



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 31, 2011

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on the City of Springville, Iowa.

The City's receipts totaled \$2,017,331 for the year ended June 30, 2010. The receipts included \$355,596 in property tax, \$269,054 from charges for service, \$1,038,000 from refunding note proceeds, \$199,887 from operating grants, contributions and restricted interest, \$143,356 from local option sales tax, \$3,958 from unrestricted interest on investments and \$7,480 from other general receipts.

Disbursements for the year totaled \$1,909,073, and included \$1,038,000 to refund general obligation notes, \$139,878 for debt service, \$117,327 for culture and recreation and \$105,731 for public works. Also, disbursements for business type activities totaled \$345,557.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1021-0552-B00F.pdf>.

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

JUNE 30, 2010

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City of Springville

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2010)		
William Cooper	Mayor	Jan 2010
Jeff Grimley	Mayor Pro tem	Jan 2012
Jack Clothier	Council Member	Jan 2010
Sean Williams	Council Member	Jan 2010
Robin Ballantyne	Council Member	Jan 2012
Heather Neff	Council Member	Jan 2012
Karen Bixler	Clerk/Treasurer	Indefinite
Jeff Taylor	Attorney	Indefinite
(After January 2010)		
Rick Heeren	Mayor	Jan 2014
Jeff Grimley	Mayor Pro tem	Jan 2012
Robin Ballantyne	Council Member	Jan 2012
Heather Neff	Council Member	Jan 2012
Mary Gerdemann	Council Member	Jan 2014
Robert Shebetka	Council Member	Jan 2014
Karen Bixler	Clerk/Treasurer	Indefinite
Jeff Taylor	Attorney	Indefinite

City of Springville



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

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 Springville, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Springville's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

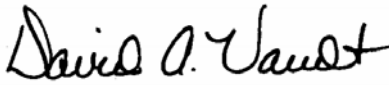
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2009.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2009, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Springville as of June 30, 2010, 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.

In accordance with Government Auditing Standards, we have also issued our report dated March 18, 2011 on our consideration of the City of Springville's internal control over financial reporting and 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 and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 24 through 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Springville's basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2009, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 18, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Springville 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, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

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

2010 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities increased approximately \$186,000 during the fiscal year, primarily due to local option sales tax collected and not completely spent during the year.
- The cash basis net assets of the City's business type activities decreased approximately \$78,000 during the fiscal year.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term, as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide 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.

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

Other Supplementary Information provides detailed information about the nonmajor governmental 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 operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, 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 water, sewer and recycle/garbage systems. These activities are financed primarily by user fees.

Fund Financial Statements

The City has two kinds of funds:

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

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

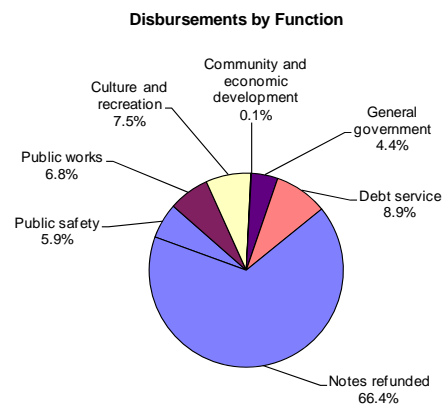
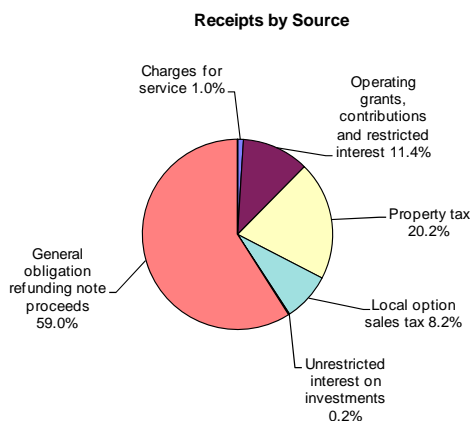
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for water, sewer and recycle/garbage operations. The Water and Sewer Funds are considered to be major funds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

