



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

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**NEWS RELEASE**

FOR RELEASE

October 26, 2011

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on City of Crawfordsville, Iowa.

The City's receipts totaled \$943,685 for the year ended June 30, 2010. The receipts included \$83,119 from charges for service, \$108,099 from operating grants, contributions and restricted interest, \$506,799 from capital grants, contributions and restricted interest, \$31,622 from property tax, \$22,252 from local option sales tax, \$414 from unrestricted interest on investments, \$191,301 from note proceeds and \$79 from other general receipts.

Disbursements for the year totaled \$977,971, and included \$60,324 for public works, \$30,064 for general government and \$9,853 for public safety. Also, disbursements for business type activities totaled \$873,080.

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/1022-0884-B00F.pdf>.

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**CITY OF CRAWFORDSVILLE**

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

**JUNE 30, 2010**

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**City of Crawfordsville**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2010)</b>		
Tom Conrad	Mayor	Jan 2010
Rex Felts	Mayor Pro tem	Jan 2010
Michel Blum	Council Member	Jan 2010
Carolyn Steele	Council Member	Jan 2010
Don Brookhart	Council Member	Jan 2012
Craig Davey	Council Member	Jan 2012
<b>(After January 2010)</b>		
Tom Conrad	Mayor	Jan 2014
Rex Felts	Mayor Pro tem	Jan 2014
Don Brookhart	Council Member	Jan 2012
Craig Davey	Council Member	Jan 2012
Gene Miller	Council Member	Jan 2014
Carolyn Steele	Council Member	Jan 2014
Carolyn Love	City Clerk	Indefinite
Katie Lujan	Attorney	Indefinite

**City of Crawfordsville**



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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 and each major fund of the City of Crawfordsville, 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 Crawfordsville's management. 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 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 and each major fund of the City of Crawfordsville 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 September 15, 2011 on our consideration of the City of Crawfordsville'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 11 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 Crawfordsville's basic financial statements. Other supplementary information included in Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, 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

September 15, 2011

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

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The City of Crawfordsville 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 decreased approximately \$14,900 during the fiscal year.
- The cash basis net assets of the City's business type activities decreased approximately \$19,400 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 of the City's budget for the year.

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

## **BASIS OF ACCOUNTING**

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

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

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which 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, 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 waterworks system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) the Special Revenue, Road Use Tax 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.

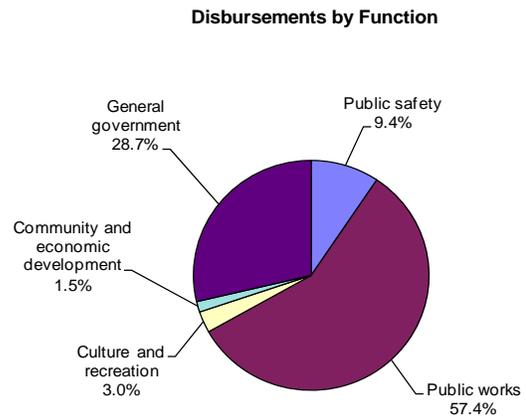
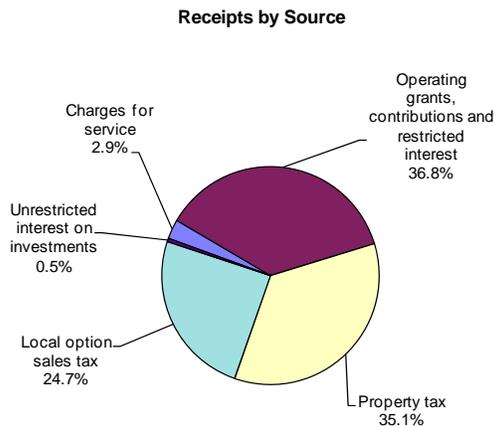
2) Proprietary funds account for the City's Enterprise Fund. Enterprise Funds are used to report business type activities. The City maintains an Enterprise, Water Fund, which is considered to be a major fund of the City.

