

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Des Moines, Iowa 50319-0004

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

June 14, 2013

Contact: Andy Nielsen
515/281-5834

The Office of Auditor of State today released an audit report on the City of Union, Iowa.

The City's receipts totaled \$804,266 for the year ended June 30, 2012. The receipts included \$91,347 in property tax, \$146,889 from charges for service, \$151,049 from operating grants, contributions and restricted interest, \$37,514 from local option sales tax, \$1,979 from unrestricted interest on investments, \$360,231 from bond proceeds and \$15,257 from other general receipts.

Disbursements for the year totaled \$847,346, and included \$147,063 for culture and recreation, \$114,576 for public safety and \$66,630 for public works. Also, disbursements for business type activities totaled \$478,403.

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/1222-0398-BOOF.pdf>.

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

JUNE 30, 2012

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City of Union

Officials

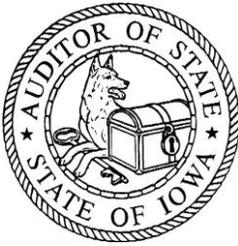
Before January 2012

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom Pieper	Mayor	Jan 2012
Jerry Rogers	Mayor Pro Tem	Jan 2012
Todd Pekarek	Council Member	Jan 2012
Jeremiah Andrews	Council Member	(Resigned)
Lori Ingebritson	Council Member	(Resigned)
Stephanie Carson (Appointed)	Council Member	Nov 2013
Jim Donaldson	Council Member	Jan 2014
Ann Bracy	Clerk	Indefinite
Mike Smith	Attorney	Indefinite

After January 2012

Tom Pieper	Mayor	Jan 2014
Cindy Clemons	Mayor Pro Tem	Jan 2016
Stephanie Carson	Council Member	Nov 2013
Jim Donaldson	Council Member	Jan 2014
Stephen Stubblefield	Council Member	Jan 2014
Cheryl Halverson	Council Member	Jan 2016
Ann Bracy	Clerk	Indefinite
Mike Smith	Attorney	Indefinite

City of Union



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Union, Iowa, as of and for the year ended June 30, 2012, 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 Union's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2011.

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, 2011, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Union as of June 30, 2012, 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 May 22, 2013 on our consideration of the City of Union'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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. 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, 2011, as discussed in the third paragraph, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Union's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 11 and 24 through 26 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 22, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Union 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, 2012. 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.

2012 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities decreased approximately \$42,000 from fiscal year 2011 to fiscal year 2012. The decrease is primarily due to the City purchasing a fire truck in the current year.
- The cash basis net assets of the City's business type activities remained consistent from fiscal year 2011 to fiscal year 2012. The City began a new water tower project in fiscal year 2012 but issued revenue bonds to fund the project.

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.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's indebtedness.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, culture and recreation and general government. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer, landfill and garbage systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax. The governmental fund financial statement provides 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 four Enterprise Funds to provide separate information for the Water, Sewer, Landfill and Garbage Funds. The Water and Landfill Funds are considered to be major funds of the City.

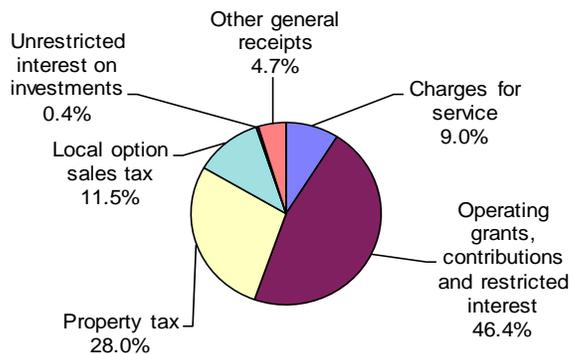
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

