer hookup fees and an increase in grant receipts for the sewer project.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 20, 2013 and resulted in an increase in budgeted disbursements of \$536,959, primarily relating to sewer project costs. The City also increased the budget for intergovernmental and other financing sources to fund the increased disbursements.

The City’s receipts were \$127,939 less than budgeted, primarily due to fewer grant receipts for the sewer project than anticipated.

Total disbursements were \$24,421 less than the amended budget. While capital projects disbursements were \$1,771,910 less than budgeted, business type activities disbursements were \$1,747,066 more than budgeted. The City did not appropriately budget for disbursements related to the sewer system treatment facility construction in the business type activities function..

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public safety, public works, general government, debt service and business type activities functions prior to the May 2013 budget amendment. At June 30, 2013, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, general government and business type activities functions.

**DEBT ADMINISTRATION**

At June 30, 2013, the City had \$719,390 of notes and other long-term debt outstanding, compared to \$211,046 last year. The chart below segregates the City’s debt into its component parts.

Outstanding Debt at Year-End		
	June 30,	
	2013	2012
Loan agreements	\$ 45,675	59,839
Water revenue note	118,715	122,087
Sewer revenue note	555,000	-
Sewer revenue anticipation project note	-	29,120
Total	\$ 719,390	211,046

During the year ended June 30, 2013, the City issued \$555,000 of sewer revenue notes to redeem the sewer revenue anticipation project note used to pay a portion of the costs of constructing a new sewer system.

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 \$45,675 is below its constitutional debt limit of approximately \$245,600.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Hastings' 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. The City's fiscal year 2014 taxable valuation has decreased approximately \$127,200 from fiscal year 2013. One of the factors considered is the economy. Unemployment in the county as of June 2013 stands at 3.6% versus 3.7% at June 2012. This compares with the State's unemployment rate of 4.6% and the national rate of 5.3%.

The fiscal year 2014 budget contains total receipts of \$211,131 and disbursements of \$215,337. This budget is less than the amended fiscal year 2013 budget which included total receipts and other financing sources of \$2,058,092 and disbursements and other financing uses of \$2,042,398, respectively, for a sewer project, the activity for which primarily occurred during fiscal year 2013.

The fiscal year 2014 property tax levy is \$15.51510 per \$1,000 of taxable valuation, a decrease from \$15.75429 per \$1,000 of taxable valuation for fiscal year 2013.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$4,200 by the close of fiscal year 2014.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mike Coates, Mayor, 401 Indian Avenue, P.O. Box 703, Hastings, Iowa 51540.

## **Basic Financial Statements**

City of Hastings

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 39,031	62	29,976	-
Public works	27,318	-	14,556	-
Culture and recreation	3,889	600	5,833	-
Community and economic development	1,237	75	5,000	-
General government	63,332	-	-	-
Debt service	11,453	-	-	-
Total governmental activities	146,260	737	55,365	-
Business type activities:				
Water	48,504	52,726	-	-
Sewer	1,774,228	21,619	-	728,312
Total business type activities	1,822,732	74,345	-	728,312
Total	\$ 1,968,992	75,082	55,365	728,312

**General Receipts and Transfers:**

Property and other city tax levied for:  
    General purposes  
    Debt service  
Local option sales tax  
Unrestricted interest on investments  
Revenue anticipation project note proceeds  
Note proceeds  
Miscellaneous  
Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

**Cash Basis Net Position**

Restricted:

    Nonexpendable  
    Expendable:  
        Employee benefits  
        Local option sales tax  
        Debt service  
        Fire department  
        Cemetery  
        Capital improvements

Unrestricted

**Total cash basis net position**

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(8,993)	-	(8,993)
(12,762)	-	(12,762)
2,544	-	2,544
3,838	-	3,838
(63,332)	-	(63,332)
(11,453)	-	(11,453)
(90,158)	-	(90,158)
-	4,222	4,222
-	(1,024,297)	(1,024,297)
-	(1,020,075)	(1,020,075)
(90,158)	(1,020,075)	(1,110,233)
34,750	-	34,750
11,985	-	11,985
9,285	-	9,285
219	47	266
-	525,880	525,880
-	555,000	555,000
3,064	-	3,064
26,598	(26,598)	-
85,901	1,054,329	1,140,230
(4,257)	34,254	29,997
54,022	81,740	135,762
\$ 49,765	115,994	165,759
\$ 25,850	-	25,850
1,188	-	1,188
10,056	-	10,056
17,723	20,876	38,599
14,241	-	14,241
7,458	-	7,458
-	36,909	36,909
(26,751)	58,209	31,458
\$ 49,765	115,994	165,759