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets 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 \$250,559 to \$436,596, primarily due to local option sales tax collected and not completely spent during the year. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2010
Receipts:	
Program receipts:	
Charges for service	\$ 18,053
Operating grants, contributions and restricted interest	199,887
General receipts:	
Property tax	355,596
Local option sales tax	143,356
Unrestricted interest on investments	2,646
General obligation refunding note proceeds	1,038,000
Total receipts	<u>1,757,538</u>
Disbursements:	
Public safety	92,587
Public works	105,731
Culture and recreation	117,327
Community and economic development	1,933
General government	68,060
Debt service	139,878
Notes refunded	1,038,000
Total disbursements	<u>1,563,516</u>
Change in cash basis net assets before transfers	194,022
Transfers, net	<u>(7,985)</u>
Change in cash basis net assets	186,037
Cash basis net assets beginning of year	<u>250,559</u>
Cash basis net assets end of year	<u><u>\$ 436,596</u></u>



Total business type activities cash basis net assets decreased approximately \$78,000 from a year ago, from \$202,485 to \$124,706.

<u>Changes in Cash Basis Net Assets of Business Type Activities</u>	
	<u>Year ended June 30, 2010</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 116,734
Sewer	99,657
Recycle/garbage	34,610
General receipts:	
Unrestricted interest on investments	1,312
Other general receipts	7,480
Total receipts	<u>259,793</u>
Disbursements :	
Water	160,409
Sewer	151,867
Recycle/garbage	33,281
Total disbursements	<u>345,557</u>
Change in cash basis net assets before transfers	(85,764)
Transfers, net	7,985
Change in cash basis net assets	<u>(77,779)</u>
Cash basis net assets beginning of year	<u>202,485</u>
Cash basis net assets end of year	<u><u>\$ 124,706</u></u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Springville completed the year, its governmental funds reported a combined fund balance of \$436,596, an increase of \$186,037 above last year's total of \$250,559. 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 \$68,280 from the prior year to a year-end balance of \$127,145. This increase is due to receipts exceeding disbursements for the fiscal year.
- The Special Revenue, Road Use Tax Fund cash balance increased \$3,032 from the prior year to a year-end balance of \$23,193.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$135,371 to \$183,365 during the fiscal year. The increase was due to tax collected and not entirely spent during the year.
- The Special Revenue, Friends of the Springville Fire Department Fund decreased \$3,490 to a year-end balance of \$58,750.
- The Debt Service Fund cash balance decreased \$22,660 to \$1,028 during the fiscal year. The decrease was primarily due to a decrease in the property tax levy.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$27,732 to a year-end balance of \$57,392 due to a major tower maintenance and painting project.
- The Enterprise, Sewer Fund cash balance decreased \$51,376 to a year-end balance of \$53,362, primarily due to the purchase of a generator and the accompanying costs.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 24, 2010 and resulted in an increase in operating disbursements of approximately \$27,584 relating primarily to the general government, culture and recreation and public works functions. The City had sufficient cash balances to absorb these additional costs.

The City’s receipts were \$12,300 more than budgeted, primarily due to the parks fundraiser bringing in more money than expected.

Total disbursements were \$16,402 less than the amended budget. Disbursements in the culture and recreation, general government and public works functions were \$9,972, \$5,794 and \$3,163, respectively, less than the amended budget. This is primarily due to cemetery projects not completed, vehicle and building maintenance being lower than anticipated and some over budgeting.

DEBT ADMINISTRATION

At June 30, 2010, the City had \$1,112,427 in general obligation notes and revenue notes outstanding, compared to \$1,224,207 last year. The chart below segregates the City’s debt into its component parts.

