

CITY OF ALBIA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2014

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City of Albia

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Richard Clark	Mayor	January 1, 2014
Gene Behrens	Council Member	January 1, 2014
Merle Regenold	Council Member	January 1, 2016
Jeff Stoffa	Council Member	January 1, 2014
Ron Yarkosky	Council Member	January 1, 2016
Rowland Barnes	Council Member	January 1, 2014
Brian Bell	Council Member	January 1, 2016
Linda Heller	City Clerk/Treasurer	January 1, 2014
Breckenridge Law P.C.	Attorney	January 1, 2014

(After January 2014)

Tom Murphy	Mayor	January 1, 2016
Merle Regenold	Council Member	January 1, 2016
Ron Yarkosky	Council Member	January 1, 2016
Brian Bell	Council Member	January 1, 2016
Bryon Stilley	Council Member	January 1, 2018
Tom Adler	Council Member	January 1, 2018
Dennis Conley	Council Member	January 1, 2018
Linda Heller	City Clerk/Treasurer	January 1, 2016
Breckenridge Law P.C.	Attorney	January 1, 2016

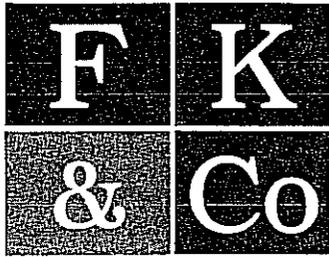
Library Board

Sally Bachman	Library Trustee	July 1, 2014
Lois Mick	Library Trustee	July 1, 2014
Matt Foster	Library Trustee	July 1, 2014
Marty Ryan	Library Trustee	July 1, 2014
Sharon Crall	Library Trustee	July 1, 2014
Sue Goode	Library Trustee	July 1, 2014
Joe Starcevic	Library Trustee	July 1, 2017
Richard Haeussler	Library Trustee	July 1, 2018
Dave Paxton	Library Trustee	July 1, 2018

Cemetery Board

Terri Bender	Cemetery Trustee	July 1, 2014
Sandy Clark	Cemetery Trustee	July 1, 2014
Chris Yarkosky	Cemetery Trustee	July 1, 2016
Richard Grimes	Cemetery Trustee	July 1, 2016
Homer Renwick	Cemetery Trustee	July 1, 2018

City of Albia



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Albia, Iowa, (City) as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the basic financial statements of the City's primary government as 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.

Opinions

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

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

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City as of June 30, 2014, or the changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

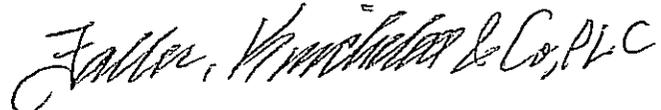
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's primary government financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the eight years ended June 30, 2012 (which are not presented herein) were audited by another auditor who expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the 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 primary government financial statements. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the primary government financial statements or to the primary government financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.



FALLER, KINCHELOE & CO., PLC

December 8, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Albia (City) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 2.9%, or approximately \$89,000, from fiscal year 2013 to fiscal year 2014. Capital grants, contributions and restricted interest decreased approximately \$237,000, and local option sales tax increased approximately \$110,000.
- Disbursements of the City's governmental activities decreased 50.5%, or approximately \$2,499,000, in fiscal year 2014 from fiscal year 2013. Debt service disbursements decreased approximately \$953,000 and capital projects disbursements decreased approximately \$1,706,000.
- The City's total cash basis net position increased 7%, or approximately \$284,000, from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities increased approximately \$539,000 and the cash basis net position of the business type activities decreased approximately \$256,000.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statement consists of a 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 of the City's budget for the year.

Supplementary Information provides detailed information about the non-major governmental funds and the non-major proprietary funds, and the City's indebtedness.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

1) **Governmental funds** account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, and Trust & Agency funds, 3) the Debt Service Fund, 4) the Capital Projects Fund and, 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$3.585 million to approximately \$4.124 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 137	163
Operating grants, contributions and restricted interest	828	797
Capital grants, contributions and restricted interest	17	254
General receipts:		
Property tax	1,570	1,527
Local option sales tax	379	269
Grants and contributions not restricted to specific purposes	-	17
Unrestricted interest on investments	3	3
Miscellaneous	34	27
Sale of capital assets	4	4
Total receipts	<u>2,972</u>	<u>3,061</u>
Disbursements:		
Public safety	635	605
Public works	512	411
Culture and recreation	396	390
Community and economic development	7	8
General government	285	261
Debt service	511	1,464
Capital projects	103	1,809
Total disbursements	<u>2,449</u>	<u>4,948</u>
Change in cash basis net position before transfers	523	(1,887)
Transfers, net	<u>16</u>	<u>12</u>
Change in cash basis net position	539	(1,875)
Cash basis net position beginning of year	<u>3,585</u>	<u>5,460</u>
Cash basis net position end of year	<u>\$ 4,124</u>	<u>3,585</u>

The City's total receipts for governmental activities decreased 2.9%, or approximately \$89,000. The total cost of all programs and services decreased approximately \$2,499,000, or 50.5%, with no new programs added this year. The decrease in receipts was the result of a decrease in capital grants, contributions and restricted interest. The significant decrease in disbursements is the result of a reduction in debt service and capital projects in fiscal year 2014.