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 decreased from a year ago, decreasing from \$98,140 to \$83,260. 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	\$ 2,624
Operating grants, contributions and restricted interest	33,099
General receipts:	
Property tax	31,622
Local option sales tax	22,252
Unrestricted interest on investments	414
Total receipts	<u>90,011</u>
Disbursements:	
Public safety	9,853
Public works	60,324
Culture and recreation	3,126
Community and economic development	1,524
General government	30,064
Total disbursements	<u>104,891</u>
Decrease in cash basis net assets	(14,880)
Cash basis net assets beginning of year	<u>98,140</u>
Cash basis net assets end of year	<u>\$ 83,260</u>



The cash basis net assets of the City's governmental funds decreased \$14,880, primarily due to paying for two street projects during fiscal year 2010.

Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2010
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 80,495
Operating grants, contributions and restricted interest	75,000
Capital grants, contributions and restricted interest	506,799
General receipts	
Note proceeds	191,301
Miscellaneous	79
Total receipts	<u>853,674</u>
Disbursements:	
Water	152,623
Debt service	23,323
Capital projects	697,134
Total disbursements	<u>873,080</u>
Change in cash basis net assets	(19,406)
Cash basis net assets beginning of year	<u>(9,365)</u>
Cash basis net assets end of year	<u>\$ (28,771)</u>

The cash basis net assets of the City's business type activities decreased \$19,406, due primarily to water system improvements and the cost of hauling water during fiscal year 2010.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Crawfordsville completed the year, its governmental funds reported a combined fund balance of \$83,260, a decrease of \$14,880 from last year's total of \$98,140. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$3,649 from the prior year to \$80,262.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$11,231 to \$2,998 during the fiscal year. The decrease is due to two street projects funded by road use tax receipts during fiscal year 2010.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance decreased \$19,406 to a deficit of \$28,771, due primarily to the cost of emergency water hauling upon the closing of the City well and additional costs for connection to the rural water system and the water main project.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City did not amend its budget. The City exceeded the amounts budgeted in the public safety, public works, general government and business type activities functions. The public safety, public works and general government functions budgets were exceeded due to unanticipated disbursements. Total disbursements exceeded the budget by \$818,621. The business type activities function exceeded the budget, mainly due to additional water system repairs and improvements funded by a Community Development Block Grant and the issuance of water revenue capital loan notes which were not included in the original budget.

## **DEBT ADMINISTRATION**

At June 30, 2010, the City had \$285,021 of water revenue capital loan notes outstanding, compared to \$107,508 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2010	2009
Water Revenue Capital Loan Notes	\$ 285,021	107,508

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. As of June 30, 2010, the City does not have any outstanding general obligation debt.

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

The City of Crawfordsville's elected and appointed officials considered many factors when preparing the fiscal year 2011 budget, tax rates and fees charged for various activities. The City's fiscal year 2011 taxable valuation increased approximately \$81,000, or 1.7%, over the fiscal year 2010 level.

The fiscal year 2011 budget contains receipts totaling \$451,647 and disbursements totaling \$156,450. During fiscal year 2011, the City plans to complete the water system improvements utilizing the remainder of the \$407,000 water revenue capital loan notes.

## **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 Carolyn Love, City Clerk, PO Box 186, 105 Main St, Crawfordsville, Iowa 52621-0186.