	Outstanding Debt at Year-End	
	June 30,	
	2010	2009
General obligation notes	\$ 1,038,000	1,129,566
Revenue notes	74,427	94,641
Total	\$ 1,112,427	1,224,207

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt is \$1,038,000, below its constitutional debt limit of approximately \$2,395,000.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The City of Springville’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and fees charged for various City activities. The City’s fiscal year 2011 taxable valuation has increased approximately \$1,412,000 from fiscal year 2010.

The fiscal year 2011 budget contains total receipts of \$999,819 and disbursements of \$755,729. This budget is lower than the amended fiscal year 2010 budget which contained total receipts of \$933,650 and disbursements of \$849,277.

The fiscal year 2011 levy is \$15.19726 per \$1,000 of taxable valuation, an increase from \$14.24598 per \$1,000 of taxable valuation for fiscal year 2010. The debt service levy increased from \$4.66163 per \$1,000 of taxable valuation for fiscal year 2010 to \$5.31818 per \$1,000 of taxable valuation for fiscal year 2011 due to taxation for part of the refunding note (Streets – Phase II) that was not taxed for in previous years.

These parameters were taken into account when adopting the budget for fiscal year 2011.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Karen Bixler, City Clerk, 304 Broadway Street, Springville, IA 52336.

Basic Financial Statements

City of Springville

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2010

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 92,587	-	44,646
Public works	105,731	-	96,552
Culture and recreation	117,327	4,512	48,331
Community and economic development	1,933	85	100
General government	68,060	13,456	10,258
Debt service	139,878	-	-
Total governmental activities	525,516	18,053	199,887
Business type activities:			
Water	160,409	116,734	-
Sewer	151,867	99,657	-
Recycle/garbage	33,281	34,610	-
Total business type activities	345,557	251,001	-
Total	\$ 871,073	269,054	199,887

General Receipts and Transfers:

Property and other city tax levied for general purposes

Local option sales tax

Unrestricted interest on investments

General obligation refunding note proceeds

Notes refunded

Miscellaneous

Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

Expendable:

Streets

Local option sales tax

Friends of the Springville Fire Department

Debt service

Other purposes

Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(47,941)	-	(47,941)
(9,179)	-	(9,179)
(64,484)	-	(64,484)
(1,748)	-	(1,748)
(44,346)	-	(44,346)
(139,878)	-	(139,878)
(307,576)	-	(307,576)
-	(43,675)	(43,675)
-	(52,210)	(52,210)
-	1,329	1,329
-	(94,556)	(94,556)
(307,576)	(94,556)	(402,132)
355,596	-	355,596
143,356	-	143,356
2,646	1,312	3,958
1,038,000	-	1,038,000
(1,038,000)	-	(1,038,000)
-	7,480	7,480
(7,985)	7,985	-
493,613	16,777	510,390
186,037	(77,779)	108,258
250,559	202,485	453,044
\$ 436,596	124,706	561,302
\$ 23,193	-	23,193
183,365	-	183,365
58,750	-	58,750
1,028	-	1,028
43,115	-	43,115
127,145	124,706	251,851
\$ 436,596	124,706	561,302