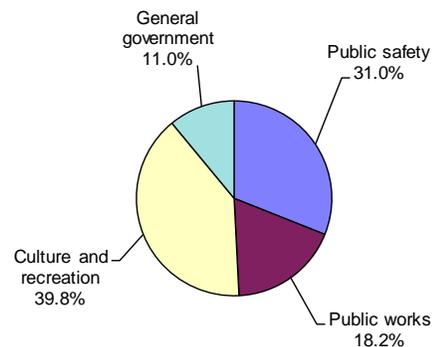
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from \$287,972 at June 30, 2011 to \$245,655 at June 30, 2012. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2012
Receipts:	
Program receipts:	
Charges for service	\$ 29,480
Operating grants, contributions and restricted interest	151,049
General receipts:	
Property tax	91,347
Local option sales tax	37,514
Unrestricted interest on investments	1,979
Other general receipts	15,257
Total receipts	<u>326,626</u>
Disbursements:	
Public safety	114,576
Public works	66,630
Culture and recreation	147,063
General government	40,674
Total disbursements	<u>368,943</u>
Change in cash basis net assets	(42,317)
Cash basis net assets beginning of year	<u>287,972</u>
Cash basis net assets end of year	<u>\$ 245,655</u>

Receipts by Source



Disbursements by Function



The cash basis net assets of the City's governmental funds decreased due to the purchase of a fire truck for the fire department and remodeling the Union Public Library building.

Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2012
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 65,567
Landfill	18,013
Sewer	24,205
Garbage	9,624
General receipts:	
Bond proceeds	360,231
Total receipts	<u>477,640</u>
Disbursements:	
Water	424,275
Sewer	28,236
Landfill	17,067
Garbage	8,825
Total disbursements	<u>478,403</u>
Change in cash basis net assets	(763)
Cash basis net assets beginning of year	69,955
Cash basis net assets end of year	<u>\$ 69,192</u>

The cash basis net assets of the City's business type activities decreased \$763 from a year ago, decreasing from \$69,955 at June 30, 2011 to \$69,192 at June 30, 2012.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Union completed the year, its governmental funds reported a combined fund balance of \$245,655, a decrease of approximately \$42,000 from last year's total of \$287,972. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$936 from the prior year to \$35,879.
- The Special Revenue, Local Option Sales Tax Fund cash balance at the end of fiscal year 2012 increased \$7,809 over the prior year to \$144,898. This increase is attributable to spending less of the local option sales tax proceeds on capital disbursements and the City pool than was received.
- The Special Revenue, Union Emergency Services Fund cash balance increased \$2,230 over the prior year to a balance of \$59,341.
- The Special Revenue, Union Public Library Fund cash balance decreased \$18,210 to \$67 during the fiscal year, primarily due to remodeling the library building.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$1,523 to \$52,336 during the fiscal year. The City began a water tower construction project with disbursements totaling \$360,870 during fiscal year 2012 and received bond proceeds of \$360,231 to fund the project.
- The Enterprise, Landfill Fund cash balance increased \$946 to \$21,612.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 7, 2012 and resulted in an increase in budgeted operating disbursements of \$624,512, related primarily to the water tower construction process.

The City's receipts were \$34,627 more than budgeted. This was primarily due to the City receiving more miscellaneous gifts and donations to purchase fire fighting equipment and pay for repairs to the pool.

Total disbursements were \$146,605 less than the amended budget. Actual disbursements for the public works, general government and business type activities functions were \$20,085, \$1,620 and \$253,443, respectively, less than the amended budget. Business type activities function disbursements were less than budgeted, primarily due to the water tower construction project not being completed.

Even with the budget amendment, the budget was overspent in the public safety and culture and recreation functions due to the inclusion of the Union Public Library, Union Fire Department and Union Emergency Services which should have been, but were not, included in the budget adopted by the City.

DEBT ADMINISTRATION

At June 30, 2012, the City had \$429,175 of long-term debt outstanding due to issuing water revenue bonds for a water tower construction project. At June 30, 2011, the City had \$78,544 of long-term debt outstanding for project design which was rolled into the water revenue bonds at June 30, 2012.

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 at June 30, 2012. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Union's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees charged for various City activities. The City's assessed property values increased from \$8,222,363 in fiscal year 2011 to \$8,653,898 in fiscal year 2012. The levied tax rate for fiscal year 2013 is \$10.95669 per \$1,000 of taxable valuation. The fiscal year 2013 budget includes total receipts of \$578,470 and disbursements of \$576,658. If these estimates are realized, the City's budgeted cash balance is expected to increase \$1,812 by the close of fiscal year 2013. The City's water tower project should be finished soon and access fees have been established by the City Council to pay the annual payment and maintain the water tower and equipment.