City of Hastings

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

As of and for the year ended June 30, 2013

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 32,169	-	-
Other city tax	-	-	9,285
Licenses and permits	1,505	-	-
Use of money and property	469	-	-
Intergovernmental	14,500	14,556	-
Charges for service	600	-	-
Miscellaneous	27,395	-	-
Total receipts	76,638	14,556	9,285
Disbursements:			
Operating:			
Public safety	39,031	-	-
Public works	-	26,168	-
Culture and recreation	3,889	-	-
Community and economic development	1,237	-	-
General government	61,594	-	-
Debt service	-	-	-
Total disbursements	105,751	26,168	-
Excess (deficiency) of receipts over (under) disbursements	(29,113)	(11,612)	9,285
Other financing sources:			
Operating transfers in	5,817	5,094	-
Change in cash balances	(23,296)	(6,518)	9,285
Cash balances beginning of year	20,640	4,122	771
Cash balances end of year	\$ (2,656)	(2,396)	10,056
<b>Cash Basis Fund Balances</b>			
Nonspendable	\$ -	-	-
Restricted for:			
Employee benefits	-	-	-
Local option sales tax	-	-	10,056
Debt service	-	-	-
Fire department	14,241	-	-
Cemetery	7,458	-	-
Unassigned	(24,355)	(2,396)	-
Total cash basis fund balances	\$ (2,656)	(2,396)	10,056

See notes to financial statements.

Debt Service	Permanent Cemetery Perpetual Care	Nonmajor Special Revenue Employee Benefits	Total
11,985	-	2,581	46,735
-	-	-	9,285
-	-	-	1,505
-	360	-	829
-	-	-	29,056
-	-	-	600
-	-	-	27,395
11,985	360	2,581	115,405
-	-	-	39,031
-	-	1,150	27,318
-	-	-	3,889
-	-	-	1,237
-	-	1,738	63,332
11,453	-	-	11,453
11,453	-	2,888	146,260
532	360	(307)	(30,855)
15,687	-	-	26,598
16,219	360	(307)	(4,257)
1,504	25,490	1,495	54,022
17,723	25,850	1,188	49,765
-	25,850	-	25,850
-	-	1,188	1,188
-	-	-	10,056
17,723	-	-	17,723
-	-	-	14,241
-	-	-	7,458
-	-	-	(26,751)
17,723	25,850	1,188	49,765

**Exhibit C**

## City of Hastings

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

As of and for the year ended June 30, 2013

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 52,726	21,619	74,345
Operating disbursements:			
Business type activities	39,638	2,320	41,958
Excess of operating receipts over operating disbursements	13,088	19,299	32,387
Non-operating receipts (disbursements):			
Interest on investments	47	-	47
Intergovernmental	-	728,312	728,312
Note proceeds	-	555,000	555,000
Revenue anticipation project note proceeds	-	525,880	525,880
Capital outlay	-	(1,207,990)	(1,207,990)
Debt service	(8,866)	(563,918)	(572,784)
Net non-operating receipts (disbursements)	(8,819)	37,284	28,465
Excess of receipts over disbursements	4,269	56,583	60,852
Transfers out	(26,598)	-	(26,598)
Change in cash balances	(22,329)	56,583	34,254
Cash balances beginning of year	70,246	11,494	81,740
Cash balances end of year	\$ 47,917	68,077	115,994
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Debt service	\$ 9,605	11,271	20,876
Capital improvements	-	36,909	36,909
Unrestricted	38,312	19,897	58,209
Total cash basis fund balances	\$ 47,917	68,077	115,994

See notes to financial statements.

City of Hastings

Notes to Financial Statements

June 30, 2013

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

The City of Hastings is a political subdivision of the State of Iowa located in Mills County. It was first incorporated in 1879 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Hastings 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: the Mills County Assessor's Conference Board, the Mills County Joint E911 Service Board and the Mills County Emergency Management Commission.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often 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 – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

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

The Special Revenue, Local Option Sales Tax Fund is used to account for the receipts from the tax authorized by referendum to be used for community betterment.