Exhibit B

City of Springville

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

As of and for the year ended June 30, 2010

	Special Revenue						Total
	General	Road Use Tax	Local Option Sales Tax	Friends of the Springville Fire Department	Debt Service	Nonmajor	
Receipts:							
Property tax	\$208,306	-	-	-	114,366	24,491	347,163
Local option sales tax	-	-	143,356	-	-	-	143,356
Other city tax	4,956	-	-	-	2,852	625	8,433
Licenses and permits	7,664	-	-	-	-	-	7,664
Use of money and property	7,928	-	-	615	-	693	9,236
Intergovernmental	39,838	96,552	-	-	-	-	136,390
Charges for service	3,799	-	-	-	-	-	3,799
Miscellaneous	23,070	-	-	31,400	-	9,027	63,497
Total receipts	295,561	96,552	143,356	32,015	117,218	34,836	719,538
Disbursements:							
Operating:							
Public safety	57,082	-	-	35,505	-	-	92,587
Public works	6,452	99,279	-	-	-	-	105,731
Culture and recreation	113,111	-	-	-	-	4,216	117,327
Community and economic development	1,933	-	-	-	-	-	1,933
General government	68,060	-	-	-	-	-	68,060
Debt service	-	-	-	-	139,878	-	139,878
Total disbursements	246,638	99,279	-	35,505	139,878	4,216	525,516
Excess (deficiency) of receipts over (under) disbursements	48,923	(2,727)	143,356	(3,490)	(22,660)	30,620	194,022
Other financing sources (uses):							
General obligation refunding note proceeds	-	-	-	-	1,038,000	-	1,038,000
Notes refunded	-	-	-	-	(1,038,000)	-	(1,038,000)
Operating transfers in	19,357	5,759	-	-	-	-	25,116
Operating transfers out	-	-	(7,985)	-	-	(25,116)	(33,101)
Total other financing sources (uses)	19,357	5,759	(7,985)	-	-	(25,116)	(7,985)
Net change in cash balances	68,280	3,032	135,371	(3,490)	(22,660)	5,504	186,037
Cash balances beginning of year	58,865	20,161	47,994	62,240	23,688	37,611	250,559
Cash balances end of year	\$127,145	23,193	183,365	58,750	1,028	43,115	436,596
Cash Basis Fund Balances							
Reserved for							
debt service	\$ -	-	-	-	1,028	-	1,028
Unreserved:							
General fund	127,145	-	-	-	-	-	127,145
Special revenue funds	-	23,193	183,365	58,750	-	43,115	308,423
Total cash basis fund balances	\$127,145	23,193	183,365	58,750	1,028	43,115	436,596

See notes to financial statements.

City of Springville

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

As of and for the year ended June 30, 2010

	Enterprise			Total
	Water	Sewer	Nonmajor Recycle/ Garbage	
Operating receipts:				
Charges for service	\$ 116,734	99,657	34,610	251,001
Operating disbursements:				
Business type activities	160,409	103,947	33,281	297,637
Excess (deficiency) of operating receipts over (under) operating disbursements	(43,675)	(4,290)	1,329	(46,636)
Non-operating receipts (disbursements):				
Interest on investments	478	834	-	1,312
Miscellaneous	7,480	-	-	7,480
Equipment	-	(23,920)	-	(23,920)
Debt service	-	(24,000)	-	(24,000)
Total non-operating receipts (disbursements)	7,958	(47,086)	-	(39,128)
Excess (deficiency) of receipts over (under) disbursements	(35,717)	(51,376)	1,329	(85,764)
Operating transfers in	7,985	-	-	7,985
Net change in cash balances	(27,732)	(51,376)	1,329	(77,779)
Cash balances beginning of year	85,124	104,738	12,623	202,485
Cash balances end of year	\$ 57,392	53,362	13,952	124,706
Cash Basis Fund Balances				
Unreserved	\$ 57,392	53,362	13,952	124,706

See notes to financial statements.

City of Springville

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

The City of Springville is a political subdivision of the State of Iowa located in Linn County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and recycle/garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Springville 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 of Springville (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational relationship with the City.

Blended Component Units

Friends of the Springville Fire Department and Friends of the Springville Memorial Library are legally separate from the City, but are so intertwined with the City they are, in substance, part of the City. Friends of the Springville Fire Department and Friends of the Springville Memorial Library are organized under Chapter 504A of the Code of Iowa as non-profit corporations and collect donations which are used to purchase items not included in the City's budget. The financial transactions have been reported as Special Revenue Funds of the City.

Jointly Governed Organizations

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

B. Basis of Presentation

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

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets 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 are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance

The Local Option Sales Tax Fund is used to account for local options sales tax received and its uses.

The Friends of the Springville Fire Department Fund accounts for the blended component unit and collects donations which are used to purchase items not included in the City's budget.