The City increased property tax rates for fiscal year 2014. This increase raised the City's property tax receipts approximately \$43,000 from fiscal year 2013 to fiscal year 2014. Property tax receipts are budgeted to remain relatively the same in fiscal year 2015.

The cost of all governmental activities this year was approximately \$2.449 million compared to approximately \$4.948 million last year. However, as shown on the Statement of Activities and Net Position on page 15, the amount taxpayers ultimately financed for these activities was \$1.466 million because some of the cost was paid by those directly benefited from the programs (approximately \$137,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (approximately \$845,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2014 from approximately \$1,214,000 to approximately \$983,000, principally due to decreased capital grants and contributions in fiscal year 2014 compared to fiscal year 2013.

Changes in Cash Basis Net Position of Business Type Activities		
(Expressed in Thousands)		
	Year Ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 436	391
Airport	15	14
Landfill	17	17
Rural fire department	48	37
Capital grants, contributions and restricted interest	50	-
General receipts:		
Miscellaneous	10	-
Total receipts	<u>576</u>	<u>459</u>
Disbursements:		
Sewer	721	406
Airport	17	6
Landfill	28	8
Rural fire department	50	30
Total disbursements	<u>816</u>	<u>450</u>
Change in cash basis net position before transfers	(240)	9
Transfers, net	<u>(16)</u>	<u>(12)</u>
Change in cash basis net position	(256)	(3)
Cash basis net position beginning of year	<u>435</u>	<u>438</u>
Cash basis net position end of year	<u>\$ 179</u>	<u>435</u>

Total business type activities receipts for the fiscal year were approximately \$.567 million compared to approximately \$.459 million last year. The significant increase was due primarily due to an increase in charges for services in fiscal year 2014. The cash balance decreased approximately \$256,000 from the prior year. Total disbursements for the fiscal year increased 81.3% to approximately \$.816 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City completed the year, its governmental funds reported a combined fund balance of \$4,124,091, an increase of more than \$539,000 above last year's total of \$3,584,777. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased by \$88,397 from the prior year to \$411,489. The City has been watching the General Fund very close in order to stabilize the balance in this fund.
- The Special Revenue, Road Use Tax Fund cash balance increased by \$4,590 from the prior year to \$65,357. This increase was just due to spending less from this fund in fiscal year 2014.
- The Special Revenue, Aquatic Center Fund cash balance increased by \$536,249 during the fiscal year to a total of \$3,055,972. This increase is due to the fact that the debt on the aquatic center was paid off in fiscal year 2013.
- The Special Revenue, Employee Benefits Fund cash balance decreased by \$120,856 from the prior year to \$79,464. In the fiscal year, the City just levied less than related costs incurred in this fund.
- The Debt Service Fund cash balance increased by \$1,482 during the fiscal year to a total of \$57,817. This increase was due to refinancing which occurred, which reduced the amount of interest costs. As a result, this lowered the amount of interest to be paid from this fund.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance decreased by \$291,104 to \$16,829, due to capital projects completed during the fiscal year.

BUDGETARY HIGHLIGHTS

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

The City's receipts were \$428,777 less than budgeted. This was primarily due to the City receiving less charges for services receipts than anticipated, even after the budget amendments.

Even though the City did not go over budget in total, disbursements in the public works, community and economic development, general government and capital projects functions were \$18,045, \$312, \$7,457 and \$78,918 more than the amended budget amounts.

DEBT ADMINISTRATION

At June 30, 2014, the City had approximately \$3,729,000 in bonds and other long-term debt outstanding, compared to approximately \$4,144,000 last year, as shown below.

	Outstanding Debt at Year-End	
	(Expressed in Thousands)	
	June 30,	
	2014	2012
General obligation bonds and notes	\$ 3,675	4,100
Revenue note	34	44
Lease-purchase agreement	20	-
Total	\$ 3,729	4,144

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

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

Actual Value of Property, 2012	\$ 1,266,904,087
Debt Limit	<u>5%</u>
	<u>\$ 6,345,204</u>

The City's outstanding general obligation debt of \$3,675,000 is below the constitutional debt limit of \$6,345,204.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy and the rising costs of employee benefits.

These indicators were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget are approximately \$4.0 million, keeping in line with 2014 budget year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayer, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Heller, City Clerk, 120 South "A" Street, Albia, Iowa 52531.

