



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

NEWS RELEASE

FOR RELEASE _____ February 28, 2012

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$933,846 for the year ended June 30, 2011. The receipts included \$216,143 in property tax, \$364,917 from charges for service, \$290,723 from operating grants, contributions and restricted interest, \$51,528 from local option sales tax, \$1,360 from unrestricted interest on investments and \$9,175 from other general receipts.

Disbursements for the year totaled \$763,918, and included \$202,807 for public safety, \$191,243 for public works and \$98,091 for culture and recreation. Also, disbursements for business type activities totaled \$250,315.

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/1121-0029-B00F.pdf>.

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

JUNE 30, 2011

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City of Exira

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Randy Thompson	Mayor	Jan 2012
Brenda Bengard	Mayor Pro tem	Jan 2014
Mike Huegerich	Council Member	Jan 2012
Rob Jessen	Council Member	Jan 2012
Alan Kearney	Council Member	Jan 2012
Dwight Jessen	Council Member	Jan 2014
Jean Petersen	Clerk/Treasurer	Indefinite
Joe Rasmussen	Attorney	Indefinite

City of Exira



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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 Exira, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City'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.

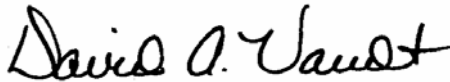
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not 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, 2010.

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, 2010, 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 as of June 30, 2011, and the respective changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

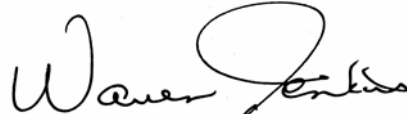
In accordance with Government Auditing Standards, we have also issued our report dated February 2, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 28 through 30 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's basic financial statements. Other supplementary information included in Schedule 1 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, 2010, 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

February 2, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Exira 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, 2011. 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.

2011 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities increased approximately \$118,000, due primarily to receiving donations of \$97,500 for a library project and \$14,500 for a fire department project.
- The cash basis net assets of the City's business type activities increased approximately \$52,000, due primarily to an increase in water and sewer rates.

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 financial statement by providing information about the most significant funds.

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

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 outstanding debt.

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 and general government. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

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

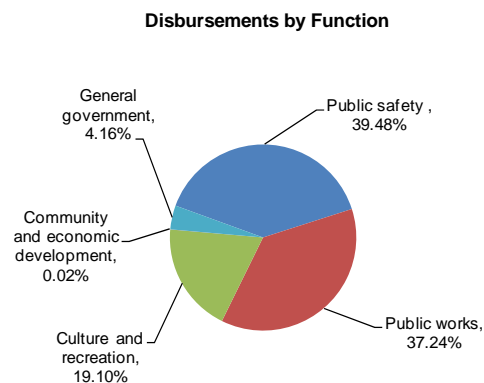
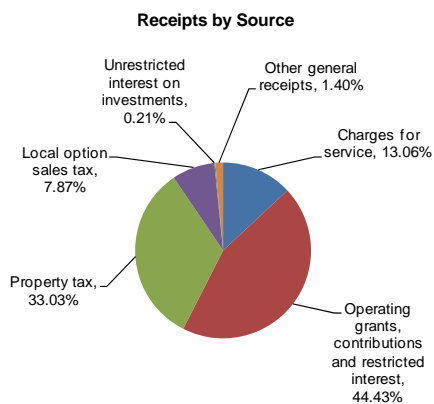
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from \$247,469 to \$365,869. 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, 2011
Receipts:	
Program receipts:	
Charges for service	\$ 85,440
Operating grants, contributions and restricted interest	290,723
General receipts:	
Property tax	216,143
Local option sales tax	51,528
Unrestricted interest on investments	1,360
Other general receipts	9,175
Total receipts	<u>654,369</u>
Disbursements:	
Public safety	202,807
Public works	191,243
Culture and recreation	98,091
Community and economic development	100
General government	21,362
Total disbursements	<u>513,603</u>
Change in cash basis net assets before transfers	140,766
Transfers, net	<u>(22,366)</u>
Change in cash basis net assets	118,400
Cash basis net assets beginning of year	<u>247,469</u>
Cash basis net assets end of year	<u>\$ 365,869</u>

The cash basis net assets of the City's governmental activities increased \$118,400, primarily due to donations from local organizations for various City projects.



Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2011
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 197,452
Sewer	82,025
Total receipts	<u>279,477</u>
Disbursements:	
Water	189,860
Sewer	60,455
Total disbursements	<u>250,315</u>
Change in cash basis net assets before transfers	29,162
Transfers, net	<u>22,366</u>
Change in cash basis net assets	51,528
Cash basis net assets beginning of year	<u>2,189</u>
Cash basis net assets end of year	<u>\$ 53,717</u>

Total business type activities cash basis net assets increased from a year ago, increasing from \$2,189 to \$53,717. The overall increase is primarily due to the City increasing water and sewer rates.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Exira completed the year, its governmental funds reported a combined fund balance of \$365,869, an increase of \$118,400 above last year's total of \$247,469. 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 \$97,961 from the prior year to \$300,669. Approximately \$97,500 of this increase was due to local organizations donating funds for the new library project.
- The Special Revenue, Road Use Tax Fund cash balance increased \$24,428 to \$33,708. This was due to the City purchasing a tractor for \$51,500 in fiscal year 2010 and not having a similar purchase in fiscal year 2011.
- The Special Revenue, Employee Benefits Fund cash balance increased \$1,608 to \$6,288. This was due to the City increasing the employee benefits tax levy from \$6.78980 per \$1,000 of taxable valuation in fiscal year 2010 to \$6.96500 per \$1,000 of taxable valuation in fiscal year 2011.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$27,694 to \$23,962 due to the City increasing water rates in fiscal year 2011.
- The Enterprise, Sewer Fund cash balance increased \$23,834 to \$29,755 due to the City increasing sewer rates in fiscal year 2011. Sewer rates are based on 50% of the monthly water bill.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The first amendment was approved November 8, 2010 and resulted in an increase in operating disbursements of \$277,140 relating to public works for street work and culture and recreation for expansion of the library. The second amendment was approved on May 9, 2011 to provide \$15,000 in additional disbursements in business type activities. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$9,669 less than budgeted. There were no significant reasons for receipts being less than budgeted.

Total disbursements were \$244,306 less than budgeted. The actual disbursements for the culture and recreation, public works and business type activities functions were \$217,759, \$19,055 and \$11,571, respectively, less than budgeted. This was due to the City budgeting approximately \$200,000 more than expended for the library project which was not started as soon as planned and budgeting for \$20,000 in landfill closure fees for public works which were not incurred during fiscal year 2011.

The City exceeded the amount budgeted for the public safety function for the year ended June 30, 2011 due to fire department disbursements not fully included in the budget.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$460,119 in bonds and other long-term debt outstanding, compared to \$482,605 outstanding at June 30, 2010, as follows:

	Outstanding Debt at Year-End	
	June 30,	
	2011	2010
Sewer lagoon revenue bonds	\$ 265,000	285,000
Loan agreement	195,119	197,605
Total	\$ 460,119	482,605

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$195,119 is significantly below its constitutional debt limit of \$1,146,576.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees charged for various City activities.

The fiscal year 2012 budget includes total receipts of \$987,036 and disbursements of \$975,536. This budget is higher than the fiscal year 2011 amended budget, which included total receipts of \$943,515 and disbursements of \$1,008,224. The fiscal year 2012 budget includes an increase in property valuation which increases the property tax collected and includes a full year at the new water and sewer rates. The fiscal year 2012 budget contains less disbursements in the culture and recreation function because the City is renovating the library but work was not substantially started in fiscal year 2011 and the City budgeted less in fiscal year 2012 than was budgeted in fiscal year 2011.