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

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the community and economic development and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

(3) Notes Payable

Annual debt service requirements to maturity for general obligation refunding notes and revenue notes are as follows:

Year Ending June 30,	General Obligation Refunding Notes		Sewer Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 94,719	42,097	21,023	2,977	115,742	45,074
2012	96,530	38,360	21,864	2,136	118,394	40,496
2013	98,586	34,340	22,738	1,262	121,324	35,602
2014	100,580	30,342	8,802	352	109,382	30,694
2015	102,614	26,263	-	-	102,614	26,263
2016-2020	544,971	67,267	-	-	544,971	67,267
Total	\$ 1,038,000	238,669	74,427	6,727	1,112,427	245,396

General Obligation Refunding Notes

In June 2010, the City issued \$1,038,000 of general obligation refunding notes. The notes were issued to refund the outstanding balance of \$382,000 of the \$535,000 of the general obligation street improvement notes issued January 15, 2004, to refund the outstanding balance of \$578,000 of the \$680,000 of general obligation street improvement notes issued February 15, 2008 and to refund the outstanding balance of \$78,000 of the \$175,000 of general obligation property acquisition notes issued September 3, 2004.

The City obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$41,600.

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$206,000 of sewer revenue notes issued in February 2004. Proceeds from the notes provided financing for the establishment of a municipal sanitary sewer system. The notes are payable solely from sewer customer net receipts and are payable through 2014. Annual principal and interest payments on the notes are expected to require less than 86 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$81,154. For the current year, principal and interest paid and total customer net receipts were \$24,000 and a deficit of \$4,290, respectively.

The resolution providing for the issuance of the revenue notes provides the notes are payable solely from the net revenues of the sewer utility and shall not be a general obligation of the City, nor payable in any manner by taxation.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% 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, 2010 was \$13,070.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 2 active and no 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 would pay the same premium for the medical/prescription drug benefits 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 plan members are \$410 for single coverage and \$723 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2010, the City contributed \$8,485 and plan members eligible for benefits contributed \$3,638 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation 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 earned vacation payable to employees at June 30, 2010, primarily relating to the General Fund, was \$4,500. This liability has been computed based on rates of pay in effect at June 30, 2010.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefit	\$ 12,726
	Emergency	6,631
		<u>19,357</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Employee Benefit	<u>5,759</u>
Enterprise:	Special Revenue:	
Water	Local Option Sales Tax	<u>7,985</u>
Total		<u>\$ 33,101</u>

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

(8) Risk Management

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

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 347,163	-	-
Other city tax	151,789	-	-
Licenses and permits	7,664	-	-
Use of money and property	9,236	1,312	654
Intergovernmental	136,390	-	-
Charges for service	3,799	251,001	-
Miscellaneous	63,497	7,480	32,727
Total receipts	719,538	259,793	33,381
Disbursements:			
Public safety	92,587	-	35,505
Public works	105,731	-	-
Culture and recreation	117,327	-	2,693
Community and economic development	1,933	-	-
General government	68,060	-	-
Debt service	139,878	-	-
Business type activities	-	345,557	-
Total disbursements	525,516	345,557	38,198
Excess (deficiency) of receipts over (under) disbursements	194,022	(85,764)	(4,817)
Other financing sources, net	(7,985)	7,985	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	186,037	(77,779)	(4,817)
Balances beginning of year	250,559	202,485	68,917
Balances end of year	\$ 436,596	124,706	64,100

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
347,163	346,519	346,519	644
151,789	135,234	152,193	(404)
7,664	3,102	5,170	2,494
9,894	7,725	12,476	(2,582)
136,390	132,653	134,573	1,817
254,800	254,250	257,826	(3,026)
38,250	16,700	24,893	13,357
945,950	896,183	933,650	12,300
57,082	58,375	57,922	840
105,731	102,342	108,894	3,163
114,634	113,610	124,606	9,972
1,933	2,100	1,450	(483)
68,060	62,715	73,854	5,794
139,878	139,878	139,878	-
345,557	342,673	342,673	(2,884)
832,875	821,693	849,277	16,402
113,075	74,490	84,373	28,702
-	-	7,985	(7,985)
113,075	74,490	92,358	20,717
384,127	298,952	359,259	24,868
497,202	373,442	451,617	45,585

City of Springville

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

The budgetary comparison is presented as Required Supplementary Information 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 the blended component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Proprietary 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 \$27,584. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the community and economic development and the business type activities functions.