Primary Government Financial Statements

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

Functions / Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating	Capital	Governmental Activities	Business Type Activities	Total
			Grants, Contributions and Restricted Interest	Grants, Contributions and Restricted Interest			
Governmental activities:							
Public safety	\$ 634,633	30,998	7,203	-	(596,432)	-	(596,432)
Public works	512,312	910	376,049	-	(135,353)	-	(135,353)
Culture and recreation	395,655	76,543	444,380	-	125,268	-	125,268
Community and economic development	7,312	-	385	-	(6,927)	-	(6,927)
General government	285,077	28,806	-	-	(256,271)	-	(256,271)
Debt service	510,960	-	-	-	(510,960)	-	(510,960)
Capital projects	102,918	-	-	17,292	(85,626)	-	(85,626)
Total governmental activities	2,448,867	137,257	828,017	17,292	(1,466,301)	-	(1,466,301)
Business type activities:							
Sewer	720,625	435,977	-	-	-	(284,648)	(284,648)
Airport	17,247	15,563	-	-	-	(1,684)	(1,684)
Landfill	27,766	17,050	-	-	-	(10,716)	(10,716)
Rural fire department	50,315	48,256	-	50,000	-	47,941	47,941
Total business type activities	815,953	516,846	-	50,000	-	(249,107)	(249,107)
Total	\$ 3,264,820	654,103	828,017	67,292	(1,466,301)	(249,107)	(1,715,408)
General Receipts and Transfers:							
Property and other city tax levied for:							
General purposes					1,073,561	-	1,073,561
Debt service					495,886	-	495,886
Local option sales tax					379,198	-	379,198
Unrestricted interest on investments					2,884	-	2,884
Miscellaneous					33,630	10,000	43,630
Sale of capital assets					4,000	-	4,000
Transfers					16,456	(16,456)	-
Total general receipts and transfers					2,005,615	(6,456)	1,999,159
Change in cash basis net position					539,314	(255,563)	283,751
Cash basis net position beginning of year					3,584,777	434,370	4,019,147
Cash basis net position end of year					\$ 4,124,091	178,807	4,302,898
Cash Basis Net Position							
Restricted:							
Nonexpendable:							
Cemetery perpetual care					\$ 88,677	-	88,677
Expendable:							
Insurance					29,879	-	29,879
Debt service					57,817	23,683	81,500
Streets					65,357	-	65,357
Other purposes					3,500,751	-	3,500,751
Unrestricted					381,610	155,124	536,734
Total cash basis net position					\$ 4,124,091	178,807	4,302,898

See notes to financial statements.

City of Albia

Exhibit B

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

As of and for the year ended June 30, 2014

	Special Revenue						Total
	General	Road Use Tax	Aquatic Center	Employee Benefits	Debt Service	Nonmajor	
Receipts:							
Property tax	\$ 734,873	-	-	322,079	495,886	-	1,552,838
Other city tax	68,710	-	327,097	-	-	-	395,807
Licenses and permits	13,694	-	-	-	-	-	13,694
Use of money and property	8,380	-	11,261	-	100	385	20,126
Intergovernmental	34,390	376,049	327,209	-	-	20,458	758,106
Charges for service	82,753	-	-	-	-	-	82,753
Miscellaneous	78,456	-	899	11,459	-	53,587	144,401
Total receipts	1,021,256	376,049	666,466	333,538	495,986	74,430	2,967,725
Disbursements:							
Operating:							
Public safety	439,937	-	-	193,723	-	973	634,633
Public works	20,264	371,459	-	120,589	-	-	512,312
Culture and recreation	264,616	-	50,217	58,739	-	22,083	395,655
Community and economic development	7,312	-	-	-	-	-	7,312
General government	203,734	-	-	81,343	-	-	285,077
Debt service	-	-	-	-	510,960	-	510,960
Capital projects	-	-	-	-	-	102,918	102,918
Total disbursements	935,863	371,459	50,217	454,394	510,960	125,974	2,448,867
Excess (deficiency) of receipts over (under) disbursements	85,393	4,590	616,249	(120,856)	(14,974)	(51,544)	518,858
Other financing sources (uses):							
Sale of capital assets	4,000	-	-	-	-	-	4,000
Operating transfers in	-	-	-	-	16,456	80,996	97,452
Operating transfers out	(996)	-	(80,000)	-	-	-	(80,996)
Total other financing sources (uses)	3,004	-	(80,000)	-	16,456	80,996	20,456
Change in cash balances	88,397	4,590	536,249	(120,856)	1,482	29,452	539,314
Cash balances beginning of year	323,092	60,767	2,519,723	200,320	56,335	424,540	3,584,777
Cash balances end of year	\$ 411,489	65,357	3,055,972	79,464	57,817	453,992	4,124,091
Cash Basis Fund Balances							
Nonspendable:							
Cemetery perpetual care	\$ -	-	-	-	-	88,677	88,677
Restricted for:							
Insurance	29,879	-	-	-	-	-	29,879
Debt service	-	-	-	-	57,817	-	57,817
Streets	-	65,357	-	-	-	-	65,357
Other purposes	-	-	3,055,972	79,464	-	365,315	3,500,751
Assigned	84,289	-	-	-	-	-	84,289
Unassigned	297,321	-	-	-	-	-	297,321
Total cash basis fund balances	\$ 411,489	65,357	3,055,972	79,464	57,817	453,992	4,124,091

See notes to financial statements.

