



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE _____ February 28, 2012 _____

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

The City's receipts totaled \$39,387 for the year ended June 30, 2010. The receipts included \$11,040 in property tax, \$8,198 from charges for service, \$10,480 from operating grants, contributions and restricted interest, \$6,072 from local option sales tax, \$1,375 from unrestricted interest on investments and \$2,222 from other general receipts.

Disbursements for the year totaled \$59,501, and included \$22,757 for public works, \$20,408 for general government and \$12,245 for public safety.

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/1022-0095-B00F.pdf>.

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CITY OF AREDALE

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

JUNE 30, 2010

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City of Aredale

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2010)		
Virgil Homer	Mayor	Jan 2010
Gary Bills	Mayor Pro tem	Jan 2010
Kim Harms	Council Member	Jan 2010
Sara Lumley	Council Member	Jan 2010
Jess Sprung	Council Member	Jan 2010
Melissa White	Council Member	Jan 2010
Mardee Johnson	Clerk	Indefinite
Wilma McKinney	Treasurer	Indefinite
Brian D. Miller	City Attorney	Indefinite
(After January 2010)		
Virgil Homer	Mayor	Jan 2012
Gary Bills	Mayor Pro tem	Jan 2012
Dennis Craig	Council Member	Jan 2012
Thomas Johnson (Appointed)	Council Member	Nov 2011
Sara Lumley	Council Member	Jan 2012
Jess Sprung	Council Member	Jan 2012
Melissa White	Council Member	(Resigned Feb 2010)
Mardee Johnson	Clerk	Indefinite
Wilma McKinney	Treasurer	Indefinite
Brian D. Miller	City Attorney	Indefinite

City of Aredale



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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 discretely presented component unit and each major fund of the City of Aredale, 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 Aredale'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.

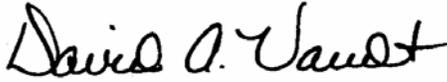
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not 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 discretely presented component unit and each major fund of the City of Aredale as of June 30, 2010, 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.

The City of Aredale has not presented Management's Discussion and Analysis which the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2012 on our consideration of the City of Aredale'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.

Budgetary comparison information on pages 16 through 18 is not a required part of the basic financial statements, but is 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 15, 2012

Basic Financial Statements

City of Aredale

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2010

	<u>Disbursements</u>	<u>Program Receipts</u>	
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 12,245	-	1,808
Public works	22,757	7,293	6,672
Health and social services	347	-	-
Culture and recreation	1,719	-	-
Community and economic development	2,025	-	-
General government	20,408	905	2,000
Total	<u>\$ 59,501</u>	<u>8,198</u>	<u>10,480</u>
Component Unit:			
Aredale Fire Association, Incorporated	\$ 47,731	-	44,520

General Receipts:

Property and other city tax levied for general purposes

Local option sales tax

Unrestricted interest on investments

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

 Other purposes

Unrestricted

Total cash basis net assets

See notes to financial statements.

Net Disbursements and Changes in Cash Basis Net Assets	Component Unit
(10,437)	-
(8,792)	-
(347)	-
(1,719)	-
(2,025)	-
(17,503)	-
(40,823)	-
-	(3,211)
6,072	-
1,375	-
2,222	-
9,669	-
(31,154)	(3,211)
84,384	10,951
\$ 53,230	7,740
\$ 23,983	-
-	7,740
40,287	-
\$ 64,270	7,740

