



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE _____

March 19, 2012

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$910,249 for the year ended June 30, 2011. The receipts included \$247,277 in property tax, \$422,253 from charges for service, \$129,940 from operating grants, contributions and restricted interest, \$5,447 from capital grants, contributions and restricted interest, \$91,505 from local option sales tax, \$9,208 from unrestricted interest on investments and \$4,619 from other general receipts.

Disbursements for the year totaled \$861,914, and included \$181,557 for public works, \$128,836 for culture and recreation and \$95,974 for general government. Also, disbursements for business type activities totaled \$367,849.

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/1121-0506-B00F.pdf>.

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

JUNE 30, 2011

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City of Keota

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Anthony Cansler	Mayor	Jan 2012
Scott Flynn	Council Member	(Resigned)
Scott Westendorf (Appointed)	Council Member	Nov 2011
Tomisha Sprouse	Council Member	Jan 2012
Keith Conrad	Council Member	Jan 2014
Rod Hill	Council Member	Jan 2014
Bob Preston	Council Member	Jan 2014
Joan Netten-Anderegg	City Clerk	(Resigned)
Niki Osweiler	City Clerk	Indefinite
Janice Becker	Attorney	Indefinite

City of Keota



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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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Keota, 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 of Keota'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, 2010.

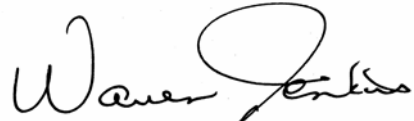
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2010, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Keota as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 27, 2012 on our consideration of the City of Keota'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 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 of Keota's basic financial statements. Other supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Keota 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 City's total cash basis net assets increased 5.5%, or \$48,335, from June 30, 2010 to June 30, 2011. Of this amount, the cash basis net assets of the governmental activities increased \$48,838 and the cash basis net assets of the business type activities decreased \$503.

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 indebtedness.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information 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, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the 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 Employee Benefits. 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.

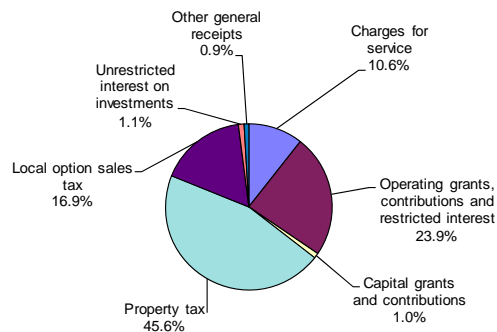
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

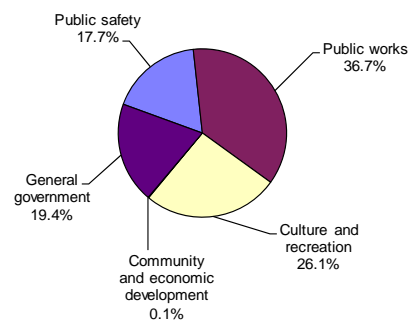
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$315,859 to \$364,697, primarily due to increased property tax receipts. The analysis that follows focuses on the changes in cash 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	\$ 57,737
Operating grants, contributions and restricted interest	129,940
Capital grants, contributions and restricted interest	5,447
General receipts:	
Property tax	247,277
Local option sales tax	91,505
Unrestricted interest on investments	6,156
Other general receipts	4,619
Total receipts	542,681
Disbursements:	
Public safety	87,250
Public works	181,557
Culture and recreation	128,836
Community and economic development	448
General government	95,974
Total disbursements	494,065
Change in cash basis net assets before transfers	48,616
Transfers, net	222
Change in cash basis net assets	48,838
Cash basis net assets beginning of year	315,859
Cash basis net assets end of year	\$ 364,697

Receipts by Source



Disbursements by Function



Total business type activities cash basis net assets decreased \$503 from a year ago, from \$507,366 to \$506,863.