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

As of and for the year ended June 30, 2014

	Enterprise		
	Sewer	Nonmajor	Total
Operating receipts:			
Use of money and property	\$ -	15,563	15,563
Charges for service	435,977	65,306	501,283
Total operating receipts	<u>435,977</u>	<u>80,869</u>	<u>516,846</u>
Operating disbursements:			
Business type activities	310,167	68,030	378,197
Total operating disbursements	<u>310,167</u>	<u>68,030</u>	<u>378,197</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>125,810</u>	<u>12,839</u>	<u>138,649</u>
Non-operating receipts (disbursements):			
Intergovernmental	-	50,000	50,000
Miscellaneous	10,000	-	10,000
Debt service	-	(12,766)	(12,766)
Capital projects	(410,458)	(14,532)	(424,990)
Net non-operating receipts (disbursements)	<u>(400,458)</u>	<u>22,702</u>	<u>(377,756)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(274,648)</u>	<u>35,541</u>	<u>(239,107)</u>
Other financing sources (uses):			
Operating transfers out	(16,456)	-	(16,456)
Total other financing sources (uses)	<u>(16,456)</u>	<u>-</u>	<u>(16,456)</u>
Change in cash balances	(291,104)	35,541	(255,563)
Cash balances beginning of year	<u>307,933</u>	<u>126,437</u>	<u>434,370</u>
Cash balances end of year	<u>\$ 16,829</u>	<u>161,978</u>	<u>178,807</u>
Cash Basis Fund Balances			
Restricted for debt service	\$ -	23,683	23,683
Unrestricted	16,829	138,295	155,124
Total cash basis fund balances	<u>\$ 16,829</u>	<u>161,978</u>	<u>178,807</u>

See notes to financial statements.

City of Albia

Notes to Financial Statements

June 30, 2014

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

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

A. Reporting Entity

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

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

Excluded Component Units

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

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

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Monroe County Assessor's Conference Board and the Monroe County Joint E-911 Service Board.

Related Organization

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

B. Basis of Presentation

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

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

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

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

The City reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

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

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

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

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public works, community and economic development, general government and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2014 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 the obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

Interest rate risk – The City’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) **Bonds and Notes Payable**

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

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 445,000	77,732	11,383	1,383	456,383	79,115
2016	390,000	72,973	11,852	914	401,852	73,887
2017	445,000	67,560	10,302	425	455,302	67,985
2018	445,000	57,637	-	-	445,000	57,637
2019	460,000	47,007	-	-	460,000	47,007
2020	480,000	35,272	-	-	480,000	35,272
2021	300,000	22,197	-	-	300,000	22,197
2022	305,000	15,470	-	-	305,000	15,470
2023	200,000	8,100	-	-	200,000	8,100
2024	205,000	4,100	-	-	205,000	4,100
	<u>\$3,675,000</u>	<u>408,048</u>	<u>33,537</u>	<u>2,722</u>	<u>3,708,537</u>	<u>410,770</u>

Revenue Note

The City has pledged future township fire receipts, net of specified operating disbursements, to repay \$102,900 in a fire department revenue note issued in October, 2006. Proceeds from the note provided financing for the purchase of a new fire truck. The note is payable solely from township fire net receipts and is payable through fiscal year 2017. Annual principal and interest payments on the note are expected to require less than 51 percent of net receipts. The total principal and interest remaining to be paid on the note is \$36,259. For the current year, principal and interest paid and total customer net receipts were \$12,766 and \$25,239 respectively.

The note is payable to the U.S. Department of Agriculture (USDA) in annual installments of \$12,766, including interest at 4.125% per annum. During the year ended June 30, 2014, a payment of \$12,766 was made to the USDA, leaving a principal balance due at June 30, 2014 of \$33,537.

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

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

(4) **Lease Purchase Agreement**

On June 24, 2014, the City entered into a lease-purchase agreement to lease a lawn mower. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreement in effect at June 30, 2014:

Year Ending June 30,	Amount
2015	\$ 4,438
2016	4,438
2017	4,438
2018	4,438
2019	4,068
Total minimum lease payments	21,820
Less amount representing interest	(2,021)
Present value of net minimum lease payments	<u>\$ 19,799</u>

Payments under this lease-purchase agreement totaled \$0 during the year ended June 30, 2014.

(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 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$64,083, \$61,542 and \$55,225, respectively, equal to the required contributions for each year.

(6) **Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses, and an independent contractor. There are 18 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members are \$596.94 for single coverage, \$1,165.13/\$1,221.84 for employee/spouse coverage, \$1,160.02 for employee/dependent coverage, and \$1,760.28/\$1,859.51 for family coverage. The difference in the premiums for the same group represents differences in the types of coverage provided. For the year ended June 30, 2014, the City contributed \$274,702 and plan members eligible for benefits contributed \$14,567 to the plan.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, holiday and compensatory leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for compensated absences payable to employees at June 30, 2014 primarily relating to the General Fund, was \$28,986. The liability has been computed based on rates of pay in effect at June 30, 2014.

(8) Interfund Loan

During the year ended June 30, 2014, the Special Revenue, Aquatic Center Fund loaned \$80,000 to the Capital Project Fund to purchase a vehicle. This loan will be repaid from the Special Revenue, Road Use Tax Fund. The interest rate on this loan is 1% and will be repaid over 4 years. The City did not make any payments on this loan during the year ended June 30, 2014. The balance on this loan at June 30, 2014 was \$80,000.

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Enterprise: Sewer	\$ 16,456
Capital Projects	General Special Revenue: Aquatic Center	996 80,000 <u>80,996</u>
	Total	<u>\$ 97,452</u>

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

(10) Related Party Transactions

The City had business transactions between the City and City officials, totaling \$2,417 during the year ended June 30, 2014.