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 Ann Bracy, City Clerk, 101 Main Street, Union, Iowa 50258-9998.

City of Union

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2012

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 114,576	17,541	28,977
Public works	66,630	-	31,319
Culture and recreation	147,063	10,452	90,363
General government	40,674	1,487	390
Total governmental activities	368,943	29,480	151,049
Business type activities:			
Water	424,275	65,567	-
Landfill	17,067	18,013	-
Sewer	28,236	24,205	-
Garbage	8,825	9,624	-
Total business type activities	478,403	117,409	-
Total	\$ 847,346	146,889	151,049

General Receipts:

Property tax levied for general purposes
 Local option sales tax
 Unrestricted interest on investments
 Bond proceeds
 Miscellaneous
 Sale of capital assets
 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
 Local option sales tax
 Emergency services
 Debt service
 Other purposes

Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(68,058)	-	(68,058)
(35,311)	-	(35,311)
(46,248)	-	(46,248)
(38,797)	-	(38,797)
(188,414)	-	(188,414)
-	(358,708)	(358,708)
-	946	946
-	(4,031)	(4,031)
-	799	799
-	(360,994)	(360,994)
(188,414)	(360,994)	(549,408)
91,347	-	91,347
37,514	-	37,514
1,979	-	1,979
-	360,231	360,231
14,243	-	14,243
1,014	-	1,014
146,097	360,231	506,328
(42,317)	(763)	(43,080)
287,972	69,955	357,927
\$ 245,655	69,192	314,847
\$ 2,390	-	2,390
144,898	-	144,898
59,341	-	59,341
-	1,565	1,565
21,458	-	21,458
17,568	67,627	85,195
\$ 245,655	69,192	314,847

City of Union

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

As of and for the year ended June 30, 2012

	Special Revenue		
	General	Local Option Sales Tax	Union Emergency Services
Receipts:			
Property tax	\$ 79,770	-	-
Other city tax	-	37,514	-
Licenses and permits	110	-	-
Use of money and property	1,270	-	656
Intergovernmental	9,101	-	-
Charges for service	10,226	-	17,519
Miscellaneous	66,255	-	-
Total receipts	166,732	37,514	18,175
Disbursements:			
Operating:			
Public safety	67,722	-	15,945
Public works	22,153	-	-
Culture and recreation	71,994	-	-
General government	35,504	-	-
Total disbursements	197,373	-	15,945
Excess (deficiency) of receipts over (under) disbursements	(30,641)	37,514	2,230
Other financing sources (uses):			
Operating transfers in	29,705	-	-
Operating transfers out	-	(29,705)	-
Total other financing sources (uses)	29,705	(29,705)	-
Change in cash balances	(936)	7,809	2,230
Cash balances beginning of year	36,815	137,089	57,111
Cash balances end of year	\$ 35,879	144,898	59,341
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ -	-	-
Local option sales tax	-	144,898	-
Emergency services	-	-	59,341
Other purposes	17,937	-	-
Unassigned	17,942	-	-
Total cash basis fund balances	\$ 35,879	144,898	59,341

See notes to financial statements.

Union Public Library	Nonmajor	Total
-	11,577	91,347
-	-	37,514
-	-	110
34	41	2,001
26,927	31,917	67,945
776	-	28,521
28,356	4,577	99,188
56,093	48,112	326,626
-	30,909	114,576
-	44,477	66,630
74,303	766	147,063
-	5,170	40,674
74,303	81,322	368,943
(18,210)	(33,210)	(42,317)
-	-	29,705
-	-	(29,705)
-	-	-
(18,210)	(33,210)	(42,317)
18,277	38,680	287,972
67	5,470	245,655
-	2,390	2,390
-	-	144,898
-	-	59,341
67	3,454	21,458
-	(374)	17,568
67	5,470	245,655