City of Aredale

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

As of and for the year ended June 30, 2010

	General	Special Revenue Road Use Tax	Total
Receipts:			
Property tax	\$ 10,342	-	10,342
Local option sales tax	6,072	-	6,072
Other city tax	698	-	698
Licenses and permits	805	-	805
Use of money and property	1,475	-	1,475
Intergovernmental	3,808	6,672	10,480
Charges for service	7,293	-	7,293
Miscellaneous	2,222	-	2,222
Total receipts	<u>32,715</u>	<u>6,672</u>	<u>39,387</u>
Disbursements:			
Operating:			
Public safety	12,245	-	12,245
Public works	15,424	7,333	22,757
Health and social services	347	-	347
Culture and recreation	1,719	-	1,719
Community and economic development	2,025	-	2,025
General government	20,408	-	20,408
Total disbursements	<u>52,168</u>	<u>7,333</u>	<u>59,501</u>
Net change in cash balances	(19,453)	(661)	(20,114)
Cash balances beginning of year	59,740	24,644	84,384
Cash balances end of year	<u>\$ 40,287</u>	<u>23,983</u>	<u>64,270</u>
Cash Basis Fund Balances			
Unreserved:			
General fund	\$ 40,287	-	40,287
Special revenue funds	-	23,983	23,983
Total cash basis fund balances	<u>\$ 40,287</u>	<u>23,983</u>	<u>64,270</u>

See notes to financial statements.

City of Aredale

City of Aredale

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

The City of Aredale is a political subdivision of the State of Iowa located in Butler County. It was first incorporated in 1901 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides garbage utilities for its citizens.

A. Reporting Entity

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

These financial statements include the City of Aredale (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Aredale Fire Association, Incorporated is presented in a separate column to emphasize it is legally separate from the City but the relationship with the City is such that exclusion would cause the City's financial statements to be misleading or complete. The Aredale Fire Association, Incorporated is so intertwined with the City it is, in substance, the same as the City.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Butler County Assessor's Conference Board, Butler County Emergency Management Commission and Butler 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 and its component units. The effect of interfund activity has been removed from this statement. Governmental activities are supported by tax and intergovernmental revenues.

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

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 -Major individual governmental 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.

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.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(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) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2010 was \$273, equal to the required contribution for the year.

(4) Risk Management

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

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual
Receipts:	
Property tax	\$ 10,342
Other city tax	6,770
Licenses and permits	805
Use of money and property	1,475
Intergovernmental	10,480
Charges for service	7,293
Miscellaneous	2,222
Total receipts	39,387
Disbursements:	
Public safety	12,245
Public works	22,757
Health and social services	347
Culture and recreation	1,719
Community and economic development	2,025
General government	20,408
Total disbursements	59,501
Deficiency of receipts under disbursements	(20,114)
Balances beginning of year	84,384
Balances end of year	\$ 64,270

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
10,470	10,470	(128)
5,067	5,067	1,703
780	780	25
1,734	1,734	(259)
12,547	12,547	(2,067)
5,059	5,059	2,234
-	-	2,222
<u>35,657</u>	<u>35,657</u>	<u>3,730</u>
19,200	19,200	6,955
23,000	23,000	243
1,400	1,400	1,053
7,200	7,200	5,481
1,400	3,400	1,375
20,000	27,800	7,392
<u>72,200</u>	<u>82,000</u>	<u>22,499</u>
(36,543)	(46,343)	26,229
<u>46,633</u>	<u>58,808</u>	<u>25,576</u>
<u>10,090</u>	<u>12,465</u>	<u>51,805</u>

City of Aredale

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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

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

Formal and legal budgetary control is based upon eight major classes of disbursements known as functions, not by fund. These eight functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$9,800. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted.



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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit and each major fund of the City of Aredale, 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 February 15, 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, 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 Aredale's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Aredale's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Aredale'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 Aredale's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) through (C) to be material weaknesses.

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Aredale'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 Aredale'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 Aredale and other parties to whom the City of Aredale may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Aredale 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 15, 2012

City of Aredale

Schedule of Findings

Year ended June 30, 2010

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 individual has control over each of the following areas:

- (1) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (2) Disbursements – invoice processing, check writing, mailing, reconciling and recording.
- (3) Payroll – recordkeeping, preparation and distribution.
- (4) Garbage – billing, collecting, depositing and posting.
- (5) Investing – recordkeeping, investing, custody of investments and reconciling earnings.
- (6) Cash – handling, reconciling and recording.
- (7) Information system (computer usage) – performing all general accounting functions and controlling all data and output.