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 Permanent Fund is used to account for the irrevocable trust fund for the perpetual care and maintenance of the cemetery. The trust principal can never be spent.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net 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 proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

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

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public safety, public works, general government, debt service and business type activities functions prior to the May 2013 budget amendment. At June 30, 2013, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, general government and business type activities 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) Notes Payable**

Annual debt service requirements to maturity for revenue notes are as follows:

Year Ending June 30,	Water		Sewer		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 3,524	5,342	-	10,406	3,524	15,748
2015	3,682	5,184	-	10,406	3,682	15,590
2016	3,848	5,018	10,152	10,406	14,000	15,424
2017	4,021	4,845	10,342	10,216	14,363	15,061
2018	4,202	4,664	10,536	10,022	14,738	14,686
2019 - 2023	24,024	20,306	55,719	47,072	79,743	67,378
2024 - 2028	29,938	14,392	61,141	41,648	91,079	56,040
2029 - 2033	37,308	7,022	67,093	35,697	104,401	42,719
2034 - 2038	8,168	367	73,624	29,167	81,792	29,534
2039 - 2043	-	-	80,789	22,001	80,789	22,001
2044 - 2048	-	-	88,652	14,138	88,652	14,138
2049 - 2053	-	-	96,952	5,509	96,952	5,509
Total	\$ 118,715	67,140	555,000	246,688	673,715	313,828

Water Revenue Notes – On February 18, 2005, the City entered an agreement with the U.S. Department of Agriculture - Rural Development for the issuance of \$160,000 of water revenue notes with interest at 4.5% per annum. The notes were issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa to pay the cost of constructing improvements and extensions to the City’s water system. The notes are payable solely from water customer net receipts and are payable through 2034. Annual principal and interest payments on the notes are expected to require less than 70% of net receipts. The total principal and interest remaining to be paid on the notes is \$185,855. For the current year, principal and interest paid and total customer net receipts were \$8,866 and \$13,088, respectively.

The resolution providing for the issuance of the water revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a water revenue note sinking account for the purpose of making principal and interest payments when due.
- (c) A reserve account shall be established and maintained with payments made each month until the minimum balance of \$8,866 has been accumulated.
- (d) User rates shall be established and charged to customers of the Utility, including the City, at a level sufficient to pay the expenses and operation and maintenance of the Utility and to leave a balance of net revenues sufficient at all times to pay the principal of and interest on all outstanding water revenue obligations.

At June 30, 2013, the City had not established the required sinking and reserve accounts and is not being charged for water usage.

Sewer Revenue Notes – On February 22, 2013, the City entered an agreement with the U.S. Department of Agriculture - Rural Development for the issuance of \$555,000 of sewer revenue notes with interest at 1.875% per annum. The notes were issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa to pay for the cost of constructing a new sewer system. The note is payable solely and only out of the net earnings of the sewer utility system and is payable through 2053. The first payment of interest only is due February 22, 2014.

The resolution providing for the issuance of the sewer revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a sewer revenue note sinking account for the purpose of making principal and interest payments when due.
- (c) A reserve account shall be established and maintained with payments made each month until the minimum balance of \$20,558 has been accumulated.
- (d) A sewer depreciation account shall be established for future capital improvements to the sanitary sewer system. A minimum of \$1,100 shall be placed into the account annually.
- (e) User rates shall be established and charged to customers of the Utility, including the City, at a level sufficient to pay the expenses and operation and maintenance of the Utility and to leave a balance of net revenues sufficient at all times to pay the principal of and interest on all outstanding water revenue obligations.

At June 30, 2013, the City had not established the required sinking, reserve and depreciation accounts and is not being charged for sewer usage.

**(4) Loan Agreements**

On September 5, 2006, the City entered into a loan agreement for \$45,000 to purchase a fire station. The loan requires monthly installments of \$425, including interest at 7.75% per annum, with the final payment of \$35,764 due September 15, 2011. On September 15, 2011, the City refinanced principal of \$35,334 with interest at 6% per annum. The loan requires \$425 monthly installment payments with the final payment of \$18,511 due on September 15, 2016. On February 9, 2012, the bank lowered the interest rate to 3.5% per annum. During the year ended June 30, 2013, the City paid principal of \$4,005 and interest of \$1,095. The unpaid principal balance at June 30, 2013 was \$28,997. The loan will be paid from future collections of a debt service levy on all taxable property in the City.