<u>Changes in Cash Basis Net Assets of Business Type Activities</u>	
	<u>Year ended June 30, 2011</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 278,629
Sewer	85,887
General receipts:	
Unrestricted interest on investments	3,052
Total receipts	<u>367,568</u>
Disbursements:	
Water	283,815
Sewer	84,034
Total disbursements	<u>367,849</u>
Change in cash basis net assets, before transfers	(281)
Transfers, net	(222)
Change in cash basis net assets	<u>(503)</u>
Cash basis net assets beginning of year	507,366
Cash basis net assets end of year	<u>\$ 506,863</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Keota completed the year, its governmental funds reported a combined fund balance of \$364,697, an increase of \$48,838 above last year's total of \$315,859. 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 \$17,704 over the prior year to \$73,362. The increase was due to an increase in property tax receipts from the prior year.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$16,069 over the prior year to \$86,046, primarily due to disbursements exceeding receipts for the fiscal year.
- The Special Revenue, Employee Benefits Fund Fund cash balance decreased \$2,302 from the prior year to \$2,518.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$49,505 to \$197,988 due to receipts exceeding disbursements and transfers out during the year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$4,504 to a year-end balance of \$379,552, primarily due to disbursements exceeding receipts.
- The Enterprise, Sewer Fund cash balance increased \$4,001 to a year-end balance of \$127,311, primarily due to an increase in sewer rates.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 23, 2011 and resulted in an increase in disbursements, primarily relating to business type activities.

The City's receipts were \$76,379 less than budgeted. This was primarily due to the City budgeting more for charges for service than received.

Even with the budget amendment, total disbursements were \$10,041 more than the amended budget. Actual disbursements for the public works and the general government functions were \$81,255 and \$10,317, respectively, more than the amended budget. The difference in the public works function is primarily due to the City paying \$40,000 for two different road work projects completed during fiscal year 2011 when the City usually completes only one each fiscal year. The difference in the general government function is primarily due to the comprehensive plan costing \$8,000 more than budgeted. Also, actual disbursements for the business type activities function was \$72,182 less than the amended budget. This was primarily due to the new City Clerk's inexperience in preparing budget amendments.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$1,156,000 in water revenue notes outstanding.

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 has no outstanding general obligation debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Keota'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 contains total receipts of \$1,155,486 and disbursements of \$815,230. This budget has more receipts and lower disbursements than the amended fiscal year 2011 budget, which contained total receipts of \$986,628 and total disbursements of \$851,873. The majority of the change in receipts and disbursements reflect anticipated funding and related disbursements for continuing water and sewer infrastructure projects. The rates will be kept the same for the utilities unless an unexpected expense occurs.

The fiscal year 2012 property tax levy is \$13.27435 per \$1,000 of taxable valuation, an increase from \$12.94370 per \$1,000 of taxable valuation for fiscal year 2011.

These parameters were taken into account when adopting the budget for 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 Niki Osweiler, City Clerk, 309 E. Broadway, Keota, Iowa 52248.

City of Keota

Basic Financial Statements

City of Keota

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	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 87,250	1,437	2,575	-
Public works	181,557	51,189	107,222	5,447
Culture and recreation	128,836	3,116	20,143	-
Community and economic development	448	-	-	-
General government	95,974	1,995	-	-
Total governmental activities	494,065	57,737	129,940	5,447
Business type activities:				
Water	283,815	278,629	-	-
Sewer	84,034	85,887	-	-
Total business type activities	367,849	364,516	-	-
Total	\$ 861,914	422,253	129,940	5,447
Component Unit:				
Keota Volunteer Fire Department	\$ 108,884	-	100,765	-

General Receipts 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:

Debt service

Streets

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	Component Unit
			Keota Volunteer Fire Department
(83,238)	-	(83,238)	-
(17,699)	-	(17,699)	-
(105,577)	-	(105,577)	-
(448)	-	(448)	-
(93,979)	-	(93,979)	-
(300,941)	-	(300,941)	-
-	(5,186)	(5,186)	-
-	1,853	1,853	-
-	(3,333)	(3,333)	-
(300,941)	(3,333)	(304,274)	-
			(8,119)
247,277	-	247,277	-
91,505	-	91,505	-
6,156	3,052	9,208	-
4,619	-	4,619	-
222	(222)	-	-
349,779	2,830	352,609	-
48,838	(503)	48,335	(8,119)
315,859	507,366	823,225	129,237
\$ 364,697	506,863	871,560	121,118
\$ -	8,724	8,724	-
86,046	-	86,046	-
205,289	-	205,289	121,118
73,362	498,139	571,501	-
\$ 364,697	498,139	862,836	121,118