**City of Crawfordsville**

## **Basic Financial Statements**

City of Crawfordsville

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	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 9,853	-	-	-
Public works	60,324	2,599	20,355	-
Culture and recreation	3,126	25	-	-
Community and economic development	1,524	-	-	-
General government	30,064	-	12,744	-
Total governmental activities	104,891	2,624	33,099	-
Business type activities:				
Water	873,080	80,495	75,000	506,799
Total	\$ 977,971	83,119	108,099	506,799

**General Receipts:**

Property and other city tax levied for general purposes  
 Local option sales tax  
 Unrestricted interest on investments  
 Note proceeds (net of \$2,850 initiation fee)  
 Miscellaneous  
 Total general receipts

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:  
 Streets  
 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
(9,853)	-	(9,853)
(37,370)	-	(37,370)
(3,101)	-	(3,101)
(1,524)	-	(1,524)
(17,320)	-	(17,320)
(69,168)	-	(69,168)
-	(210,786)	(210,786)
(69,168)	(210,786)	(279,954)
31,622	-	31,622
22,252	-	22,252
414	-	414
-	191,301	191,301
-	79	79
54,288	191,380	245,668
(14,880)	(19,406)	(34,286)
98,140	(9,365)	88,775
\$ 83,260	(28,771)	54,489
\$ 2,998	-	2,998
80,262	(28,771)	51,491
\$ 83,260	(28,771)	54,489

**Exhibit B**

## City of Crawfordsville

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	
Receipts:			
Property tax	\$ 31,622	-	31,622
Other city tax	22,252	-	22,252
Use of money and property	439	-	439
Intergovernmental	-	20,355	20,355
Charges for service	2,599	-	2,599
Miscellaneous	12,744	-	12,744
Total receipts	69,656	20,355	90,011
Disbursements:			
Operating:			
Public safety	9,853	-	9,853
Public works	28,738	31,586	60,324
Culture and recreation	3,126	-	3,126
Community and economic development	1,524	-	1,524
General government	30,064	-	30,064
Total disbursements	73,305	31,586	104,891
Net change in cash balances	(3,649)	(11,231)	(14,880)
Cash balances beginning of year	83,911	14,229	98,140
Cash balances end of year	\$ 80,262	2,998	83,260
<b>Cash Basis Fund Balances</b>			
Unreserved:			
General fund	\$ 80,262	-	80,262
Special revenue fund	-	2,998	2,998
Total cash basis fund balances	\$ 80,262	2,998	83,260

See notes to financial statements.

City of Crawfordsville

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

As of and for the year ended June 30, 2010

	Enterprise
	Water
Operating receipts:	
Charges for service	\$ 80,495
Miscellaneous	75,079
Total operating receipts	<u>155,574</u>
Operating disbursements:	
Business type activities	<u>152,623</u>
Excess of operating receipts over operating disbursements	<u>2,951</u>
Non-operating receipts (disbursements):	
Community development block grant	506,799
Revenue note proceeds (net of \$2,850 initiation fee)	191,301
Debt service	(23,323)
Capital projects	(697,134)
Net non-operating receipts (disbursements)	<u>(22,357)</u>
Net change in cash balances	(19,406)
Cash balance beginning of year	<u>(9,365)</u>
Cash balance end of year	<u>\$ (28,771)</u>
<b>Cash Basis Fund Balances</b>	
Unreserved	<u>\$ (28,771)</u>

See notes to financial statements.

City of Crawfordsville

Notes to Financial Statements

June 30, 2010

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

The City of Crawfordsville is a political subdivision of the State of Iowa located in Washington County. It was first incorporated in 1891 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

The City participates in 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: Washington County Assessor's Conference Board, Washington County Emergency Management Commission and Washington 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 categories. 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.

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.

The Special Revenue, Road Use Tax Fund is used to account for road construction and maintenance.

The City reports the following major proprietary fund:

The Water Fund accounts for the operation and maintenance of the City's water 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 public safety, public works, general government 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) Long-Term Debt**

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

Year Ending June 30,	Principal	Interest	Total
2011	\$ 7,277	5,043	12,320
2012	9,635	4,686	14,321
2013	8,029	4,292	12,321
2014	8,425	3,896	12,321
2015	8,846	3,475	12,321
2016-2020	51,320	10,285	61,605
2021	9,338	40	9,378
Total	\$ 102,870	31,717	134,587

Water Revenue Capital Loan Notes, Series 1982 - On June 1, 1982, the City issued \$207,800 of water revenue capital loan notes to pay the cost of the City's water main installation project. The notes mature annually and bear interest at 5.00% per annum, which is due and payable every July 1. During the year ended June 30, 2010, principal and interest of \$12,321 was paid.