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 current staff, including elected officials.

Response – The City will review our control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Conclusion – Response accepted.

(B) Information System – The City does not have written information system policies and the City does not have a written disaster recovery plan

Recommendation – The City should develop written policies over the information system in order to improve the City’s control over computer based financial systems. Also, a written disaster recovery plan should be developed and tested periodically.

Response – The City of Aredale will work on a written policy for our information systems, and we will also design a disaster recovery plan which will cover the City’s interest and residents. This will be done through the City’s efforts and the Fire Department’s public safety procedures.

Conclusion – Response accepted.

City of Aredale

Schedule of Findings

Year ended June 30, 2010

- (C) Aredale Fire Association, Incorporated – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the City's financial statement. Generally, one individual has control over collection, depositing, posting and bank reconciliations for which no compensating controls exist.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Elected officials should be utilized to provide additional control through review of financial transactions and reconciliations. The bank reconciliations should be reviewed by an independent person and the review should be evidenced by initials or signature of the reviewer and the date of the review.

Response – Our current procedures are at the time of cash deposits there are at least three people present and cash is counted by each one. Our written checks have to have two signatures on them the President of the Association and the Treasurer. Our bank statements are sent to the Treasurer and a copy to the President of the Association. Our books, receipts and bank statements are sent to our CPA for evaluation.

Conclusion – Response accepted.

- (D) Accounting Policies and Procedures Manual – The City does not have a current accounting policies and procedures manual.

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

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

Response – We have just hired a new City Clerk with a total of six years of experience and she has had some of the training in question and also has the updated Clerk/Financial officer handbook. We will work with her to get our accounting procedures up to date and record keeping in order. We will help aid her with City Council members being involved.

Conclusion – Response accepted.

City of Aredale

Schedule of Findings

Year ended June 30, 2010

- (E) Aredale Fire Association, Incorporated Disbursements – Supporting documentation for one of six disbursements tested could not be located.

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

Response – In the future, we will ensure to maintain supporting documentation for all disbursements.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Aredale
 Schedule of Findings
 Year ended June 30, 2010

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.
- (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:

Paid to	Purpose	Amount
Don Barnard Agency	Band retainer for Aredale Days	\$1,000

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 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 – This disbursement will be discussed and we will write up a new City policy with the Attorney General's opinion added to the policy so this will not happen again.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa.

City of Aredale

Schedule of Findings

Year ended June 30, 2010

Response – The City will work on adopting a new written investment policy in order to comply with the provisions of Chapter 12B.10B of the Code of Iowa.

Conclusion – Response accepted.

- (8) 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 retains electronic images of the front of cancelled checks, but not the back of cancelled checks.

Recommendation – The City should retain an image of both the front and back of each cancelled check as required.

Response – The City has already made this correction. The bank is now copying the front and back of all cancelled checks.

Conclusion – Response accepted.

- (9) Local Option Sales Tax – The ballot provided for local option sales tax collections to be allocated as follows: 20% for equipment, training and operations of the Fire Department, 10% for economic development, 20% for City park, improvements, operations and recreational programs, 25% for solid waste recycling for construction, renovation and/or operations and 25% for street and infrastructure improvements. For the year ended June 30, 2010, these collections were deposited into the General Fund. The City does not account for or monitor the use and the related disbursements for compliance with the ballot.

Recommendation - The City should account for and monitor the use and expend local option sales tax in accordance with the ballot.

Response – The City Clerk will show the break-down of the local option sales tax on the financial report every month, and will also show the percentage of money going into the right accounts.

Conclusion – Response accepted.

- (10) Petition for Audit – Except as noted, all items included in the petition for audit have been resolved.

City of Aredale

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Gabriel M. Stafford, CPA, Staff Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State