City of Keota

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	Employee Benefits	Special
Receipts:				
Property tax	\$ 176,339	-	70,938	
Local option sales tax	-	-	-	
Licenses and permits	1,928	-	-	
Use of money and property	6,156			
Intergovernmental	9,201	111,979	-	
Charges for service	51,816	-	-	
Miscellaneous	22,819	-	-	
Total receipts	<u>268,259</u>	<u>111,979</u>	<u>70,938</u>	
Disbursements:				
Operating:				
Public safety	64,956	-	22,294	
Public works	43,863	128,048	9,646	
Culture and recreation	98,736	-	30,100	
Community and economic development	448	-	-	
General government	84,774	-	11,200	
Total disbursements	<u>292,777</u>	<u>128,048</u>	<u>73,240</u>	
Excess (deficiency) of receipts over (under) disbursements	<u>(24,518)</u>	<u>(16,069)</u>	<u>(2,302)</u>	
Other financing sources (uses):				
Operating transfers in	42,222	-	-	
Operating transfers out	-	-	-	
Total other financing sources (uses)	<u>42,222</u>	<u>-</u>	<u>-</u>	
Net change in cash balances	17,704	(16,069)	(2,302)	
Cash balances beginning of year	55,658	102,115	4,820	
Cash balances end of year	<u>\$ 73,362</u>	<u>86,046</u>	<u>2,518</u>	
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -	86,046	-	
Other purposes	-	-	2,518	
Unassigned	73,362	-	-	
Total cash basis fund balances	<u>\$ 73,362</u>	<u>86,046</u>	<u>2,518</u>	

See notes to financial statements.

Revenue			
Local	Nonmajor -		
Option Sales	Library		
Tax	Museum		Total
-	-		247,277
91,505	-		91,505
-	-		1,928
-	-		6,156
-	-		121,180
-	-		51,816
-	-		22,819
91,505	-		542,681
-	-		87,250
-	-		181,557
-	-		128,836
-	-		448
-	-		95,974
-	-		494,065
91,505	-		48,616
-	-		42,222
(42,000)	-		(42,000)
(42,000)	-		222
49,505	-		48,838
148,483	4,783		315,859
197,988	4,783		364,697
-	-		86,046
197,988	4,783		205,289
-	-		73,362
197,988	4,783		364,697

City of Keota

City of Keota

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	\$ 276,943	85,887	362,830
Miscellaneous	1,686	-	1,686
Total operating receipts	278,629	85,887	364,516
Operating disbursements:			
Business type activities	136,639	84,034	220,673
Excess of operating receipts over operating disbursements	141,990	1,853	143,843
Non-operating receipts (disbursements):			
Interest on investments	1,447	1,605	3,052
Debt service	(108,813)	-	(108,813)
Capital projects	(38,363)	-	(38,363)
Net non-operating receipts (disbursements)	(145,729)	1,605	(144,124)
Excess (deficiency) of receipts over (under) disbursements	(3,739)	3,458	(281)
Operating transfers in	-	543	543
Operating transfers out	(765)	-	(765)
Total transfers in (out)	(765)	543	(222)
Net change in cash balances	(4,504)	4,001	(503)
Cash balances beginning of year	384,056	123,310	507,366
Cash balances end of year	\$ 379,552	127,311	506,863
Cash Basis Fund Balances			
Restricted for debt service	\$ 8,724	-	8,724
Unrestricted	370,828	127,311	498,139
Total cash basis fund balances	\$ 379,552	127,311	506,863

See notes to financial statements.

City of Keota

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

The City of Keota is a political subdivision of the State of Iowa located in Keokuk County. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

These financial statements present the City of Keota (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 Keota Volunteer Fire Department, Inc., was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The Keota Volunteer Fire Department is legally separate from the City but its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

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: Keokuk County Assessor's Conference Board, Keokuk County Emergency Management Commission and Keokuk County Joint E911 Service Board.

B. Basis of Presentation

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

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

Expendable 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. The remaining governmental fund is reported as a nonmajor governmental fund.

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 property tax and other receipts to be used for employee pension and other benefits.

The Local Option Sales Tax Fund is used to account for local option sales tax received and its use for purposes designated on the ballot which authorized the tax.

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. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the public works and general government functions.