Other Supplementary Information

City of Springville

City of Springville

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

As of and for the year ended June 30, 2010

	Special Revenue					Total
	Employee Benefits	Emergency	Fire Expendable Trust	Library Expendable Trust	Friends of the Springville Memorial Library	
Receipts:						
Property tax	\$ 18,025	6,466	-	-	-	24,491
Other city tax	460	165	-	-	-	625
Use of money and property	-	-	-	654	39	693
Miscellaneous	-	-	-	7,700	1,327	9,027
Total receipts	18,485	6,631	-	8,354	1,366	34,836
Disbursements:						
Operating:						
Culture and recreation	-	-	-	1,523	2,693	4,216
Excess (deficiency) of receipts over (under) disbursements	18,485	6,631	-	6,831	(1,327)	30,620
Other financing uses:						
Operating transfers out	(18,485)	(6,631)	-	-	-	(25,116)
Net change in cash balances	-	-	-	6,831	(1,327)	5,504
Cash balances beginning of year	-	-	314	30,620	6,677	37,611
Cash balances end of year	\$ -	-	314	37,451	5,350	43,115
Cash Basis Fund Balances						
Unreserved:						
Special revenue funds	\$ -	-	314	37,451	5,350	43,115

See accompanying independent auditor's report.

City of Springville
 Schedule of Indebtedness
 Year ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Street improvement	Jan 15, 2004	4.25% *	\$ 535,000
Property acquisition	Sep 3, 2004	4.25 *	175,000
Street improvement	Feb 15, 2008	4.30	680,000
Total			
General obligation refunding note	Jun 1, 2010	4.00%	\$ 1,038,000
Revenue notes:			
Sewer	Feb 6, 2004	4.00%	\$ 206,000

* Interest rate is variable and subject to change

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
404,000	-	404,000	-	17,170
95,566	-	95,566	-	4,062
630,000	-	630,000	-	27,080
<u>\$ 1,129,566</u>	<u>-</u>	<u>1,129,566</u>	<u>-</u>	<u>48,312</u>
<u>-</u>	<u>1,038,000</u>	<u>-</u>	<u>1,038,000</u>	<u>-</u>
<u>94,641</u>	<u>-</u>	<u>20,214</u>	<u>74,427</u>	<u>3,786</u>

Schedule 3

City of Springville

Note Maturities

June 30, 2010

Year Ending June 30,	General Obligation Refunding Note		Sewer Revenue Notes	
	Issued June 1, 2010		Issued February 6, 2004	
	Interest Rates	Amount	Interest Rates	Amount
2011	4.00%	\$ 94,719	4.00%	\$ 21,023
2012	4.00	96,530	4.00	21,864
2013	4.00	98,586	4.00	22,738
2014	4.00	100,580	4.00	8,802
2015	4.00	102,614		-
2016	4.00	104,629		-
2017	4.00	106,805		-
2018	4.00	108,965		-
2019	4.00	111,168		-
2020	4.00	113,404		-
Total		<u>\$ 1,038,000</u>		<u>\$ 74,427</u>

See accompanying independent auditor's report.