The fiscal year 2012 tax levy is \$16.93318 per \$1,000 of taxable valuation, a decrease from \$17.00603 per \$1,000 of taxable valuation in fiscal year 2011. The employee benefits tax levy decreased from \$6.96500 per \$1,000 of taxable valuation in fiscal year 2011 to \$6.85796 per \$1,000 of taxable valuation in fiscal year 2012.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$11,500 by the close of fiscal year 2012.

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 Jean Petersen, City Clerk, 108 E. Washington Street, Exira, Iowa 50076.

Basic Financial Statements

City of Exira

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2011

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 202,807	654	75,472
Public works	191,243	73,699	85,393
Culture and recreation	98,091	780	128,202
Community and economic development	100	-	-
General government	21,362	10,307	1,656
Total governmental activities	513,603	85,440	290,723
Business type activities:			
Water	189,860	197,452	-
Sewer	60,455	82,025	-
Total business type activities	250,315	279,477	-
Total	\$ 763,918	364,917	290,723

General Receipt and Transfers

Property and other city tax levied for general purposes

Local option sales tax

Unrestricted interest on investments

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:

Streets

Debt service

Fire department

Parks

Library project

Infrastructure projects

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
(126,681)	-	(126,681)
(32,151)	-	(32,151)
30,891	-	30,891
(100)	-	(100)
(9,399)	-	(9,399)
(137,440)	-	(137,440)
-	7,592	7,592
-	21,570	21,570
-	29,162	29,162
(137,440)	29,162	(108,278)
216,143	-	216,143
51,528	-	51,528
1,360	-	1,360
9,175	-	9,175
(22,366)	22,366	-
255,840	22,366	278,206
118,400	51,528	169,928
247,469	2,189	249,658
\$ 365,869	53,717	419,586
\$ 33,708	-	33,708
-	3,141	3,141
32,345	-	32,345
58,144	-	58,144
182,268	-	182,268
25,204	-	25,204
9,707	-	9,707
24,493	50,576	75,069
\$ 365,869	53,717	419,586

City of Exira

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

As of and for the year ended June 30, 2011

	General	Road Use Tax
Receipts:		
Property tax	\$ 120,436	-
Other city tax	9,215	-
Licenses and permits	1,730	-
Use of money and property	9,539	-
Intergovernmental	54,422	79,505
Charges for service	75,531	-
Miscellaneous	165,971	-
Total receipts	<u>436,844</u>	<u>79,505</u>
Disbursements:		
Operating:		
Public safety	176,935	-
Public works	64,684	95,083
Culture and recreation	81,165	-
Community and economic development	100	-
General government	10,752	-
Total disbursements	<u>333,636</u>	<u>95,083</u>
Excess (deficiency) of receipts over (under) disbursements	<u>103,208</u>	<u>(15,578)</u>
Other financing sources (uses):		
Operating transfers in	203	40,006
Operating transfers out	(5,450)	-
Total other financing sources (uses)	<u>(5,247)</u>	<u>40,006</u>
Net change in cash balances	97,961	24,428
Cash balances beginning of year	202,708	9,280
Cash balances end of year	<u>\$ 300,669</u>	<u>33,708</u>
Cash Basis Fund Balances		
Restricted for:		
Streets	\$ -	33,708
Fire department	32,345	-
Parks	58,144	-
Library project	182,268	-
Infrastructure projects	-	-
Other purposes	3,419	-
Unassigned	24,493	-
Total cash basis fund balances	<u>\$ 300,669</u>	<u>33,708</u>

See notes to financial statements.

Special Revenue			
	Nonmajor		
	Local	Option	
Employee Benefits	Sales Tax		Total
82,988	-		203,424
3,504	51,528		64,247
-	-		1,730
-	-		9,539
-	-		133,927
-	-		75,531
-	-		165,971
86,492	51,528		654,369
25,872	-		202,807
31,476	-		191,243
16,926	-		98,091
-	-		100
10,610	-		21,362
84,884	-		513,603
1,608	51,528		140,766
-	-		40,209
-	(57,125)		(62,575)
-	(57,125)		(22,366)
1,608	(5,597)		118,400
4,680	30,801		247,469
6,288	25,204		365,869
-	-		33,708
-	-		32,345
-	-		58,144
-	-		182,268
-	25,204		25,204
6,288	-		9,707
-	-		24,493
6,288	25,204		365,869