(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) Notes Payable

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

Year Ending June 30,	Principal	Interest	Total
2012	\$ 70,000	34,680	\$ 104,680
2013	73,000	32,580	105,580
2014	75,000	30,390	105,390
2015	77,000	28,140	105,140
2016	79,000	25,830	104,830
2017 - 2021	436,000	91,860	527,860
2022 - 2026	286,000	32,070	318,070
2027 - 2028	60,000	2,700	62,700
Total	\$ 1,156,000	278,250	1,434,250

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,570,000 of water revenue notes with interest at 3% per annum, issued in October 2001, July 2005 and March 2008. The agreements also require the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapter 384.83 of the Code of Iowa to provide financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2028. Annual principal and interest payments on the notes are expected to require approximately 75% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,434,250. For the current year, principal and interest paid and total customer net receipts were \$105,750 and \$140,304, respectively.

The resolutions providing for the issuance of the water revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the fund.
- (b) Water user rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the annual installments of principal and interest on the notes coming due in the same year.

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.50% 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 \$14,519, equal to the required contribution for the year.

(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 families. There are 5 active 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.

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 \$482 for single coverage and \$1,204 for family coverage. For the year ended June 30, 2011, the City contributed \$61,341 and plan members eligible for benefits contributed \$69,800 to the plan.

(6) 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, is \$12,000. This liability has been computed based on rates of pay in effect at June 30, 2011.

(7) 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	\$ 42,000
	Enterprise:	
	Water	222
		<u>42,222</u>
Enterprise:	Enterprise:	
Sewer	Water	543
Total		<u>\$ 42,765</u>

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

(8) Risk Management

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

(9) Subsequent Events

On September 28, 2011, the City issued \$287,000 of water revenue capital loan notes for a watermain project.

On December 6, 2011, the City repaid \$251,000 of water revenue notes issued July 15, 2005 with funds available from the Special Revenue, Local Option Sales Tax Fund and the Enterprise, Water Fund.

City of Keota

Required Supplementary Information

City of Keota
 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
Receipts:		
Property tax	\$ 247,277	-
Local option sales tax	91,505	-
Licenses and permits	1,928	-
Use of money and property	6,156	3,052
Intergovernmental	121,180	-
Charges for service	51,816	362,830
Miscellaneous	22,819	1,686
Total receipts	<u>542,681</u>	<u>367,568</u>
Disbursements:		
Public safety	87,250	-
Public works	181,557	-
Culture and recreation	128,836	-
Community and economic development	448	-
General government	95,974	-
Capital projects	-	-
Business type activities	-	367,849
Total disbursements	<u>494,065</u>	<u>367,849</u>
Excess (deficiency) of receipts over (under) disbursements	48,616	(281)
Other financing sources, net	222	(222)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	48,838	(503)
Balances beginning of year	315,859	507,366
Balances end of year	<u>\$ 364,697</u>	<u>506,863</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
247,277	253,553	252,476	(5,199)
91,505	100,076	98,730	(7,225)
1,928	1,045	1,320	608
9,208	7,425	9,107	101
121,180	111,050	148,560	(27,380)
414,646	421,006	469,348	(54,702)
24,505	2,550	7,087	17,418
910,249	896,705	986,628	(76,379)
87,250	89,281	87,856	606
181,557	101,711	100,302	(81,255)
128,836	133,893	136,087	7,251
448	6,120	1,440	992
95,974	81,183	85,657	(10,317)
-	-	500	500
367,849	347,063	440,031	72,182
861,914	759,251	851,873	(10,041)
48,335	137,454	134,755	(86,420)
-	-	240	(240)
48,335	137,454	134,995	(86,660)
823,225	726,783	726,783	96,442
871,560	864,237	861,778	9,782

City of Keota

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 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 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 Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$92,622. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the public works and general government functions.

Other Supplementary Information

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Water revenue notes:			
Series 2001	Oct 24, 2001	3.00% *	\$ 780,000
Series 2005	Jul 15, 2005	3.00 *	313,000
Series 2008	Mar 17, 2008	3.00 *	477,000
Total			

* The agreements also require the City to annually pay a .25% servicing fee on the outstanding balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
520,000	-	37,000	483,000	15,600
264,000	-	13,000	251,000	7,920
441,000	-	19,000	422,000	13,230
<u>\$ 1,225,000</u>	<u>-</u>	<u>69,000</u>	<u>1,156,000</u>	<u>36,750</u>