On January 21, 2010, the City entered into a loan agreement for \$32,000 to purchase a dump truck. The loan requires annual installments of \$6,353, including interest at 6.0% per annum, with the final payment due August 20, 2015. On February 9, 2012, the bank lowered the interest rate to 3.5% per annum. During the year ended June 30, 2013, the City paid principal of \$5,299 and interest of \$1,054. The unpaid principal balance at June 30, 2013 was \$16,678. The loan will be paid from future collections of a debt service levy on all taxable property in the City.

**(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 contribution to IPERS for the year ended June 30, 2013 was \$2,617, equal to the required contribution for the year.

**(6) Interfund Transfers**

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

Transfer to	Transfer from	Amount
General	Enterprise: Water	\$ 5,817
Special Revenue: Road Use Tax		5,094
Debt Service		15,687
Total		<u>\$ 26,598</u>

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

**(7) Risk Management**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 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 at a level determined by the Board not to exceed 300% of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2013 were \$6,012.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by The Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded

100% of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year following withdrawal.

The City also carries commercial insurance purchased from another insurer for coverage associated with workmen's compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Deficit Balances**

The General Fund and the Special Revenue, Road Use Tax Fund had deficit balances of \$2,656 and \$2,396, respectively, at June 30, 2013. The deficits are expected to be eliminated by decreasing disbursements in fiscal year 2014.

**(9) Subsequent Event**

On January 24, 2013, the City entered into a water revenue loan and disbursement agreement anticipation project note with the Iowa Finance Authority to borrow up to \$120,000 to pay costs in connection with the planning and design of a secondary water source for the City's water supply. The note is payable from future proceeds of an authorized revenue note loan agreement which are payable solely and only from future water revenues.

## **Other Information**

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

Other Information

Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 46,735	-
Other city tax	9,285	-
Licenses and permits	1,505	-
Use of money and property	829	47
Intergovernmental	29,056	728,312
Charges for service	600	74,345
Miscellaneous	27,395	-
Total receipts	<u>115,405</u>	<u>802,704</u>
Disbursements:		
Public safety	39,031	-
Public works	27,318	-
Health and social services	-	-
Culture and recreation	3,889	-
Community and economic development	1,237	-
General government	63,332	-
Debt service	11,453	-
Capital projects	-	-
Business type activities	-	1,822,732
Total disbursements	<u>146,260</u>	<u>1,822,732</u>
Deficiency of receipts under disbursements	(30,855)	(1,020,028)
Other financing sources, net	<u>26,598</u>	<u>1,054,282</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(4,257)	34,254
Balances beginning of year	<u>54,022</u>	<u>81,740</u>
Balances end of year	<u>\$ 49,765</u>	<u>115,994</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
46,735	43,389	43,389	3,346
9,285	12,896	12,896	(3,611)
1,505	200	200	1,305
876	200	200	676
757,368	845,874	908,489	(151,121)
74,945	78,874	78,874	(3,929)
27,395	2,000	2,000	25,395
<u>918,109</u>	<u>983,433</u>	<u>1,046,048</u>	<u>(127,939)</u>
39,031	10,600	18,600	(20,431)
27,318	20,309	30,535	3,217
-	800	800	800
3,889	2,700	2,700	(1,189)
1,237	5,000	10,500	9,263
63,332	29,722	58,899	(4,433)
11,453	11,453	23,803	12,350
-	1,316,000	1,771,910	1,771,910
1,822,732	59,870	75,666	(1,747,066)
<u>1,968,992</u>	<u>1,456,454</u>	<u>1,993,413</u>	<u>24,421</u>
(1,050,883)	(473,021)	(947,365)	(103,518)
<u>1,080,880</u>	<u>493,000</u>	<u>963,059</u>	<u>117,821</u>
29,997	19,979	15,694	14,303
135,762	98,136	88,538	47,224
<u>165,759</u>	<u>118,115</u>	<u>104,232</u>	<u>61,527</u>

City of Hastings

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, the Special Revenue Funds, the Debt Service Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$536,959. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public safety, public works, general government, debt service and business type activities functions prior to the May 2013 budget amendment. At June 30, 2013, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, general government and business type activities functions.