Water Revenue Capital Loan Notes, Series 2010 - On February 10, 2010, the City entered into a State Revolving Fund (SRF) loan and disbursement agreement with the Iowa Finance Authority for the issuance of up to \$285,000 of water revenue capital loan notes with interest at 3.0% per annum. The notes were issued pursuant to the provisions of Chapters 384.83 and 455B of the Code of Iowa to pay the cost of constructing improvements and extensions to the City's water system. The City will draw down funds from the Iowa Finance Authority upon request to reimburse the City for costs as they are incurred. At June 30, 2010, the City had drawn \$72,151 of the \$285,000 authorized. An initiation fee of \$2,850 (1% of the authorized borrowing for the water revenue capital loan notes) was charged by the Iowa Finance Authority. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. Since the City has not fully drawn funds on the water revenue capital loan notes, a final repayment schedule has not yet been adopted. However, during the year ended June 30, 2010, the City paid principal of \$10,000 and interest of \$1,002 on the notes under a preliminary repayment schedule. The City's water system was placed into service in December 2010.

On February 10, 2010, the City entered into a SRF forgivable loan and disbursement agreement with the Iowa Finance Authority for the issuance of \$122,000 of water revenue capital loan notes with interest at 3.0% per annum. The notes were issued pursuant to the provisions of Chapters 384.83 and 455B of the Code of Iowa to pay the cost of constructing improvements and extensions to the City's water system. At June 30, 2010, the City had drawn the \$122,000 authorized. An initiation fee of 1% of the authorized borrowing for the water revenue capital loan notes may be charged by the Iowa Finance Authority. If the City complies with all applicable American Recovery and Reinvestment Act (ARRA) requirements, the loan will be forgiven, in full, with no payments of principal, interest or initiation fee. As of June 30, 2010, the loan had not been forgiven.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the water revenue capital loan notes issued. The notes are payable solely from water customer receipts. Annual principal and interest payments on the notes require more than 100% of net receipts. The total amount of principal and interest remaining to be paid on the notes at June 30, 2010 is not available since the water project was not placed into service until December 2010 and a final repayment schedule has not been adopted. For the current year, principal and interest paid and total customer net receipts were \$11,002 and \$2,951, respectively.

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

- (a) The notes 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 fund.
- (b) The entire income and revenues of the water system shall be deposited as collected into a municipal water utility revenue fund.
- (c) Sufficient transfers shall be made to a water revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (d) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.
- (e) No free use of the system by the City or any department, agency or instrumentality of the City shall be allowed.

The City has not established a separate municipal water utility revenue fund. The City had net operating receipts of \$2,951 for the year ended June 30, 2010. Therefore, the earnings of the enterprise activity did not support the principal and interest paid. The City has not established water rates to provide net operating receipts which will meet the required 110% of the principal and interest coming due in each year. The City has not established and made the required transfers to a water revenue note sinking account. In addition, during the year ended June 30, 2010, the City did not pay for its use of the water system.

**(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. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2010 was \$1,991, equal to the required contribution for the year.

**(5) 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 did not exceed commercial insurance coverage for the year ended June 30, 2010.