(11) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2014 were \$60,431.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, 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 casualty 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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$1,000,000 for each accident, \$1,000,000 memorandum limit, and \$1,000,000 each employee. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) Contingencies

In prior years, the City received payments in lieu of taxes from the local housing agency. However it was later determined that some of these funds should have been distributed to the other political subdivisions in the county. The City Attorney's position was that the City owed the other political subdivisions in the County for the past five years only, which would amount to approximately \$21,000. However, in fiscal year 2004, the City agreed to pay approximately \$64,000 to the other political subdivisions in settlement of the payments in lieu of taxes from the local housing agency. The City and other political subdivisions signed an agreement whereby the other political subdivisions will receive the City's share of the payments in lieu of taxes until the City's liability has been satisfied. At June 30, 2014, the City owed approximately \$31,000 to the other political subdivisions in settlement of the payments in lieu of taxes from the local housing agency.

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

The City is currently using a computer operating system that is no longer supported by the manufacturer. The manufacturer is no longer providing security updates for the computer operating system used by the City. As a result, there is an increased risk that the City's data on the computer system will be compromised, either through theft of the data by an outside party or by data corruption. The potential liability to the City as a result of the use of a computer operating system no longer supported by the manufacturer is unknown.

(13) Commitments

The City has committed \$1.2 million to be paid to Monroe County for the purpose of constructing, furnishing, and equipping a new Public Safety Center. It is anticipated the payments to the County will be paid over a period of 20 equal annual installments of \$60,000, with the first payment due on January 1, 2015.

(14) Fund Balance

The City's assigned fund balance in the General Fund as of June 30, 2014 consists of the following:

Purpose	Amount
Library	\$ 19,643
Cemetery	47,944
Park	1,210
Fire Protection	8,111
Community Policing	<u>7,381</u>
Total	<u>\$ 84,289</u>

(15) Subsequent Events

The City has evaluated all subsequent events through December 8, 2014, the date the financial statements were available to be issued.

(16) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

Other Information

City of Albia

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

Other Information

Year ended June 30, 2014

	(Unaudited)				Total	Budgeted Amounts		Final to Total Variance
	Component Unit					Original	Final	
	Governmental Funds Actual	Proprietary Funds Actual	Municipal Waterworks Actual	Albia				
Receipts:								
Property tax	\$ 1,552,838	-	-	-	1,552,838	1,525,991	1,525,991	26,847
Other city tax	395,807	-	-	-	395,807	190,944	190,944	204,863
Licenses and permits	13,694	-	-	-	13,694	10,550	10,550	3,144
Use of money and property	20,126	15,563	13,348	-	49,037	7,700	7,700	41,337
Intergovernmental	758,106	50,000	-	-	808,106	436,363	436,363	371,743
Charges for service	82,753	501,283	1,283,689	-	1,867,725	3,101,180	3,174,680	(1,306,955)
Miscellaneous	144,401	10,000	75,843	-	230,244	-	-	230,244
Total receipts	2,967,725	576,846	1,372,880	4,917,451	4,917,451	5,272,728	5,346,228	(428,777)
Disbursements:								
Public safety	634,633	-	-	-	634,633	762,476	782,476	147,843
Public works	512,312	-	-	-	512,312	459,267	494,267	(18,045)
Culture and recreation	395,655	-	-	-	395,655	763,147	766,038	370,383
Community and economic development	7,312	-	-	-	7,312	3,000	7,000	(312)
General government	285,077	-	-	-	285,077	252,620	277,620	(7,457)
Debt service	510,960	-	-	-	510,960	799,935	799,935	288,975
Capital projects	102,918	-	-	-	102,918	14,000	24,000	(78,918)
Business type activities	-	815,953	1,351,737	-	2,167,690	2,933,315	3,233,315	1,065,625
Total disbursements	2,448,867	815,953	1,351,737	4,616,557	4,616,557	5,987,760	6,384,651	1,768,094
Excess (deficiency) of receipts over (under) disbursements	518,858	(239,107)	21,143	300,894	300,894	(715,032)	(1,038,423)	1,339,317
Other financing sources, net	20,456	(16,456)	-	4,000	4,000	1,000	15,500	(11,500)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	539,314	(255,563)	21,143	304,894	304,894	(714,032)	(1,022,923)	1,327,817
Balances beginning of year	3,584,777	434,370	189,351	4,208,498	4,208,498	4,075,236	4,075,236	133,262
Balances end of year	\$ 4,124,091	178,807	210,494	4,513,392	4,513,392	3,361,204	3,052,313	1,461,079

See accompanying independent auditor's report.

City of Albia

Notes to Other Information - Budgetary Reporting

June 30, 2014

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$396,891. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public works, community and economic development, general government and capital projects functions.