## **Supplementary Information**

City of Hastings  
 Schedule of Indebtedness  
 Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Revenue notes:			
Water	Feb 18, 2005	4.500%	\$ 160,000
Sewer	Feb 22, 2013	1.875	555,000
Total			
Loan agreements:			
Fire station	Sep 5, 2006	3.500%	\$ 45,000
Fire truck	May 15, 2008	6.500	11,000
Dump truck	Jan 21, 2010	3.500	32,000
Total			
Revenue anticipation project note:			
Sewer revenue anticipation project note	Mar 28, 2012	3.00%	\$ 555,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
122,087	-	3,372	118,715	5,494
-	555,000	-	555,000	-
<b>\$ 122,087</b>	<b>-</b>	<b>3,372</b>	<b>673,715</b>	<b>5,494</b>
33,002	-	4,005	28,997	1,095
4,860	-	4,860	-	427
21,977	-	5,299	16,678	1,054
<b>\$ 59,839</b>	<b>-</b>	<b>14,164</b>	<b>45,675</b>	<b>2,576</b>
29,120	525,880	555,000	-	8,918

**Schedule 2**

## City of Hastings

## Note Maturities

June 30, 2013

Year Ending June 30,	Revenue Notes					Total
	Water		Sewer			
	Interest Rates	Amount	Interest Rates	Amount		
	Issued Feb 18, 2005		Issued Feb 19, 2013			
2014	4.5%	\$ 3,524	1.875%	\$ -	\$ 3,524	
2015	4.5	3,682	1.875	-	3,682	
2016	4.5	3,848	1.875	10,152	14,000	
2017	4.5	4,021	1.875	10,342	14,363	
2018	4.5	4,202	1.875	10,536	14,738	
2019	4.5	4,392	1.875	10,734	15,126	
2020	4.5	4,589	1.875	10,935	15,524	
2021	4.5	4,795	1.875	11,140	15,935	
2022	4.5	5,011	1.875	11,349	16,360	
2023	4.5	5,237	1.875	11,561	16,798	
2024	4.5	5,472	1.875	11,778	17,250	
2025	4.5	5,719	1.875	11,999	17,718	
2026	4.5	5,976	1.875	12,224	18,200	
2027	4.5	6,245	1.875	12,453	18,698	
2028	4.5	6,526	1.875	12,687	19,213	
2029	4.5	6,820	1.875	12,925	19,745	
2030	4.5	7,126	1.875	13,167	20,293	
2031	4.5	7,447	1.875	13,414	20,861	
2032	4.5	7,782	1.875	13,665	21,447	
2033	4.5	8,133	1.875	13,922	22,055	
2034	4.5	8,168	1.875	14,183	22,351	
2035		-	1.875	14,449	14,449	
2036		-	1.875	14,720	14,720	
2037		-	1.875	14,995	14,995	
2038		-	1.875	15,277	15,277	
2039		-	1.875	15,563	15,563	
2040		-	1.875	15,855	15,855	
2041		-	1.875	16,152	16,152	
2042		-	1.875	16,455	16,455	
2043		-	1.875	16,764	16,764	
2044		-	1.875	17,078	17,078	
2045		-	1.875	17,398	17,398	
2046		-	1.875	17,724	17,724	
2047		-	1.875	18,057	18,057	
2048		-	1.875	18,395	18,395	
2049		-	1.875	18,740	18,740	
2050		-	1.875	19,091	19,091	
2051		-	1.875	19,449	19,449	
2052		-	1.875	19,814	19,814	
2053		-	1.875	19,858	19,858	
Total		\$ 118,715		\$ 555,000	\$ 673,715	

See accompanying independent auditor's report.