**Required Supplementary Information**

City of Crawfordsville  
 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	Total
<b>Receipts:</b>			
Property tax	\$ 31,622	-	31,622
Other city tax	22,252	-	22,252
Use of money and property	439	-	439
Intergovernmental	20,355	506,799	527,154
Charges for service	2,599	80,495	83,094
Miscellaneous	12,744	75,079	87,823
<b>Total receipts</b>	<b>90,011</b>	<b>662,373</b>	<b>752,384</b>
<b>Disbursements:</b>			
Public safety	9,853	-	9,853
Public works	60,324	-	60,324
Culture and recreation	3,126	-	3,126
Community and economic development	1,524	-	1,524
General government	30,064	-	30,064
Capital projects	-	-	-
Business type activities	-	873,080	873,080
<b>Total disbursements</b>	<b>104,891</b>	<b>873,080</b>	<b>977,971</b>
Deficiency of receipts under disbursements	(14,880)	(210,707)	(225,587)
Other financing sources (uses), net	-	191,301	191,301
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(14,880)	(19,406)	(34,286)
Balances beginning of year	98,140	(9,365)	88,775
Balances end of year	<b>\$ 83,260</b>	<b>(28,771)</b>	<b>54,489</b>

See accompanying independent auditor's report.

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<u>Budgeted Amounts</u>	Final to
<u>Original and Final</u>	Total Variance
33,681	(2,059)
24,310	(2,058)
-	439
21,000	506,154
76,900	6,194
15,000	72,823
<u>170,891</u>	<u>581,493</u>
8,900	(953)
33,500	(26,824)
4,450	1,324
17,000	15,476
23,500	(6,564)
-	-
72,000	(801,080)
<u>159,350</u>	<u>(818,621)</u>
11,541	(237,128)
-	191,301
11,541	(45,827)
79,327	9,448
<u>90,868</u>	<u>(36,379)</u>

City of Crawfordsville

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. 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 Fund and the Proprietary Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. The budget was not amended during the year ended June 30, 2010.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety, public works, general government and business type activities functions.

**Other Supplementary Information**

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Water revenue capital loan notes:			
Water, Series 1982	Jun 1, 1982	5.00%	\$ 207,800
Water, Series 2010	Feb 10, 2010	3.00 *	285,000
Water, series 2010 (forgivable)	Feb 10, 2010	3.00	122,000
Total			

\* The City is required to annually pay a .25% serving fee on the outstanding principal balance.

See accompanying independent auditor's report.

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Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
107,508	-	6,638	100,870	5,683
-	72,151	10,000	62,151	1,002
-	122,000	-	122,000	-
\$ 107,508	194,151	16,638	285,021	6,685

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**Schedule 2**

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City of Crawfordsville

Note Maturities

June 30, 2010

Year Ending June 30,	Water Revenue Capital Loan Notes Issued June 1, 1982	
	Interest Rates	Amount
2011	5.00%	\$ 7,277
2012	5.00	7,635
2013	5.00	8,029
2014	5.00	8,425
2015	5.00	8,846
2016	5.00	9,284
2017	5.00	9,756
2018	5.00	10,240
2019	5.00	10,752
2020	5.00	11,288
2021	5.00	9,338
Total		<u>\$ 100,870</u>

See accompanying independent auditor's report.

City of Crawfordsville  
 Schedule of Expenditures Federal Awards  
 June 30, 2010

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's			
Program and Non-Entitlement Grants in Hawaii	14.228	09-OT-001	\$ 333,559
	14.228	09-WS-012	173,200
			<u>506,759</u>
U.S. Environmental Protection Agency:			
Iowa Department of Natural Resources:			
ARRA - Capitalization Grants for Drinking Water			
State Revolving Funds	66.468	08-DWSRF-926	122,000
U.S. Department of Education:			
Iowa Department of Transportation:			
ARRA - State Fiscal Stabilization Fund (SFSF)			
Government Services, Recovery Act	84.397	S397A090016A	262
			<u>262</u>
Total			<u><u>\$ 629,021</u></u>

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

See accompanying independent auditor's report.

**City of Crawfordsville**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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 and each major fund of the City of Crawfordsville, 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 September 15, 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 Crawfordsville'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 our opinion on the effectiveness of the City of Crawfordsville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Crawfordsville'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 and Questioned Costs, 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 the 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 Crawfordsville's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 through II-C-10 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-D-10 through II-H-10 to be significant deficiencies.

## Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 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 Crawfordsville's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Crawfordsville'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 Crawfordsville and other parties to whom the City of Crawfordsville may report, including federal awarding agencies and pass-through entities, 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 Crawfordsville 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

September 15, 2011

**Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133**

**City of Crawfordsville**



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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

Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over compliance in Accordance  
with OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

### Compliance

We have audited the City of Crawfordsville, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Crawfordsville's major federal program for the year ended June 30, 2010. The City of Crawfordsville's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Crawfordsville's management. Our responsibility is to express an opinion on the City of Crawfordsville's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Crawfordsville's compliance with those requirements.

In our opinion, the City of Crawfordsville complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2010.

### Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management of employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned costs as item III-A-10 to be a material weakness.

The City of Crawfordsville's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the City's response, we did not audit the City of Crawfordville's response and, accordingly, we express no opinion on it.

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 Crawfordsville's and other parties to whom the City of Crawfordsville may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 15, 2011

City of Crawfordsville

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

- (a) Qualified opinions were issued on the financial statements which 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.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Crawfordsville did not qualify as a low-risk auditee.

City of Crawfordsville

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-10 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One person had control over each of the following areas for the City:

- (1) Accounting system – performing all general accounting functions and having custody of assets.
- (2) Cash – reconciling bank accounts, handling and recording.
- (3) Receipts – collecting, depositing, journalizing, reconciling and posting.
- (4) Disbursements – invoice processing, check writing, mailing, reconciling and recording.
- (5) Payroll – recordkeeping, preparing and distributing.
- (6) Utility receipts – billing, collecting, depositing, posting, recording accounts receivable and reconciling.
- (7) Investing – recordkeeping, custody and reconciling earnings.
- (8) Long-term debt – recordkeeping, compliance and debt payment processing.
- (9) Information system (computer usage) – performing all general accounting functions and controlling all data and output, including entering utility rates and payroll rates into the computer system.
- (10) Financial reporting – preparing, reconciling and approving.

In addition, an independent person does not enter water utility rates.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. Officials should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review.

Response and Corrective Action Plan – We will immediately look for ways to segregate duties with our limited resources and staff.

Conclusion – Response accepted.

II-B-10 Chart of Accounts and Fund Accounting – The City deposits road use tax, local option sales tax and water receipts in the General Fund. In addition, the City has not fully implemented the Uniform Chart of Accounts for Iowa City Governments approved by the City Finance Committee on September 25, 2002. As a result, certain receipts and disbursements were not properly reported in the Annual Financial Report. These were properly classified and resolved for audit purposes.

City of Crawfordsville

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Recommendation – The City should establish Special Revenue Funds for road use tax and local option sales tax financial activity and an Enterprise Fund for water system financial activity to aid the City in tracking the receipts, disbursements and balances of those activities. In addition, to provide better financial information and control, a chart of accounts, such as the one approved by the City Finance Committee, should be followed. The City should record receipts and disbursements to proper account codes on a consistent basis.

Response – We will adopt the chart of accounts and look into procedures to ensure all transactions are properly recorded for financial reporting.

Conclusion – Response accepted.

II-C-10 Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled monthly. Delinquent accounts were not monitored and a delinquent account listing was not prepared for the year ended June 30, 2010. Uncollectible accounts are included as accounts receivable and are not shown separately as bad debt or uncollectible accounts. The City does not have a formal policy for writing off uncollectible accounts. Also, the water rate was applied to customer billings prior to the October 2009 City Council approval of the ordinance for the water rate increase.

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies. Uncollectible accounts should be shown separately as bad debts or uncollectible accounts. The City should establish a formal written policy for writing off uncollectible accounts. In addition, new water rates should be not be applied until the ordinance has been approved by the City Council.