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

To the Honorable Mayor and
Members of the City Council:

We have audited 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 Springville, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 18, 2011. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2009. Except as noted in the Independent Auditor's Report, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Springville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Springville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Springville's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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

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

Compliance and Other Matters

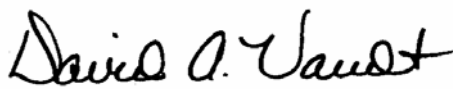
As part of obtaining reasonable assurance about whether the City of Springville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and 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, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

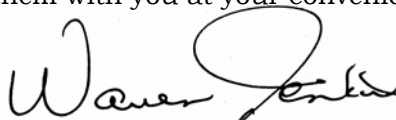
The City of Springville's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Springville's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Springville and other parties to whom the City of Springville may report and is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 18, 2011

City of Springville

Schedule of Findings

Year ended June 30, 2010

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties – One important element in designing internal control to safeguard assets and reasonably ensure the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check of those of another. One person has control over each of the following areas:

- (1) Accounting system – performing all general accounting functions and having custody of assets.
- (2) Cash – reconciling bank accounts, initiating cash receipt and disbursement transactions and handling and recording cash.
- (3) Investments – detailed record keeping, custody of investments and reconciling earnings.
- (4) Long-term debt – recording, reconciling and performing cash functions.
- (5) Receipts – collecting, depositing, journalizing and posting.
- (6) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (7) Disbursements – purchasing, check signing, recording and reconciling.
- (8) Payroll – preparing and distributing.
- (9) Information system (computer usage) – performing all general accounting functions and controlling all data input and output.

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

Response – We agree a two person office limits segregation of duties and will take steps to institute procedures as recommended by the auditors.

Conclusion – Response accepted.

(B) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled.

Water meters are read by utility customers who record the readings, calculate the usage, compute the bills and then remit payments to the City. The City does not have a policy to periodically read meters.

City of Springville

Schedule of Findings

Year ended June 30, 2010

In addition, the minimum sewer rate was charged to all customers for one month instead of the proper rate and the recycling/yard waste rate was incorrect for all customers for one month.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies. The Council should review the reconciliation and monitor delinquencies.

The City should develop a policy to periodically read meters.

In addition, the City should establish procedures to ensure the correct utility rates are being used each month.

Response – The Clerk’s office will research forms and/or procedures for utility reconciliations.

Public Works Department has been notified of the need to periodically read meters.

The City will charge the correct utility rates.

Conclusion – Response accepted.

- (C) Financial Reporting – During the audit, we identified a material amount of refunding bond payments and proceeds from the refunding which were not reported in the City’s financial statements. Adjustments were subsequently made by the City to properly report these amounts in the City’s financial statements.

Recommendation – The City should implement procedures to ensure note refunding and proceeds are properly recorded in the City’s financial statements.

Response – The new lending institution wrote the refunding check directly to the payoff institution, not the City. Upon being informed of this error the City will develop procedures to ensure future refundings are included in the financial statements.

Conclusion – Response accepted.

- (D) Electronic Data Processing Systems – During our review of internal control, the existing control activities in the City’s computer-based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City’s computer based systems were noted.

The City does not have written policies for:

- Requiring password changes every 60 to 90 days to maintain password privacy and confidentiality.
- Restricting access to computer systems through the use of unique user IDs.

City of Springville

Schedule of Findings

Year ended June 30, 2010

- Requiring password length to be at least 8 characters.
- Requiring computers to have a log off function when not in use.
- A computer lockout function if passwords are incorrectly entered more than three times.
- The personal use of computer equipment.
- The use of internet access.

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

Response – Recognize and agree with the need for computer safety. We will develop written policies.

Conclusion – Response accepted.

(E) Accounting Procedures Manual – We encourage the development of office procedures and standardized accounting manuals for the City. In addition, we encourage obtaining or developing user manuals/help guides for the accounting software the City utilizes. These manuals and guides should provide the following benefits:

- (1) Aid in training additional or replacement personnel.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or similar, situation arises.
- (4) Improve the efficiency and understanding of steps to perform for running monthly financial reports and retrieving management information.

Recommendation – Office procedures and an accounting manual should be developed for the City.

Response – Will work on developing a procedures manual.