City of Exira

City of Exira

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

As of and for the year ended June 30, 2011

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 197,452	82,025	279,477
Operating disbursements:			
Business type activities	179,024	31,192	210,216
Excess of operating receipts over operating disbursements	18,428	50,833	69,261
Non-operating disbursements:			
Debt service	10,836	29,263	40,099
Excess of receipts over disbursements	7,592	21,570	29,162
Operating transfers:			
Transfers in	20,102	2,264	22,366
Net change in cash balances	27,694	23,834	51,528
Cash balances beginning of year	(3,732)	5,921	2,189
Cash balances end of year	\$ 23,962	29,755	53,717
Cash Basis Fund Balances			
Restricted for debt service	\$ -	3,141	3,141
Unrestricted	23,962	26,614	50,576
Total cash basis fund balances	\$ 23,962	29,755	53,717

See notes to financial statements.

City of Exira

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

The City of Exira is a political subdivision of the State of Iowa located in Audubon County. It was first incorporated in 1857 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, general government and business type activities.

A. Reporting Entity

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Audubon County Assessor's Conference Board, Audubon County Emergency Management Commission and Audubon County Joint E911 Board. The City also participates in the Audubon County Solid Waste Management Commission, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

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

Special Revenue:

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

The Employee Benefits Fund is used to account for the collection and use of property tax for pension, retirement and insurance benefits.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements during the year ended June 30, 2011 exceeded the amount budgeted in the public safety function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2011 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) Revenue Bonds Payable

On May 13, 2002, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. for the issuance of \$425,000 of sewer revenue bonds with an interest rate of 3.00% per annum. A 1% loan initiation fee was also charged against the total amount borrowed. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued on June 4, 2002 pursuant to the provisions of Sections 384.24A and 384.83 of the Code of Iowa to construct improvements and extensions to a municipal wastewater treatment system.

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

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2012	3.00%	\$ 21,000	7,950	28,950
2013	3.00	21,000	7,320	28,320
2014	3.00	22,000	6,690	28,690
2015	3.00	23,000	6,030	29,030
2016	3.00	23,000	5,340	28,340
2017-2021	3.00	127,000	15,840	142,840
2022	3.00	28,000	840	28,840
Total		\$ 265,000	50,010	315,010

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the sewer revenue bonds. The bonds are payable solely from sewer customer net receipts. Annual principal and interest payments on the bonds are expected to require less than 60% of net receipts. For the current year, principal and interest paid and total customer net receipts were \$28,550 and \$50,833, respectively.

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) The City will provide for the collection of rates to produce gross revenues at least sufficient to pay the expenses of operation and maintenance of the utility and to have a balance of net revenues equal to at least 110% of the principal and interest due on the bonds each fiscal year.

(4) Loan Payable

On April 11, 2005, the City entered into a loan agreement with Regional Water for \$207,741. The City agreed to pay \$903 per month, including interest at 4.25% per annum, for 40 years with payments beginning in December 2005. For the year ended June 30, 2011, the City paid \$2,486 of principal and \$8,350 of interest. The remaining balance at June 30, 2011 is \$195,119.

(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 5 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 \$487 for single coverage and \$1,121 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2011, the City contributed \$50,124 and plan members eligible for benefits contributed \$3,600 to the plan.

(6) 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 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2011 was \$15,309, equal to the required contribution for the year.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2011, primarily relating to the General Fund, was \$10,300. This liability has been computed based on rates of pay in effect at June 30, 2011.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	<u>\$ 203</u>
Special Revenue:	General	5,391
Road Use Tax	Special Revenue:	
	Local Option Sales Tax	<u>34,615</u>
		<u>40,006</u>
Enterprise:	General	59
Water	Special Revenue:	
	Local Option Sales Tax	<u>20,043</u>
		<u>20,102</u>
Enterprise:	Special Revenue:	
Sewer	Local Option Sales Tax	<u>2,264</u>
Total		<u>\$ 62,575</u>