Response – We will start performing a reconciliation to reconcile utility billings and have the Council review the reconciliation. Uncollectible accounts have been split out and are shown separately as uncollected accounts. A policy will be written. Water rates will be applied at the effective date.

Conclusion – Response accepted.

II-D-10 Electronic Data Processing System – The following weaknesses in the City's computer based system were noted:

- (1) The City does not have a timeout or lockout function.
- (2) The City does not have a password policy.
- (3) The City does not have a written disaster recovery plan.

Recommendation – The City should address the above items in order to improve the City's control over its computer based system. Also, a written disaster recovery plan should be developed and tested periodically.

City of Crawfordsville

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Response – The City will develop written policies to address the recommendations. A written disaster recovery plan will be developed and tested periodically.

Conclusion – Response accepted.

II-E-10 Payroll – City employees paid on an hourly basis complete timesheets. However, the time sheets are not reviewed and approved by a supervisor.

Recommendation – Time sheets should be retained to support time worked for all employees and should be reviewed and approved by a responsible official.

Response – Timesheets will be signed by the employee and supervisor.

Conclusion – Response accepted.

II-F-10 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 records 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, situations arise.
- (4) Improve the efficiency and understanding of steps to perform for running monthly financial reports and retrieving management information.

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

Response – The City will adopt a policies and procedures manual.

Conclusion – Response accepted.

II-G-10 Supporting Documentation – The City Council approved a travel reimbursement for a Council Member. However, the claim and supporting documentation was not available for review.

Recommendation – The City should ensure supporting documentation is retained for all disbursements.

Response – The City will retain all support for reimbursements.

Conclusion – Response accepted.

City of Crawfordsville

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

II-H-10 Bank Reconciliations – Although the City prepares monthly financial reports which include City receipt and disbursement activity and are presented to the City Council for its review and approval, fund balances are not reconciled to the bank account balances monthly. The monthly bank reconciliations are not reviewed and approved by an independent person. In addition, June, July and August 2009 bank reconciliations were not performed and bank deposit slips were not retained prior to January 29, 2010.

Recommendation – To improve financial accountability and control, fund balances should be reconciled to the bank balances monthly. Bank reconciliations should be reviewed, initialed and dated by a person independent of check signing and reconciliation purposes. Validated deposit slips should be retained for reconciliation and documentation purposes.

Response – The City has started reconciling the bank balance as of September 2009. A Council Member will review and indicate the review on the bank reconciliation by initialing and dating the reconciliation. Deposit slips will be retained for reconciliation and documentation purposes.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Crawfordsville

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL DEFICIENCIES:**

**CFDA Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii**  
**Pass-through Agency Number: 09-OT-001/09-WS-012**  
**Federal Award Year: 2009**  
**U.S. Department of Housing and Urban Development**  
**Passed through the Iowa Department of Economic Development**

- III-A-10 Segregation of Duties over Federal Awards – The City did not properly segregate duties involving cash, receipts, disbursements and Federal reporting. See item II-A-10.

City of Crawfordsville

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

IV-A-10 Certified Budget - Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the public safety, public works, general government and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

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

Response - We will amend the budget according to the code before disbursements exceed the budget.

Conclusion - Response accepted.

IV-B-10 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:

Paid to	Purpose	Amount
IPERS	Late fees and penalty	\$ 243

According to the opinion, it is possible for such 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 City Council should determine and document the public purpose served by this disbursement 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 Council will continue to review and monitor disbursements for public purpose.

Conclusion - Response accepted.

IV-C-10 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-10 Business Transaction - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Don Brookhart, Council Member, Owner of Brookhart Electric	Electrical maintenance	\$ 75

City of Crawfordsville

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with the Council Member does not appear to represent a conflict of interest since the transaction was less than \$2,500 during the fiscal year.

IV-E-10 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-10 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-10 Deposits and Investments – A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City should adopt a depository resolution which establishes maximum amounts for each bank as required by Chapter 12C.2 of the Code of Iowa.

Response – We will adopt a depository resolution.