City of Hastings  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2013

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture:			
Water and Waste Program Cluster:			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 62,000
Water and Waste Disposal Systems for Rural Communities - ARRA	10.781		<u>1,089,898</u>
Total Direct			1,151,898
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's Program and Nonentitlement Grants in Hawaii	14.228	08-WS-032	<u>65,010</u>
Total			<u>\$ 1,216,908</u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Hastings and is presented on the basis of cash receipts and disbursements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**City of Hastings**



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

To the Honorable Mayor and  
Members of the City Council:

We have audited 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, the business type activities, each major fund and the aggregate remaining fund information of the City of Hastings, 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 May 14, 2014. Our report expressed modified 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 balance at July 1, 2012.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Hastings' 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 Hastings' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hastings' 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 and Questioned Costs, 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 Hastings' financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-13 through II-C-13 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 Part II of the accompanying Schedule of Findings and Questioned Costs as items II-D-13 through II-H-13 to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hastings' 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

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 Hastings' Responses to the Findings

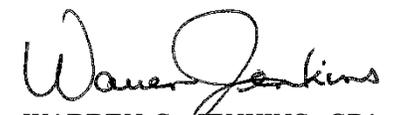
The City of Hastings' responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Hastings' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express 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 Hastings 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

May 14, 2014

**City of Hastings**

**Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133**



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Hastings, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The City of Hastings' major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Hastings' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination of the City of Hastings' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Hastings complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

The management of the City of Hastings is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Hastings' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13 to be a material weakness.

The City of Hastings' response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 14, 2014

City of Hastings

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

- (a) Modified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is 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 balance at July 1, 2012.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were:
  - Water and Waste Program Cluster:
    - CFDA Number 10.760: Water and Waste Disposal Systems for Rural Communities
    - CFDA Number 10.781: Water and Waste Disposal Systems for Rural Communities
    - ARRA
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Hastings did not qualify as a low-risk auditee.

City of Hastings

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One person has control over each of the following areas for the City:

- (1) Accounting system – performing all general accounting functions, including journal entries and having custody of City assets.
- (2) Cash and petty cash – reconciling bank accounts, initiating and recording cash receipt and disbursement transactions and long term debt. Bank reconciliations were not reviewed by an independent person.
- (3) Investments – investing, recording and custody.
- (4) Long term debt – recording and reconciling.
- (5) Receipts – collecting, depositing, journalizing and posting.
- (6) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (7) Disbursements – purchasing, check signing, recording and reconciling.
- (8) Payroll – recordkeeping, preparing and distributing.
- (9) Computer system – performing all general accounting functions and controlling all data input and output.
- (10) Financial reporting – preparing, reconciling, and distributing.

For the Hastings Fire Department and the Hastings Cemetery Association, one person has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements – posting, reconciling and check writing.
- (3) Cash and investments – handling and recording cash and investing.

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

City of Hastings

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Response and Corrective Action Planned – The City Council will discuss further ways to segregate duties for all entities.

Conclusion – Response accepted.

- II-B-13 Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared. Also, utility collections were not reconciled to deposits.

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. The City Council or a City Council designated independent person should review the reconciliations and monitor delinquencies. The review should be documented by the signature or initials of the reviewer and the date of review.

Response – An effort will be made to reconcile in the future.

Conclusion – Response accepted.

- II-C-13 Financial Reporting – During the audit, we identified material amounts of receipts and disbursements recorded in incorrect accounts and funds in the City's general ledger. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements.

Also, certain receipts, disbursements and fund balances in the City's Annual Financial Report did not agree to the general ledger..

Recommendation – The City should implement procedures to ensure receipts and disbursements are properly recorded in the City's financial records and in the Annual Financial Report.

Response – The City will comply in the future.

Conclusion – Response accepted.

- II-D-13 Accounting Procedures Manual – The City does not have a current accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- (4) Ensure City accounts are appropriately utilized.

City of Hastings

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Response – A manual is being developed.

Conclusion – Response accepted.

II-E-13 Hastings Volunteer Fire Department and Hastings Cemetery Association – Bank reconciliations were not prepared during the year ended June 30, 2013. Receipts were not issued. In addition, detailed supporting documentation for disbursements was not retained.

Recommendation – The Hastings Volunteer Fire Department and the Hastings Cemetery Association should ensure monthly bank reconciliations are prepared, retained and reviewed by an independent person, as evidenced by the signature or initials of the reviewer and the date of the review. Prenumbered receipts should be issued for all collections at the time of the collection to provide additional control over the proper collection and recording of all money received. All disbursements should be supported by original invoices or other documentation.

Response – Changes will be made in these departments to comply with this recommendation.

Conclusion – Response accepted.