Conclusion – Response accepted.

(F) Supporting Documentation – Certain disbursements were not supported by proper documentation. This matter was resolved for audit purposes.

Recommendation – All disbursements should be supported by original invoices or other supporting documentation.

Response – Future claims will have authorized supporting documentation.

Conclusion – Response accepted.

City of Springville

Schedule of Findings

Year ended June 30, 2010

- (G) Friends of the Springville Memorial Library – One important element in designing internal control to safeguard assets and reasonably ensure the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check of those of another. There is no segregation of duties over receipts. A bank reconciliation is prepared but is not reviewed/approved by an independent person.

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

Response – At this time, a Friends member receives the bank statements and then gives them to the Treasurer. The Treasurer reconciles the bank statements and prepares a balance sheet from the bank statements. In the future, the Treasurer will take the bank statements to the board meetings and have at least one more officer review, initial and date the bank reconciliation.

Conclusion – Response accepted.

- (H) Friends of the Springville Fire Department – One important element in designing internal control to safeguard assets and reasonably ensure the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check of those of another. A bank reconciliation is not prepared or reviewed by an independent reviewer.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Friends should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. A bank reconciliation should be prepared and evidence of review of the reconciliation should be indicated by initials of the independent reviewer and the date of the review.

Response – Although requested, a response was not provided.

Conclusion – Not applicable.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Springville

Schedule of Findings

Year ended June 30, 2010

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the community and economic development and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City will develop procedures to ensure the budget is amended before disbursements exceed the budgeted amounts.

Conclusion – Response accepted.

- (2) Questionable Disbursements – Certain disbursements 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 were noted. These disbursements are detailed as follows:

<u>Paid For</u>	<u>Purpose</u>	<u>Amount</u>
Trophies	Pedal pull trophies	\$ 170
Coffee	Coffee for City Hall	6

According to the Attorney General's opinion, it is possible for certain disbursements 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 an improper purpose is very thin.

Recommendation - The Council 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 the requirement for proper documentation.

Response – The Clerk will research a “resolution of public purpose” so future guidelines are in written form. This shall be reviewed for possible passage by the Council to avoid any question of improper purchases in the future.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.

City of Springville

Schedule of Findings

Year ended June 30, 2010

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Clothing Allowance – Public works employees may receive up to \$150 in clothing allowance which is currently not taxed. Reimbursements for clothing appropriate for general wear are taxable under Internal Revenue Service (IRS) regulations.

Recommendation – The City should review and modify policies to address compliance with IRS regulations governing clothing allowances.

Response – The Council will review the clothing allowance policy.

Conclusion – Response accepted.

- (9) Bequest to the Springville Fire Department – During the year ended June 30, 2008, the Springville Fire Department was named as a beneficiary in a last will and testament and the proceeds (Bequest) of \$15,920 were remitted to the City. The City remitted the Bequest to the Friends of the Fire Department in fiscal year 2008 and the Friends of the Springville Fire Department is still in control of these funds.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 states, “No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly.”

Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee or other person and which show the receipt, use, and disposition of all city property.”

Recommendation – We are not aware of any statutory authority for the City to relinquish its fiduciary responsibility over the public funds trust account to a separate non-profit organization.

The City should consult legal counsel and recover the remaining proceeds of the Bequest held by the Friends of the Springville Fire Department, including all income derived from the investment of the Bequest from the time it was remitted to the Friends of the Springville Fire Department. In addition, the City should require an immediate accounting for these public funds from the date of the gift.

City of Springville

Schedule of Findings

Year ended June 30, 2010

Response – Friends of the Fire Department have received a copy of this communication and the auditor’s recommendation for returning the bequeathed funds to the City. The Springville Fire Department has a Trust Fund within the City’s accounting and the proceeds would become a part of this fund.


Conclusion – Response accepted.

City of Springville

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Brian P. Schenkelberg, CPA, Staff Auditor
Kristin M. Ockenfels, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State