Supplementary Information

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

As of and for the year ended June 30, 2014

	Special Revenue				Permanent		Total
	Cooper Estate Bequest	Historical Preservation Board	Police Department	Library	Capital Projects	Cemetery Perpetual Care	
Receipts:							
Use of money and property	\$ 385	-	-	-	-	-	385
Intergovernmental	-	-	-	3,166	17,292	-	20,458
Miscellaneous	-	-	2,508	49,884	-	1,195	53,587
Total receipts	385	-	2,508	53,050	17,292	1,195	74,430
Disbursements:							
Operating:							
Public safety	-	-	973	-	-	-	973
Culture and recreation	-	-	-	22,083	-	-	22,083
Capital projects	-	-	-	-	102,918	-	102,918
Total disbursements	-	-	973	22,083	102,918	-	125,974
Excess (deficiency) of receipts over (under) disbursements	385	-	1,535	30,967	(85,626)	1,195	(51,544)
Other financing sources:							
Operating transfers in	-	-	-	-	80,996	-	80,996
Total other financing sources (uses)	-	-	-	-	80,996	-	80,996
Change in cash balances	385	-	1,535	30,967	(4,630)	1,195	29,452
Cash balances beginning of year	134,023	2,455	17,621	141,278	41,681	87,482	424,540
Cash balances end of year	\$ 134,408	2,455	19,156	172,245	37,051	88,677	453,992
Cash Basis Fund Balances							
Nonspendable:							
Cemetery perpetual care	\$ -	-	-	-	-	88,677	88,677
Restricted for other purposes	134,408	2,455	19,156	172,245	37,051	-	365,315
Total cash basis fund balances	\$ 134,408	2,455	19,156	172,245	37,051	88,677	453,992

See accompanying independent auditor's report.

City of Albia

Schedule 2

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

As of and for the year ended June 30, 2014

	Enterprise			
	Airport	Landfill	Rural Fire Department	Total
Operating receipts:				
Use of money and property	\$ 15,563	-	-	15,563
Charges for service	-	17,050	48,256	65,306
Total operating receipts	15,563	17,050	48,256	80,869
Operating disbursements:				
Business type activities	17,247	27,766	23,017	68,030
Total operating disbursements	17,247	27,766	23,017	68,030
Excess (deficiency) of operating receipts over (under) operating disbursements	(1,684)	(10,716)	25,239	12,839
Non-operating receipts (disbursements):				
Intergovernmental	-	-	50,000	50,000
Debt service	-	-	(12,766)	(12,766)
Capital projects	-	-	(14,532)	(14,532)
Net non-operating receipts (disbursements)	-	-	22,702	22,702
Change in cash balances	(1,684)	(10,716)	47,941	35,541
Cash balances beginning of year	24,907	64,925	36,605	126,437
Cash balances end of year	\$ 23,223	54,209	84,546	161,978
Cash Basis Fund Balances				
Restricted for debt service	\$ -	-	23,683	23,683
Unrestricted	23,223	54,209	60,863	138,295
Total cash basis fund balances	\$ 23,223	54,209	84,546	161,978

See accompanying independent auditor's report.

City of Albia

Schedule 3

Schedule of Indebtedness

Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds and Notes -									
Corporate Purpose Bonds	May 1, 2008	3.10 to 3.80%	\$ 640,000	195,000	-	45,000	150,000	7,208	-
Street Improvement Bonds	August 1, 2009	3.25 to 3.75%	670,000	670,000	-	-	670,000	23,618	-
Corporate Purpose Bonds	September 1, 2010	1.25 to 3.40%	845,000	745,000	-	50,000	695,000	21,147	-
Corporate Purpose and Refunding Bonds	June 1, 2012	0.35 to 2.00%	2,780,000	2,490,000	-	330,000	2,160,000	29,653	-
				\$ 4,100,000	-	425,000	3,675,000	81,626	-
Revenue Note -									
Fire Department	October 30, 2006	4.125%	\$ 102,900	44,469	-	10,932	33,537	1,834	-
Lease Purchase Agreement -									
Equipment	June 24, 2014	4.00%	\$ 19,799	-	19,799	-	19,799	-	-

See accompanying independent auditor's report.

City of Albia

Schedule 4

Bond and Note Maturities

June 30, 2014

General Obligation Bonds and Notes									
Year Ending June 30,	Corporate Purpose Bonds Issued May 1, 2008		Street Improvement Bonds Issued August 1, 2009		Corporate Purpose Bonds Issued September 1, 2010		Corporate Purpose and Refunding Bonds Issued June 1, 2012		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2015	3.80%	\$ 50,000	-	\$ -	1.80%	\$ 55,000	0.55%	\$ 340,000	445,000
2016	3.80%	50,000	-	-	2.50%	55,000	0.75%	285,000	390,000
2017	3.80%	50,000	3.25%	125,000	2.50%	90,000	0.95%	180,000	445,000
2018	-	-	3.40%	175,000	3.00%	90,000	1.10%	180,000	445,000
2019	-	-	3.60%	180,000	3.00%	95,000	1.30%	185,000	460,000
2020	-	-	3.75%	190,000	3.10%	100,000	1.50%	190,000	480,000
2021	-	-	-	-	3.25%	105,000	1.70%	195,000	300,000
2022	-	-	-	-	3.40%	105,000	1.90%	200,000	305,000
2023	-	-	-	-	-	-	2.00%	200,000	200,000
2024	-	-	-	-	-	-	2.00%	205,000	205,000
		<u>\$ 150,000</u>		<u>\$ 670,000</u>		<u>\$ 695,000</u>		<u>\$ 2,160,000</u>	<u>3,675,000</u>

Revenue Note		
Fire Department		
Issued October 30, 2006		
Year Ending June 30,	Interest Rates	Amount
2015	4.125%	\$ 11,383
2016	4.125%	11,852
2017	4.125%	10,302
		<u>\$ 33,537</u>

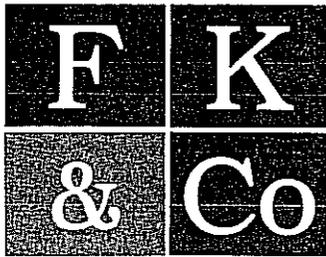
See accompanying independent auditor's report.