Conclusion – Response accepted.

IV-H-10 Water Revenue Capital Loan Notes – The City has not established a separate municipal water utility revenue fund as required by the water revenue capital loan note resolution. The City accounts for all City activity through one bank account and has not established separate governmental and enterprise funds for proper fund accounting.

The City has not established and made the required transfers to the Enterprise, water revenue note sinking account as required by the water revenue capital loan note resolution.

The City has not established water rates to produce net operating revenues equal to at least 110% of the principal and interest coming due in each year as required by the note resolution.

The City did not pay for its use of the water system during the year ended June 30, 2010.

Recommendation – The City should review the water revenue capital loan note resolution and comply with its provisions. The City should consult legal counsel on the disposition of the net earnings violation. The City should establish procedures to ensure all City departments are charged for water system usage.

Response – We will consult bond counsel on these matters.

Conclusion – Response accepted.

IV-I-10 Local Option Sales Tax (LOST) – The ballot for the local option sales tax provides 100% of the collections will be used to fund infrastructure improvement and capital projects such as, but not limited to, water system improvements and street improvements. LOST collections are credited to the General Fund. In addition, the City does not maintain adequate records to document the proper disbursement of LOST collections for authorized uses.

City of Crawfordsville

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Recommendation – The City should establish a Special Revenue Fund to account for LOST receipts and disbursements and ensure disbursements comply with the LOST ballot.

Response – The City will maintain funds according to the chart of accounts and will maintain documentation of compliance with LOST ballot provisions.

Conclusion – Response accepted.

IV-J-10 Code of Ordinances – The City Code of Ordinances has not been recodified in the last five years.

Recommendation – In accordance with Chapter 380.8 of the Code of Iowa, a Code of Ordinances must be compiled at least once every five years unless a supplement to the Code of Ordinances is compiled at least annually. The City should compile the City ordinances as required.

Response – We will recodify the ordinances as specified by the Code of Iowa.

Conclusion - Response accepted.

IV-K-10 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

Response – Currently, images of both the front and back of cancelled checks are now being maintained.

Conclusion – Response accepted.

IV-L-10 Annual Financial Report – The City did not complete or file the Annual Financial Report (AFR) with the Auditor of State by December 1 for the fiscal year ended June 30, 2010 as required by Chapter 384.22 of the Code of Iowa. The City's AFR was submitted February 17, 2011. The fund balances reported on the City's AFR do not agree with the City's June 30 accounting records. Some of the City's proprietary fund activity was reported in the governmental funds. Also the fund balances of the governmental funds were not separated and reported separately for the General and the Special Revenue, Road Use Tax and Local Option Sales Tax Funds.

Recommendation – The City should complete and file the Annual Financial Report as required by Chapter 384.22 of the Code of Iowa. In accordance with fund accounting, reported fund balances should agree to the City's accounting records.

Response – The City will submit the Annual Financial Report by December 1. Fund balances will be separated by funds. Procedures will be done to ensure the reported balance matches the June 30 bank reconciliation.

Conclusion – Response accepted.

City of Crawfordsville

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

IV-M-10 Financial Condition – The Enterprise, Water Fund had a deficit balance of \$28,771 at June 30, 2010.

Recommendation – The City should investigate alternatives to eliminate this deficit to return this fund to a sound financial position.

Response – The City paid for additional water hauling costs and made repairs and improvements to the water system. In addition to obtaining grants and issuing debt, the water rates were increased in an effort to avoid further deficits.

Conclusion – Response accepted.

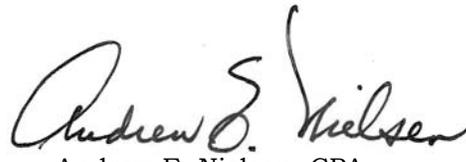
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City of Crawfordsville

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager  
Scott P. Boisen, Senior Auditor II  
James H. Pitcher, Assistant 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