Exhibit C

City of Union

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

As of and for the year ended June 30, 2012

	Enterprise			Total
	Water	Landfill	Nonmajor	
Operating receipts:				
Charges for service	\$ 64,817	18,013	33,829	116,659
Miscellaneous	750	-	-	750
Total operating receipts	65,567	18,013	33,829	117,409
Operating disbursements:				
Business type activities	45,317	17,067	37,061	99,445
Excess (deficiency) of operating receipts over (under) operating disbursements	20,250	946	(3,232)	17,964
Non-operating receipts (disbursements):				
Bond proceeds	360,231	-	-	360,231
Debt service	(18,088)	-	-	(18,088)
Capital outlay	(360,870)	-	-	(360,870)
Total non-operating receipts (disbursements)	(18,727)	-	-	(18,727)
Change in cash balances	1,523	946	(3,232)	(763)
Cash balances beginning of year	50,813	20,666	(1,524)	69,955
Cash balances end of year	\$ 52,336	21,612	(4,756)	69,192
Cash Basis Fund Balances				
Restricted for debt service	\$ 1,565	-	-	1,565
Unrestricted	50,771	21,612	(4,756)	67,627
Total cash basis fund balances	\$ 52,336	21,612	(4,756)	69,192

See notes to financial statements.

City of Union

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

The City of Union is a political subdivision of the State of Iowa located in Hardin County. It was first incorporated in 1868 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation and general government services. The City also provides water, sewer, landfill and garbage utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

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

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/components:

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or are 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 requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds.

The City reports the following major governmental funds:

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

Special Revenue:

The Local Option Sales Tax Fund is utilized to account for the collection and use of the local option sales tax.

The Union Emergency Services Fund is used to account for ambulance and emergency services.

The Union Public Library Fund is used to account of the use of the library by the residents of the City and County.

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, Landfill Fund accounts for the operation and maintenance of the City's solid waste removal 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 are imposed by law through constitutional 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 Other Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the public safety and culture and recreation functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2012 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) Bonds Payable

Water Revenue Bonds – On October 14, 2011, the City entered into an agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources (DNR) for the issuance of water revenue bonds of up to \$658,000 with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the costs of constructing improvements and extensions to the municipal drinking water system. The City will draw down funds from the IFA upon request to reimburse the City for costs as they are incurred. At June 30, 2012, the City had drawn down \$438,775 of the authorized amount, including an initiation fee of 1%, or \$6,580, of the authorized borrowing for the water revenue bonds. A final repayment schedule has not yet been adopted.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the water revenue bonds. The bonds are payable solely from water customer net receipts. The total amount of principal and interest remaining to be paid on the bonds at June 30, 2012 is not available since a final repayment schedule has not been adopted. For the year ended June 30, 2012, principal and interest paid and total customer net receipts were \$18,088 and \$20,250, respectively. Principal and interest payments on the bonds required less than 90% of net receipts.

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holder holds a lien on the future earnings of the funds.
- (b) Water user rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the average annual installments of principal and interest on the bonds falling 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 5.38% of their annual covered salary and the City is required to contribute 8.07% 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, 2012 was \$4,092, 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, retirees and their spouses. There is 1 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of the plan members are established and may be amended by the City. The City currently finances the benefit play on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$321 for single coverage. For the year ended June 30, 2012, the City contributed \$3,854 and plan members eligible for benefits contributed \$0 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, 2012, primarily relating to the General Fund, was \$350. This liability has been computed based on rates of pay in effect at June 30, 2012.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 29,705

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 of Union is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2012 were \$6,889.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the City's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

(9) Deficit Balances

The City had deficit balances in the Special Revenue, Employee Benefits Fund and the Enterprise, Sewer Fund of \$374 and \$12,707, respectively, at June 30, 2012. The City will investigate alternatives to eliminate these deficits.