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

(9) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2011 were \$21,132.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsurance by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

Required Supplementary Information

City of Exira
 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, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 203,424	-	203,424
Other city tax	64,247	-	64,247
Licenses and permits	1,730	-	1,730
Use of money and property	9,539	-	9,539
Intergovernmental	133,927	-	133,927
Charges for service	75,531	279,477	355,008
Miscellaneous	165,971	-	165,971
Total receipts	<u>654,369</u>	<u>279,477</u>	<u>933,846</u>
Disbursements:			
Public safety	202,807	-	202,807
Public works	191,243	-	191,243
Culture and recreation	98,091	-	98,091
Community and economic development	100	-	100
General government	21,362	-	21,362
Business type activities	-	250,315	250,315
Total disbursements	<u>513,603</u>	<u>250,315</u>	<u>763,918</u>
Excess (deficiency) of receipts over (under) disbursements	140,766	29,162	169,928
Other financing sources, net	<u>(22,366)</u>	<u>22,366</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	118,400	51,528	169,928
Balances beginning of year	<u>247,469</u>	<u>2,189</u>	<u>249,658</u>
Balances end of year	<u>\$ 365,869</u>	<u>53,717</u>	<u>419,586</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Total Variance
Original	Final	
205,915	205,915	(2,491)
61,153	61,153	3,094
2,000	2,000	(270)
9,479	9,479	60
143,568	143,568	(9,641)
224,350	309,900	45,108
11,500	211,500	(45,529)
<u>657,965</u>	<u>943,515</u>	<u>(9,669)</u>
186,765	186,765	(16,042)
184,858	210,298	19,055
64,150	315,850	217,759
7,000	7,000	6,900
26,425	26,425	5,063
246,886	261,886	11,571
<u>716,084</u>	<u>1,008,224</u>	<u>244,306</u>
(58,119)	(64,709)	234,637
-	-	-
(58,119)	(64,709)	234,637
<u>146,160</u>	<u>189,048</u>	<u>60,610</u>
<u>88,041</u>	<u>124,339</u>	<u>295,247</u>

City of Exira

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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 nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds 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 two budget amendments increased budgeted disbursements by \$292,140. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the public safety function.

Other Supplementary Information

City of Exira
Schedule of Indebtedness
Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Revenue bonds: Sewer lagoon	Jun 4, 2002 *	3.00%	\$ 425,000
Loan agreement: Regional Water	Apr 11, 2005	4.25%	\$ 207,741

* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
285,000	-	20,000	265,000	8,550
197,605	-	2,486	195,119	8,350

City of Exira



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, each major fund and the aggregate remaining fund information of the City of Exira, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 2, 2012. 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, 2010. 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

Management of the City of Exira is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Exira'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'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 Exira'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) and (B) to be material weaknesses.

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

Compliance and Other Matters

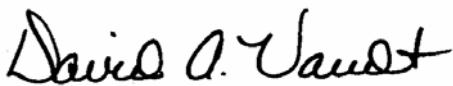
As part of obtaining reasonable assurance about whether the City of Exira's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 of Exira's operations for the year ended June 30, 2011 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.

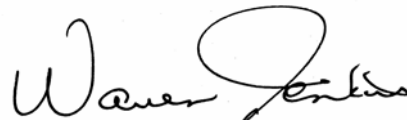
The City of Exira's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Exira's responses and, accordingly, we express no opinion on them.

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 Exira and other parties to whom the City may report. This report 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 Exira 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

February 2, 2012

City of Exira

Schedule of Findings

Year ended June 30, 2011

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has control over each of the following areas for the City:

- 1) Accounting system – performing all general accounting functions and custody of assets.
- 2) Receipts – collecting, depositing, journalizing, posting and reconciling.
- 3) Disbursements – performing all purchasing functions, check preparation, recording and reconciling.
- 4) Payroll – preparation and distribution.
- 5) Utilities – collecting, depositing, posting and reconciling.
- 6) Bank reconciliation – no independent review is performed.