II-F-13 Computer Systems – During our review of internal control, the existing control activities in the City's computer systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with written accounting policies, applicable laws and regulations. The City does not have written policies for:

- requiring time out/log off or screen saver passwords to protect computer terminals when not in use.
- requiring use of passwords and requiring passwords to be changed at least every 60 to 90 days.
- maintaining password privacy and confidentiality.
- requiring the use of anti-virus programs on the computers.
- ensuring only software licensed to the City is installed on computers.
- usage of the internet.

Recommendation – The City should develop written policies addressing the above items in order to improve the City's control over its computer systems.

Response – Passwords were being changed and anti-virus is used, but a policy is needed and will be set by the City Council.

Conclusion – Response accepted.

City of Hastings

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

II-G-13 Receipts – Receipts were not issued for all collections.

Recommendation – Prenumbered receipts should be issued for all collections at the time of collection to provide additional control over the collection and recording of all money.

Response – Prenumbered carbon receipts will now be used for all receipts.

Conclusion – Response accepted.

II-H-13 Payroll – Although time sheets were maintained for all employees, there was no indication the time sheets had been reviewed and approved by the appropriate supervisory personnel prior to preparation of the payroll. In addition, employee vacation and compensatory time hours are not adequately tracked or reviewed.

Recommendation – Time sheets and vacation and compensatory time should be reviewed and approved by appropriate supervisory personnel prior to preparation of payroll. The approval should be documented by the signature or initials of the reviewer and the date of the review.

Response – The City will have at least one City Council member review all time cards before payroll is completed. The review will be documented by the signature and date of the reviewer.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Hastings

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

**Water and Waste Program Cluster:**

**CFDA Number 10.760: Water and Waste Disposal Systems for Rural Communities**

**CFDA Number 10.781: Water and Waste Disposal Systems for Rural Communities**

**- ARRA**

**Federal Award Year: 2013**

**U.S. Department of Agriculture**

III-A-13  
(2013-001)

Segregation of Duties over Federal Receipts and Disbursements – The City did not properly segregate custody, record-keeping and reconciling functions for receipts and disbursements, including those related to federal programs. See item II-A-13.

City of Hastings

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-13 Certified Budget – During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in public safety, public works, general government, debt service and business activities functions prior to the May 2013 budget amendment. At June 30, 2013, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, general government and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The Fire Department and Cemetery Association budgets will be included in the City’s budget in the future and budgets will be amended prior to exceeding the budget.

Conclusion – Response accepted.

IV-B-13 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.

IV-C-13 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-13 Business Transactions – Business transaction between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mike Coates, City Council Member, Owner of Mike’s Auto Repair	Supplies and repair	\$ 2,687

In accordance with Chapter 362.5(11) of the Code of Iowa, these transactions appear to represent a conflict of interest since total transactions were greater than \$2,500 during the fiscal year and were not competitively bid.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The City will consult with legal counsel to determine the next course of action.

Conclusion – Response accepted.

IV-E-13 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.

IV-F-13 City Council Minutes – No transactions were found which we believe should have been approved in the City Council minutes but were not.

City of Hastings

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

IV-G-13 Deposits and Investments – The City has not approved a written investment policy as required by Chapter 12B.10B of the Code of Iowa

A resolution naming official depositories has been approved by the City. However, maximum deposit amounts for each bank were not included in the depository resolution.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12.10B of the Code of Iowa. The City should also adopt a depository resolution which establishes maximum deposit amounts for each bank.

Response – The City Council will consider passing a written investment policy and a new depository resolution which will include maximum deposit amounts.

Conclusion – Response acknowledged. The City should adopt a written investment policy and include maximum deposit amounts in the depository resolution, as required.

IV-H-13 Revenue Notes – The following instances of non-compliance with the water revenue note requirements were noted:

- a. The City's water revenue note resolution requires a sinking account be established and payments are to be made into the sinking account in equal monthly installments on the first day of each month. The City has not established or made the required transfers to a water sinking account.
- b. The City's water revenue note resolution requires the City to establish and accumulate up to \$8,866 in a reserve account by making monthly payments of \$74 until the reserve requirement has been met. The City has not established or made the required transfers to a water reserve account.
- c. The City's water revenue note resolution requires all users of the system, including the City, be charged for usage. The City is not being charged for usage.