Other Information

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

Other Information

Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 91,347	-
Other city tax	37,514	-
Licenses and permits	110	-
Use of money and property	2,001	-
Intergovernmental	67,945	-
Charges for service	28,521	116,659
Miscellaneous	99,188	750
Total receipts	<u>326,626</u>	<u>117,409</u>
Disbursements:		
Public safety	114,576	-
Public works	66,630	-
Culture and recreation	147,063	-
General government	40,674	-
Business type activities	-	478,403
Total disbursements	<u>368,943</u>	<u>478,403</u>
Excess (deficiency) of receipts over (under) disbursements	(42,317)	(360,994)
Other financing sources, net	-	360,231
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(42,317)	(763)
Balances beginning of year	<u>287,972</u>	<u>69,955</u>
Balances end of year	<u>\$ 245,655</u>	<u>69,192</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
91,347	86,686	86,686	4,661
37,514	37,732	37,732	(218)
110	1,225	1,225	(1,115)
2,001	880	880	1,121
67,945	57,429	57,469	10,476
145,180	180,537	180,537	(35,357)
99,938	-	44,879	55,059
444,035	364,489	409,408	34,627
114,576	26,081	65,993	(48,583)
66,630	86,715	86,715	20,085
147,063	50,603	67,103	(79,960)
40,674	42,294	42,294	1,620
478,403	163,746	731,846	253,443
847,346	369,439	993,951	146,605
(403,311)	(4,950)	(584,543)	181,232
360,231	-	579,593	(219,362)
(43,080)	(4,950)	(4,950)	(38,130)
357,927	283,857	283,857	74,070
314,847	278,907	278,907	35,940

City of Union

Notes to Other Information – Budgetary Reporting

June 30, 2012

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the 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 \$624,512. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the public safety and culture and recreation functions.

Supplementary Information

City of Union

City of Union

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

As of and for the year ended June 30, 2012

	Special Revenue			Total
	Employee Benefits	Road Use Tax	Union Fire Department	
Receipts:				
Property tax	\$ 11,577	-	-	11,577
Intergovernmental	-	31,319	598	31,917
Use of money and property	-	-	41	41
Miscellaneous	-	-	4,577	4,577
Total receipts	11,577	31,319	5,216	48,112
Disbursements:				
Operating:				
Public safety	-	-	30,909	30,909
Public works	6,780	37,697	-	44,477
Culture and recreation	766	-	-	766
General government	5,170	-	-	5,170
Total disbursements	12,716	37,697	30,909	81,322
Change in cash balances	(1,139)	(6,378)	(25,693)	(33,210)
Cash balances beginning of year	765	8,768	29,147	38,680
Cash balances end of year	\$ (374)	2,390	3,454	5,470
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -	2,390	-	2,390
Other purposes	-	-	3,454	3,454
Unassigned	(374)	-	-	(374)
Total cash basis fund balances	\$ (374)	2,390	3,454	5,470

See accompanying independent auditor's report.

Schedule 2

City of Union

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

As of and for the year ended June 30, 2012

	Enterprise		
	Sewer	Garbage	Total
Operating receipts:			
Charges for service	\$ 24,205	9,624	33,829
Operating disbursements:			
Business type activities	28,236	8,825	37,061
Change in cash balances	(4,031)	799	(3,232)
Cash balances beginning of year	(8,676)	7,152	(1,524)
Cash balances end of year	<u>\$ (12,707)</u>	<u>7,951</u>	<u>(4,756)</u>
Cash Basis Fund Balances			
Unrestricted	<u>\$ (12,707)</u>	<u>7,951</u>	<u>(4,756)</u>

See accompanying independent auditor's report.

City of Union

City of Union

Schedule of Indebtedness

As of and for the year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Revenue bonds: Water	Oct 14, 2011	3.00% * \$	658,000

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

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 78,544	360,231	9,600	429,175	8,488

City of Union



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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Union, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated May 22, 2013. 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, 2011. 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

The management of the City of Union is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Union'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 Union's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Union'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 Union's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) through (C) to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Union'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, 2012 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 Union's responses to the 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 Union'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 Union and other parties to whom the City of Union 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 Union 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.


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 22, 2013

City of Union

Schedule of Findings

Year ended June 30, 2012

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. When duties are properly segregated, the activities of one employee act as a check on those of another. For the City, one person had control over the following areas:

- (1) Accounting system – general accounting, general ledger, journal entries, custody and control.
- (2) Cash – custody, recording and reconciling.
- (3) Investments – investing, recording, reconciling and custody.
- (4) Receipts – collecting, depositing, journalizing and posting.
- (5) Disbursements – purchasing, disbursement preparation, recording, check writing, signing and reconciling.
- (6) Payroll – entering and testing of rates, preparation and distribution.

In addition, for reconciliations prepared, independent reviews are not performed.