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

Response – We will try to have more control by having the Council Members check bank statements each month as well as the bank reconciliation. Also, we will present the folder of checks written and deposits made to the Council Members to review each month.

Conclusion – Response accepted.

(B) Separately Maintained Records – Exira Volunteer Fire and Rescue maintains a bank account separate from the City Clerk's accounting records. The transactions and resulting balances of this account were not reported to the City Council each month and were not recorded in the City Clerk's accounting records. 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." However, Exira Volunteer Fire and Rescue is included in the City's annual budget process. These transactions and balances are included in the financial statements in this audit report.

Additionally, the Treasurer of Exira Volunteer Fire and Rescue performs all accounting functions.

City of Exira

Schedule of Findings

Year ended June 30, 2011

Recommendation – Exira Volunteer Fire and Rescue financial transactions and balances should be included in the Clerk’s monthly financial reports. Internal control could be strengthened and operating efficiency increased by integrating the accounts with the City’s accounting records.

Response – City Clerk will ask Fire Department Treasurer to report receipts and disbursements each month and add them as a notation on the monthly treasurer’s report.

Conclusion – Response accepted.

- (C) Accounting Policies and Procedures Manual – The City does not have a standardized accounting manual.

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

- 1) Aid in training additional or replacement personnel and help achieve uniformity in accounting and in the application of policies and procedures.
- 2) Help streamline accounting operations by achieving uniformity in accounting and in the application of policies and procedures.
- 3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- 4) Help preserve the key elements in the City’s internal controls.
- 5) Increase effectiveness and efficiency of City operations.

Response – City Clerk will work on a manual to aid in the replacement of this position.

Conclusion – Response accepted.

- (D) Information System – The following weaknesses in the City’s information system were noted:

The City does not have written policies for:

- 1) Requiring password changes because software does not require the user to change logins/passwords periodically.
- 2) Ensuring unlicensed software is not installed on City computers.
- 3) Requiring a timeout and/or logoff function to protect a terminal if left unattended.
- 4) Requiring back-up tapes to be stored off site.

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

City of Exira

Schedule of Findings

Year ended June 30, 2011

Recommendation – The City should develop written policies addressing each of the above items in order to improve the City’s control over its information system. A written disaster recovery plan should also be developed.

Response – Will work at getting policies written.

Conclusion – Response accepted.

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

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

Response – Will get a policy written for the use of credit cards.

Conclusion – Response accepted.

- (F) Timecards – City employees paid on an hourly basis complete timecards. However, the timecards are not reviewed and approved by a supervisor.

Recommendation – The City should develop procedures to ensure timecards for all hourly employees are reviewed and approved by a supervisor.

Response – Will try to have Mayor or Council Members review and approve time cards.

Conclusion – Response accepted.

- (G) Receipts – Two of four checks on hand were not restrictively endorsed immediately upon receipt.

Recommendation – Checks should be restrictively endorsed (for deposit only) upon receipt.

Response – I normally try to do this.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Exira

Schedule of Findings

Year ended June 30, 2011

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amount budgeted in the public safety function. 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 – This budget overage was due to Fire Department disbursements. With the change in receiving a Treasurer’s report each month from the Department’s Treasurer, this will be resolved.

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 to</u>	<u>Purpose</u>	<u>Amount</u>
Feed Lot Steakhouse	Yearly dinner for firefighters and wives	\$910
Dan’s Earlville Locker	Brats for firefighter work night	187
Casey’s General Store	Beer for firefighters	40

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 should determine and document the public purpose served by these disbursements before authorizing any further payments. If these disbursements are continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response – Will work with Fire Department on this issue.

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 for the year ended June 30, 2011 were noted.

City of Exira

Schedule of Findings

Year ended June 30, 2011

- (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 noted which 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) Revenue Bonds – No instances of non-compliance with the revenue bond resolution were noted.

City of Exira

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager
Brian P. Schenkelberg, CPA, Senior Auditor
Philip A. Rethwisch, Assistant Auditor
Justin A. Youngberg, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State