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

For the Last Ten Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Receipts:										
Property tax	\$ 1,552,838	1,499,709	1,452,512	1,404,213	1,213,781	1,259,475	1,194,235	1,171,575	1,083,508	946,940
Other city tax	395,807	313,002	637,070	673,919	717,285	821,020	720,239	802,383	592,594	395,200
Licenses and permits	13,694	11,249	16,218	12,716	18,261	13,035	14,213	10,027	12,467	12,251
Use of money and property	20,126	29,502	44,947	52,454	66,274	80,900	49,674	34,441	18,817	50,775
Intergovernmental	758,106	961,505	844,041	542,179	608,350	692,753	399,788	552,749	815,230	491,131
Charges for service	82,753	98,275	147,558	101,446	108,171	101,782	142,031	152,345	78,802	23,630
Miscellaneous	144,401	142,829	64,899	74,562	77,634	92,487	45,622	147,615	113,930	46,933
Total	\$ 2,967,725	3,056,071	3,207,245	2,861,489	2,809,756	3,061,452	2,565,802	2,871,135	2,715,348	1,966,860
Disbursements:										
Operating:										
Public safety	\$ 634,633	604,991	586,038	622,247	550,295	499,768	539,780	682,761	504,928	523,795
Public works	512,312	411,244	479,953	453,114	463,730	433,586	485,546	421,834	369,213	362,559
Culture and recreation	395,655	390,480	424,215	399,970	368,501	292,741	289,273	302,258	233,024	152,510
Community and economic development	7,312	7,686	10,978	749	13,046	9,185	46,670	2,477	11,714	32,956
General government	285,077	260,906	216,486	189,982	217,841	225,846	253,739	299,152	301,257	228,492
Debt service	510,960	1,463,962	730,569	727,495	669,920	633,696	1,086,975	620,756	1,478,044	417,219
Capital projects	102,918	1,808,641	592,173	636,784	688,093	743,120	197,074	635,254	1,275,365	1,867,844
Total	\$ 2,448,867	4,947,910	3,040,412	3,030,341	2,971,426	2,837,942	2,899,057	2,964,492	4,173,545	3,585,375

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

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

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Albia, Iowa (City) as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's primary government financial statements, and have issued our report thereon dated December 8, 2014. Our report expressed unmodified opinions on the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the primary government financial statements of the aggregate discretely presented component units due to the omission of the Albia Municipal Waterworks and the Fire/Rescue Association of Albia, Iowa.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A), (C), (D), (E) and (F) to be material weaknesses.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City's Responses to the Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



FALLER, KINCHELOE & CO., PLC

December 8, 2014

City of Albia

Schedule of Findings

Year ended June 30, 2014

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

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

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

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

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

Conclusion – Response acknowledged.

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

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

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

Conclusion – Response acknowledged.

City of Albia

Schedule of Findings

Year ended June 30, 2014

- (C) Receipts – The aquatic center cash register tapes do not always materially agree to the actual amount of money deposited to the bank. In addition, the City gave cash to an individual for a traffic fine refund. For monies initially collected by the police department, an initial listing of collections is not prepared.

Recommendation – The City should implement procedures to ensure the aquatic center cash register tapes agree to the actual amount of money deposited to the bank. In addition, the City should discontinue the use of making cash refunds, as all refunds should be made by check. An initial listing of police department collections should be prepared and compared to the accounting records by an independent person.

Response – We will implement these recommendations.

Conclusion – Response acknowledged.

- (D) Adjustments – The City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on September 25, 2002. As a result, material adjustments were made to the accounting records in order to properly classify certain receipts and disbursements to the appropriate accounts.

Recommendation – The City should implement procedures to ensure all receipts and disbursements are properly classified in the accounting records. In addition, to provide better financial information and control, the COA, or its equivalent, should be followed.

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

Conclusion – Response acknowledged.

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

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

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

Conclusion – Response acknowledged.

City of Albia

Schedule of Findings

Year ended June 30, 2014

- (F) Computer Operating System – The City is currently using a computer operating system that is no longer supported by the manufacturer. As a result, there is an increased risk that the City's data could be compromised, either through theft or through corruption.

Recommendation – The City should update its computer operating system to ensure the operating system used is supported by the manufacturer.

Response – We will upgrade our computer operating system.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Albia

Schedule of Findings

Year ended June 30, 2014

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public works, community and economic development, general government and capital projects functions. Chapter 384.20 of the Code of Iowa states, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

The beginning budget balances on the budget amendment did not agree to the ending budget balances as recorded on the original budget.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. The amended budget should be adopted by resolution of the Council in accordance with Code of Iowa requirements. In addition, the beginning budget balances on the budget amendment should agree to the ending budget balances as recorded on the original budget.

Response – We will implement these recommendations.

Conclusion – Response acknowledged.

- (2) Questionable Disbursements – Except as noted in (18) below, we noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- (3) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction/Description</u>	<u>Amount</u>
Linda Heller, City Clerk, Co-Owner Heller Home & Lawn Maintenance	Mowing	\$ 185
Warren Woolums, Volunteer Fireman	Service Equipment	1,412
Ray Vitko, Jr. Volunteer Fireman, Part-Owner, Vitko’s	Tires	820

In accordance with Chapter 362.5(3)(h) of the Code of Iowa, the transactions with the Volunteer Firemen do not appear to represent conflicts of interest.