The following instances of non-compliance with the sewer revenue note requirements were noted:

- a. The City's sewer revenue note resolution requires a sinking account be established and payments are to be made into the sinking account in equal monthly installments on the first day of each month. The City has not established or made the required transfers to a sewer sinking account.
- b. The City's sewer revenue note resolution requires the City to establish and accumulate up to \$20,558 in a reserve account by making monthly payments of \$173 until the reserve requirement has been met. The City has not established or made the required transfers to a sewer reserve account.
- c. The City's sewer revenue note resolution requires the City to establish a depreciation account and the minimum amount to be deposited into the depreciation account each year shall be \$1,100. The City has not established or made the required transfers to a sewer depreciation account.

City of Hastings

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- d. The City's sewer revenue note resolution requires all users of the system, including the City, be charged for usage. The City is not being charged for usage.

Recommendation – The City should comply with the note resolutions by establishing the required accounts, making the required transfers and charging all users of the system.

Response – The funds for the sinking, reserve and depreciation accounts are available and separate funds will be put in place to account for these balances. The City will be charged for usage.

Conclusion – Response accepted.

- IV-I-13 Utility Penalties – The City's Code of Ordinances for utility billings requires a late payment penalty be applied to all bills paid after the fifteenth of the month. The City did not consistently apply the late payment penalty to all customers as required by the City Code.

Recommendation – The City should ensure late payment penalties are consistently applied as required by the City Code.

Response – The City will comply in the future.

Conclusion – Response accepted.

- IV-J-13 Separately Maintained Records – The Hastings Volunteer Fire Department and the Hastings Cemetery Association maintain bank accounts for fundraiser, donation and cemetery perpetual care activity separate from the City Clerk's accounting records. The transactions and the resulting balances were not included in the City's accounting records and were not included in the City's annual budget or monthly financial reports. However, the transactions and the resulting balances are included in these financial statements.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any City purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and annual budget and should be reported to the City Council on a monthly basis.

Response – The City will work with the Fire Department and the Cemetery Association to comply with this recommendation.

Conclusion – Response accepted.

- IV-K-13 Hastings Cemetery Association – The following instances of non-compliance by the Cemetery were noted:

- a. An annual report for the Hastings Cemetery Association perpetual care cemetery was not filed with the Insurance Commissioner as required by Chapter 523I.813 of the Code of Iowa.
- b. The Cemetery did not maintain a registry of individuals who have purchased items subject to the perpetual care requirements of Iowa law, including the amount deposited in trust for each individual. The registry is to include all transactions made on or after July 1, 1995.

City of Hastings

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- c. Chapter 523I.807 of the Code of Iowa requires \$50 or 20% of the gross selling price received for each sale of interment rights, whichever is more, shall be placed in a perpetual account. During the fiscal year ended June 30, 2013, no funds were deposited into the Perpetual Care Fund. Instead, all funds received were combined with the operating funds.
- d. The Association did not prepare the required IRS Form 1099s for outside services of \$600 or more provided by independent contractors.

Recommendation – The Hastings Cemetery Association should properly submit annual reports to the Insurance Commissioner. The Association should comply with registry requirements. All perpetual care funds should be transferred to the Perpetual Care Fund. In addition, the City, on behalf of the Association, should submit IRS 1099 forms for outside services of \$600 or more for independent contractors. The City should also consult legal counsel for the proper disposition of these matters.

Response – The City will work with the Hastings Cemetery Association to resolve these issues.

Conclusion – Response accepted.

IV-L-13 Financial Condition – The General Fund and the Special Revenue, Road Use Tax Fund had deficit balances of \$2,656 and \$2,396, respectively, at June 30, 2013.

Recommendation – The City should continue to investigate alternatives to eliminate these deficits to return the funds to a sound financial condition.

Response – The City will continue to investigate alternatives to eliminate the deficits to return the funds to a sound financial condition.

Conclusion – Response accepted.

IV-M-13 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 Hastings Volunteer Fire Department and the Hastings Cemetery Association did not receive an image of the back of each cancelled check.

Recommendation – The Hastings Volunteer Fire Department and the Hastings Cemetery Association should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

Response – The banks will be notified this is needed.

Conclusion – Response accepted.

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City of Hastings

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Jamie T. Reuter, Staff Auditor  
Michael A. Chervek, Assistant Auditor  
Anthony M. Heibult, Assistant Auditor

A handwritten signature in cursive script that reads "Andrew E. Nielsen".

Andrew E. Nielsen, CPA  
Deputy Auditor of State