For the Union Public Library, one individual has control over collecting, depositing and reconciling receipts. Also, bank reconciliations are not reviewed by an independent person for propriety.

For the Union Fire Department, one individual has control over collecting, depositing and reconciling receipts. Also, bank reconciliations do not contain a list of outstanding checks and are not reviewed by an independent person for propriety.

For the Union Emergency Services, one individual has control over collecting, depositing and reconciling receipts and preparing, recording and reconciling disbursements. Also, bank reconciliations are not reviewed by an independent person for propriety.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations prepared should be performed and the review should be documented by the signature or initials of the reviewer and the date of the review.

Response – All of the above items will be reviewed by someone other than the City Clerk and initialed or signed at the time of review.

Conclusion – Response accepted.

City of Union

Schedule of Findings

Year ended June 30, 2012

- (B) Utility Rates, Billings, Collections and Delinquent Accounts – Utility rates are not entered, reviewed and approved by an independent person. Results of testing the new rates are not maintained. Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared.

Recommendation – Utility rates should be entered, reviewed and approved by an independent person. Results of testing the new rates should be maintained. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. A listing of delinquent accounts should be prepared periodically. The City Council or a City Council-designated independent person should review the reconciliation and monitor delinquent accounts.

Response – An independent person will review, approve and test the utility rate entries. The Clerk has developed a reconciliation spreadsheet for utility billings, collections and delinquent charges.

Conclusion – Response accepted.

- (C) Financial Reporting – During the audit, we identified material amount of receipts and disbursements not posted correctly. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements.

Recommendation – The City should implement procedures to ensure receipts and disbursements are properly recorded in the City's financial statements.

Response – The City will ensure receipts and disbursements are properly recorded.

Conclusion – Response accepted.

- (D) Credit Cards – The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation – The City should adopt a formal written policy to regulate the use of City credit cards.

Response – The City will adopt a resolution to establish a written policy to regulate the use of credit cards.

Conclusion – Response accepted.

- (E) Journal Entries – Supporting documentation was not available to support certain entries. In addition, journal entries were not reviewed and approved by an independent person.

Recommendation – To strengthen controls, journal entries should be supported, reviewed and approved by an independent person.

Response – Journal entries will be documented, reviewed and approved by an independent person.

Conclusion – Response accepted.

City of Union

Schedule of Findings

Year ended June 30, 2012

- (F) Computer System – The following weaknesses in the City’s computer system were noted:

The City does not have written policies for:

- logging off unattended computers.
- time out or screen saver passwords for unattended computers.
- password privacy and confidentiality.
- requiring passwords to be a set length and include special characters.
- requiring passwords be changed every 60-90 days.
- ensuring only software licensed to the City is installed on computers.
- usage of the internet.
- maintaining security upon termination of employees.

Also, the City has a written disaster recovery plan, but it does not include the following requirements: identification of computer equipment needed for temporary processing, requirement to keep system backups current and off site, inventory of all software applications, hardware and components, requirement to keep extra stocks of paper supplies and a copy of all user documentation and policy and procedures manuals off site.

Recommendation – The City should develop policies and procedures addressing the above items in order to improve the City’s control over its computer system. A written disaster recovery plan should be developed which contains all applicable requirements.

Response – The computer passwords and security will be addressed in a new Employee Policy Handbook. A start-up password has been added to the computer. The written disaster recovery plan will include a current offsite backup for the computer and necessary supplies.

Conclusion – Response accepted.

- (G) Records of Accounts – The Union Emergency Services, Union Public Library and Union Fire Department maintain separate accounting records pertaining to their operations. The financial transactions and the resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget or monthly financial reports.

Recommendation – Chapter 384.20 of the Code of Iowa states in part “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records and annual budget and should be reported to the City Council on a monthly basis.

City of Union

Schedule of Findings

Year ended June 30, 2012

Response – The City will ensure the financial activity and balances of these accounts are included in the City’s accounting records and budget and reported to the City Council monthly.

Conclusion – Response accepted.

- (H) Authorized Signers – The list of authorized signers on the Union Emergency Services and Union Fire Department accounts include individuals who are not current Emergency Service members or current Fire Department members. Authorized signers on certificates of deposit are not current City employees.