City of Keota
Note Maturities
June 30, 2011

Year Ending June 30,	Water Revenue Notes						Total
	Series 2001		Series 2005		Series 2008		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2012	3.00%	\$ 38,000	3.00%	\$ 13,000	3.00%	\$ 19,000	70,000
2013	3.00	39,000	3.00	14,000	3.00	20,000	73,000
2014	3.00	40,000	3.00	14,000	3.00	21,000	75,000
2015	3.00	41,000	3.00	15,000	3.00	21,000	77,000
2016	3.00	42,000	3.00	15,000	3.00	22,000	79,000
2017	3.00	44,000	3.00	16,000	3.00	23,000	83,000
2018	3.00	45,000	3.00	16,000	3.00	23,000	84,000
2019	3.00	46,000	3.00	17,000	3.00	24,000	87,000
2020	3.00	48,000	3.00	17,000	3.00	25,000	90,000
2021	3.00	49,000	3.00	18,000	3.00	25,000	92,000
2022	3.00	51,000	3.00	18,000	3.00	26,000	95,000
2023		-	3.00	19,000	3.00	27,000	46,000
2024		-	3.00	19,000	3.00	28,000	47,000
2025		-	3.00	20,000	3.00	29,000	49,000
2026		-	3.00	20,000	3.00	29,000	49,000
2027		-		-	3.00	30,000	30,000
2028		-		-	3.00	30,000	30,000
Total		<u>\$483,000</u>		<u>\$251,000</u>		<u>\$422,000</u>	<u>1,156,000</u>

See accompanying independent auditor's report.



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David A. Vaudt, CPA
Auditor of State

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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Keota, 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 27, 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 Keota is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Keota'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 Keota's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Keota'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 Keota'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 (F) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Keota'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, 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 Keota'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 Keota'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 Keota and other parties to whom the City of Keota 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 Keota 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 27, 2012

City of Keota

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. For the City, one individual has control over each of the following areas:
- (1) Petty cash – Depositing, reconciling and recording receipts is done by the custodian of the change funds.
 - (2) Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety.
 - (3) Investments - The person responsible for the detailed record keeping of investments is also the custodian of the investments. Investments are not periodically inspected or reconciled to investment records by an independent person and an independent verification of interest earnings is not performed.
 - (4) Receipts – opening mail, collecting, recording, depositing, maintaining receivable records, reconciling and posting. An initial listing of mail receipts is not prepared.
 - (5) Disbursements – purchasing, check writing, signing, mailing, reconciling and recording.
 - (6) Payroll – preparation, posting and distribution.
 - (7) Journal entries – preparing and journalizing with no independent review.

For the Keota Volunteer Fire Department, one individual has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements - preparing, recording and reconciling.
- (3) Bank reconciliations are not reviewed and approved by an independent person for propriety.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City and the Keota Volunteer Fire Department should review their control activities to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including elected officials. Independent reviews of reconciliations prepared should be performed. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and the date of the review.

City of Keota

Schedule of Findings

Year ended June 30, 2011

Responses –

City – Due to limited number of full time staff in the office it is difficult to achieve the proper segregation of duties. The City will review and update its procedures to comply as best we can. A Council Member will review the monthly bank reconciliation after the Clerk has completed them. All journal entries will be presented to the City Council for approval. The cash drawer will be counted every night, and a spreadsheet will be kept of all disbursements from the petty cash.

Keota Volunteer Fire Department – We will review and update procedures to comply as best we can. In the future, I will have the Fire Chief review and sign the Fire Department's bank reconciliations.

Conclusions – Responses accepted.

- (B) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year. Also, the City does not maintain a monthly listing of delinquent accounts.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The Council or a Council designated independent person should review the reconciliations and monitor delinquent accounts.

Response – The delinquent accounts will be printed when the late letters are generated on the sixteenth. A spreadsheet has been set up to reconcile the utility billings at the end of each month. The spreadsheet will then be submitted to the City Council to approve at the end of the month.

Conclusion – Response accepted.

- (C) Computer-Based Systems – During our review of internal control, the existing control activities in the City's computer-based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding compliance with applicable laws and regulations.

The City does not have written policies for:

- Requiring passwords be changed every 60-90 days.
- Requiring backups of system information.
- Usage of the internet.
- The City does not have a written disaster recovery plan.

Recommendation – The City should develop written policies addressing the above items in order to improve the City's controls over computer-based systems. A written disaster recovery plan should be developed.

City of Keota

Schedule of Findings

Year ended June 30, 2011

Response – Passwords will be changed every 60-90 days. The City will be doing a backup every two weeks. The new handbook has a policy on the use of the internet, along with disciplinary actions that can be taken against an employee who violates the policy. We are working on getting a disaster recovery plan in place for the city.