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the City Clerk do not appear to represent a conflict of interest since total transactions with the City Clerk were less than \$1,500 during the fiscal year.

- (5) Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

City of Albia

Schedule of Findings

Year ended June 30, 2013

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

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

The City Council went into closed session on January 6, 2014. The minutes record did not document the vote of each member on the question of holding the closed session and the reason for holding the closed session by reference to a specific exemption under Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

The City did not publish some ordinances, as required by Chapter 380.7 of the Code of Iowa.

Recommendation - The City should implement procedures to ensure that all claims paid are approved by the City Council. The City should also implement procedures to ensure that total expenditures from each city fund, all claims, a summary of all receipts, and all City Council minutes are included in the newspaper publication. In addition, the City should ensure that all this information is timely published in the newspaper as required by the Code of Iowa. The City should also comply with Chapters 21 and 380.7 of the Code of Iowa.

Response - We will implement these recommendations.

Conclusion - Response acknowledged.

- (7) Deposits and Investments - The City's investment policy refers to an outdated section of the Code of Iowa.

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

Recommendation - The City should implement procedures to ensure that references used in the investment policy refer to the current sections of the Code of Iowa.

Response - The above issue was an oversight on our part. We will implement the above recommendation.

Conclusion - Response acknowledged.

- (8) Revenue Note - No instances of non-compliance with the revenue note resolutions were noted.

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

Recommendation - Costs incurred for liability insurance coverage for the sewer and airport operations should be charged to those funds.

City of Albia
Schedule of Findings
Year ended June 30, 2014

Response – We will implement these recommendations.

Conclusion – Response acknowledged.

- (10) Monies Not Collected – It appears the City is due an additional \$2,752 from a Department of Homeland Security grant as reimbursements for costs incurred by the City in 2010 and 2011. The City could have claimed this money over three years ago. However, City personnel were unable to explain why they have not claimed these funds from the Department of Homeland Security.

We were unable to determine if the amount of health insurance reimbursement due to the City from a former employee was all received by the City.

Recommendation – The City should implement procedures to ensure all monies due to the City are identified, requested and received on a timely basis.

Response – We will review this and take appropriate action.

Conclusion – Response acknowledged.

- (11) Tax Issues – It appears the City's Form 941 filed with the Internal Revenue Service for one quarter was materially overstated.

Recommendation – The City should implement procedures to ensure all forms filed with the Internal Revenue Service are accurate.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- (12) Lease Purchase – The City entered into a capital lease for the lease-purchase of a mower. However, the City did not comply with the provisions of Chapters 364.4 and 384.25 of the Code of Iowa which requires certain authorization procedures to be followed, including publication of a notice of intended action and the time and place of the meeting.

Recommendation – The City should comply with the Code of Iowa requirements before entering into future lease-purchase agreements. In addition, the City should consult with their Attorney in relation to the above.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- (13) Local Option Sales Tax – The City and County entered into an agreement whereby the County would remit its local option sales tax collections to the City. The City was then to use these funds for the aquatic center costs. Our review noted that it appears that the County still owes two months of local option sales tax receipts to the City, which we estimate would amount to approximately \$70,000.

Recommendation – The City should consult with legal counsel to resolve this matter.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

City of Albia

Schedule of Findings

Year ended June 30, 2014

- (14) Payroll – In one instance it was noted that an employee timecard was not signed by the employee's supervisor. In addition, an instance was noted where there was not always written authorization for the amount of deductions withheld from the employee's paycheck.

Recommendation – The City should implement procedures to ensure all timecards are signed by the employee's supervisor. In addition, written authorizations should be maintained for the amount of deductions withheld from the employee's paycheck.

Response – We will attempt to implement these recommendations.

Conclusion – Response acknowledged.

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

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

The City Council members' rate of pay increased from \$25 per meeting to \$35 per meeting on January 1, 2012. However, the ordinance increasing the rate of pay for the City Council members was not published until August 2, 2012. Therefore, based on the above Code sections, it would appear that the City Council members' rate of pay should not be increased to \$35 per meeting until January 1, 2014. As a result, it would appear that all of the City Council members were overpaid for the period from January 1, 2012 until December 31, 2014. Total apparent overpayment to the City Council during this time period was estimated to be around \$3,000.

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

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

Conclusion – Response acknowledged.

- (16) Credit Cards – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls the credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – We will attempt to implement this recommendation.

Conclusion – Response acknowledged.

City of Albia

Schedule of Findings

Year ended June 30, 2014

- (17) Cash Procedures – The bank signature card included a former Mayor as an authorized signatory for one bank account.

Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State annually.

Recommendation – The City should ensure the bank signature card is accurate and updated timely. In addition, outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State annually, as required.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- (18) Questionable Disbursement – Disbursements were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. During the year ended June 30, 2014, the City paid \$7,312 on behalf of the Albia Pre-School and Day Center, Inc.

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation - The City should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including requirements for proper documentation.

Response – We will include documentation and establish policies to address these types of disbursements if this practice is continued.

Conclusion – Response acknowledged.