Recommendation – The list of authorized signers should be reviewed to determine all authorized signers are current Emergency Service or Fire Department members or City employees.

Response – The City will review the signature cards on all City bank accounts annually, including Emergency Service and Fire Department.

Conclusion – Response accepted.

- (I) Disbursements – On June 4, 2012, the City Council approved a bill in the amount of \$7,084.72 for pool repairs. The total bill was paid in two separate payments, one issued in June and one issued in July, spanning two fiscal years.

Recommendation – Procedures should be established to ensure checks are issued for the amount approved by the City Council.

Response – The City will ensure checks are issued for the amounts approved.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Union

Schedule of Findings

Year ended June 30, 2012

Other Findings Related to Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has not been adopted by the City Council.

Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council.

Response – The City will adopt a resolution naming an official depository.

Conclusion – Response accepted.

- (2) Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the public safety and culture and recreation 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 – This was a result of the activity for the Library, Fire Department and Emergency Services not being included in the City budget or City financial reports. In the future, the financial reports for the Library, Fire Department and Emergency Services will be included in the budget and financial statements for the City so the public safety and culture and recreation functions will be able to be monitored more closely.

Conclusion – Response accepted.

- (3) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

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

- (5) Business Transactions – No business transactions between the City and City officials or employees were noted.

- (6) 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.

City of Union

Schedule of Findings

Year ended June 30, 2012

- (7) City Council Minutes – Except as noted below, no transactions were found that we believe should have been approved in the City Council minutes but were not.

One transfer between funds was not approved in the City Council minutes.

Recommendation – All transfers should be approved by the City Council and documented in the minutes record.

Response – All transfers will be approved by Council and documented in the minutes.

Conclusion – Response accepted.

- (8) 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.

Response – The City will adopt a written investment policy in compliance with Iowa Code Chapter 12B.10B.

Conclusion – Response accepted.

- (9) 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, Union Emergency Services and the Union Public Library retain cancelled checks through electronic image, but do not obtain an image of the back of each cancelled check as required.

Recommendation – The City, Union Emergency Services and Union Public Library should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The City will obtain and retain front and back copies of cancelled checks for the City, including Union Emergency Services and the Union Public Library.

Conclusion – Response accepted.

- (10) Library Minutes – Although minutes of the Library Board of Trustees were maintained, minutes for eleven of twelve meetings were not signed. In addition, the minutes did not include a list of bills approved for payment.

Recommendation – The Library Board of Trustees minutes should be signed to authenticate the record. The minutes should include a list of bills approved for payment as a matter of record of the Board's approval.

Response – The City will ensure the Library Board of Trustees sign the minutes and include a list of approved bills.

Conclusion – Response accepted.

City of Union

Schedule of Findings

Year ended June 30, 2012

- (11) Annual Financial Report – The City prepared the Annual Financial Report for the fiscal year ended June 30, 2012. However, the report did not include all separately maintained records for the year as required by Chapter 384.22 of the Code of Iowa.

Recommendation – The Annual Financial Report should be completed and filed as required by Chapter 384.22 of the Code of Iowa.

Response – The Annual Financial Report will be completed according to Chapter 384.22 of the Iowa Code and include the financial information for the Union Public Library, Union Emergency Services and the Union Fire Department.

Conclusion – Response accepted.

- (12) Financial Condition – The Special Revenue, Employee Benefits Fund and the Enterprise, Sewer Fund had deficit balances of \$374 and \$12,707, respectively, at June 30, 2012.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – The City will change certain procedures in order to eliminate the deficits.

Conclusion – Response accepted.

- (13) Emergency Fund Levy – Chapter 384.8 of the Code of Iowa provides a City may establish an Emergency Fund and transfers may be made from the Emergency Fund to the General Fund. The City levied property tax for the Emergency Fund, but recorded the property tax in the General Fund rather than establishing a separate fund.

Recommendation – The City should review this for compliance in the future.

Response – The City will record the amounts from the emergency levy to a special fund in order to keep them separate.

Conclusion – Response accepted.

City of Union

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Jennifer L. Wall, CPA, Senior Auditor II
William B. Corley, Assistant Auditor
Jesse J. Probasco, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State