Conclusion – Response accepted.

- (D) Disbursements – Invoices and other supporting documentation were not always available to support disbursements.

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

Response – The Mayor will check to make sure the Clerk has attached all the proper supporting documents to the correct check stubs.

Conclusion – Response accepted.

- (E) Accounting Policies and Procedures Manual – The City does not have an 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 – The City will check with the Iowa League of Cities for an example of this manual and will try to prepare a manual for the City as time allows. The City will also get the software manuals from the software company to have on file.

Conclusion – Response accepted.

- (F) Credit Cards – The City has credit cards for use by various employees while on City business. The City has adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. However, supporting documentation was not always available to support credit card charges as required by the City's policy.

Recommendation – The City should ensure supporting documentation is maintained to substantiate charges.

Response – The Mayor will double-check the correct supporting documents are with the credit card statements before signing the check to pay the expense.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Keota

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 amounts budgeted in the public works and general government functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City Council, department head and Clerk will look at the budget at the end of each month to be aware of any expenses which may exceed the budgeted amount.

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>
Wolf Floral	Flowers for funeral	\$ 32
Garden Gate	Flowers for funeral	50
Stein Memorial	Memorial donation	100

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

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

Response –The City Council will put these expenses on the agenda to be approved and will document the public purpose of these disbursements in the future.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Keota

Schedule of Findings

Year ended June 30, 2011

- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Andy Conrad, Mayor's brother	Computer work	\$ 1,991
Aaron Osweiler, Clerk's spouse, employee of Vittetoe, Inc.	Supplies	1,026

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, these transactions do not appear to represent a conflict of interest since total transactions were less than \$2,500 during the year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – Except as noted below, no transactions were found that we believe should have been approved in the Council minutes but were not.

The City Council went into closed session on November 15, 2010. However, the minutes record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open meetings law.

Published minutes for the January 3, 2011 City Council meeting did not include total disbursements from each fund nor a summary of all receipts. Also, the City did not publish gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should publish minutes information and annual individual salaries as required.

Response – The Clerk is now aware of this code section and will enforce it when the City has closed sessions. The salaries will be published in the local newspaper in the month of January. The financial information will be published in the minutes once the City Council approves it.

Conclusion – Response accepted.

- (7) Deposits and Investments – No instances of non-compliance 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 Notes – No instances of non-compliance with the water revenue note resolutions were noted.

City of Keota

Schedule of Findings

Year ended June 30, 2011

- (9) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks outstanding for more than two years, to the State Treasurer’s office annually. The City did not remit these obligations as required.

Recommendation – The outstanding checks should be reviewed annually and items over two years old should be remitted to the State Treasurer’s Office as required.

Response – The outstanding checks have been submitted to the Great Iowa Treasure Hunt.

Conclusion – Response accepted.

- (10) Capital Improvements Levy – Chapter 384.7 of the Code of Iowa allows cities to levy taxes for a capital improvement reserve fund, subject to approval by the voters at a city election. For fiscal year 2012, the City levied \$13,632, the maximum capital improvement reserve levy allowable, without holding an election.

Recommendation – The City should consult legal counsel.

Response – The City is working with the County on how to address this tax the easiest way possible. The state informed the City Attorney there were two options to correct this: refund the money to the property owners or levy less property tax for health insurance next year. We are still working on which of these two options to pursue with the County.

Conclusion – Response accepted.

- (11) Form 1099 – The City is required to prepare IRS Form 1099s for outside services of \$600 or more provided by independent contractors. The City did not prepare the required forms for calendar year 2010.

Recommendation – The City should prepare IRS Form 1099s as required.

Response – This year the City sent out two IRS Form 1099s for the independent contractors.

Conclusion – Response accepted.

- (12) Clothing Allowances – The City provides a clothing allowance for employees. However, the clothing allowance is not included in the employee’s wages on the IRS Form W-2s. The clothing purchased (bibs, flannel shirts, jeans, gloves, boots) is not restricted to work use and can be used in everyday activities.

Recommendation – The City should report clothing allowances provided to employees on the employees’ W-2s. Clothing purchased should be restricted to work use.

Response – The IRS Form W-2s this year will include uniform allowances.


Conclusion – Response accepted.

City of Keota

Staff

This audit was performed by:

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