



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

July 22, 2013

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Auditor of State Mary Mosiman today released an audit report on the City of Conesville, Iowa.

The City's receipts totaled \$1,401,334 for the year ended June 30, 2012. The receipts included \$34,478 in property tax, \$110,447 from charges for service, \$43,017 from operating grants, contributions and restricted interest, \$65,000 from capital grants, contributions and restricted interest, \$43,474 from local option sales tax, \$314 from unrestricted interest on investments, \$1,104,559 from bond and loan proceeds and \$45 from other general receipts.

Disbursements for the year totaled \$1,354,184, and included \$79,208 for public works, \$44,651 for general government and \$18,622 for public safety. Also, disbursements for business type activities totaled \$1,198,882.

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/1222-0651-B00F.pdf>.

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

JUNE 30, 2012

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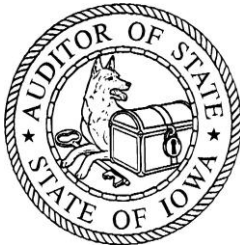
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City of Conesville

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2012)		
Darrell Bennett	Mayor	Jan 2012
Susan O'Donnell	Mayor Pro tem	Jan 2014
Herb Gartzke	Council Member	Jan 2012
Jim McCormick	Council Member	Jan 2012
Matthew Storm	Council Member	Jan 2012
Austin Conaway	Council Member	Jan 2014
Joyce Payne	City Clerk	Indefinite
Julie Degen	Attorney	Indefinite
(After January 2012)		
Matthew Storm	Mayor	Jan 2014
Susan O'Donnell	Mayor Pro tem	Jan 2014
Austin Conaway	Council Member	Jan 2014
Herb Gartzke	Council Member	Jan 2016
Dustin Juhl	Council Member	Jan 2016
Jim McCormick	Council Member	Jan 2016
Joyce Payne	City Clerk	Indefinite
Julie Degen	Attorney	Indefinite

City of Conesville



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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 Conesville, 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 Conesville'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 Conesville 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 June 10, 2013 on our consideration of the City of Conesville'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 of Conesville'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 Conesville's basic financial statements. The budgetary comparison information on pages 18 through 20 is presented for purposes of additional analysis and is 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.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 10, 2013

Basic Financial Statements

City of Conesville

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	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 18,622	31,402	850	-
Public works	79,208	158	39,225	-
Culture and recreation	3,433	5,096	1,983	-
General government	44,651	5,966	259	-
Debt service	9,388	-	-	-
Total governmental activities	155,302	42,622	42,317	-
Business type activities:				
Sewer	1,198,882	67,825	700	65,000
Total	\$ 1,354,184	110,447	43,017	65,000
General Receipts and Transfers:				
Property tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Bond and loan proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in net assets				
Net assets beginning of year				
Net assets end of year				
Cash Basis Net Assets				
Restricted:				
Expendable:				
Streets				
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
13,630	-	13,630
(39,825)	-	(39,825)
3,646	-	3,646
(38,426)	-	(38,426)
(9,388)	-	(9,388)
(70,363)	-	(70,363)
-	(1,065,357)	(1,065,357)
(70,363)	(1,065,357)	(1,135,720)

23,827	-	23,827
10,651	-	10,651
43,474	-	43,474
201	113	314
-	1,104,559	1,104,559
45	-	45
(138,804)	138,804	-
(60,606)	1,243,476	1,182,870
(130,969)	178,119	47,150
205,898	(43,735)	162,163
\$ 74,929	134,384	209,313

\$ 35,270	-	35,270
1,263	-	1,263
24,789	-	24,789
13,607	134,384	147,991
\$ 74,929	134,384	209,313

Exhibit B

City of Conesville

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

As of and for the year ended June 30, 2012

	General	Nonmajor	Total
Receipts:			
Property tax	\$ 23,827	10,651	34,478
Other city tax	-	43,474	43,474
Licenses and permits	95	-	95
Use of money and property	1,063	-	1,063
Intergovernmental	1,983	39,225	41,208
Charges for service	31,382	-	31,382
Special assessments	5,891	-	5,891
Miscellaneous	5,546	-	5,546
Total receipts	<u>69,787</u>	<u>93,350</u>	<u>163,137</u>
Disbursements:			
Operating:			
Public safety	18,622	-	18,622
Public works	31,608	47,600	79,208
Culture and recreation	25	3,408	3,433
General government	44,651	-	44,651
Debt service	-	9,388	9,388
Total disbursements	<u>94,906</u>	<u>60,396</u>	<u>155,302</u>
Excess (deficiency) of receipts over (under) disbursements	(25,119)	32,954	7,835
Other financing sources (uses):			
Operating transfers in	39,641	-	39,641
Operating transfers out	(138,804)	(39,641)	(178,445)
Total other financing sources (uses)	<u>(99,163)</u>	<u>(39,641)</u>	<u>(138,804)</u>
Change in cash balances	(124,282)	(6,687)	(130,969)
Cash balances beginning of year	137,889	68,009	205,898
Cash balances end of year	<u>\$ 13,607</u>	<u>61,322</u>	<u>74,929</u>
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ -	35,270	35,270
Debt service	-	1,263	1,263
Other purposes	-	24,789	24,789
Unassigned	13,607	-	13,607
Total cash basis fund balances	<u>\$ 13,607</u>	<u>61,322</u>	<u>74,929</u>

See notes to financial statements.

City of Conesville

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

As of and for the year ended June 30, 2012

	<u>Enterprise</u> <u>Sewer</u>
Operating receipts:	
Charges for service	\$ 67,825
Miscellaneous	700
Total operating receipts	<u>68,525</u>
Operating disbursements:	
Business type activities	<u>13,540</u>
Excess of operating receipts over operating disbursements	<u>54,985</u>
Non-operating receipts (disbursements):	
Community development block grant	65,000
Bank loan proceeds	460,205
Revenue bond proceeds	644,354
Interest on investments	113
Debt service	(555,932)
Capital outlay	(629,410)
Net non-operating receipts (disbursements)	<u>(15,670)</u>
Excess of receipts over disbursements	39,315
Operating transfers in	<u>138,804</u>
Change in cash balances	178,119
Cash balances beginning of year	<u>(43,735)</u>
Cash balances end of year	<u>\$ 134,384</u>
Cash Basis Fund Balances	
Unrestricted	<u>\$ 134,384</u>

See notes to financial statements.

City of Conesville

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

The City of Conesville is a political subdivision of the State of Iowa located in Muscatine County. It was first incorporated in 1878 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 a sewer utility for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Conesville 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: Muscatine County Assessor's Conference Board, Muscatine County Emergency Management Commission and Muscatine 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 receipts, 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 or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

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

The City reports the following major governmental funds:

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

The City reports the following major proprietary fund:

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 and 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 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 Other Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the public works, general government and business type activities 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) Long-Term Debt

Annual debt service requirements to maturity for general obligation sewer improvement bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 4,445	2,833	7,278
2014	4,000	2,700	6,700
2015	4,000	2,580	6,580
2016	4,000	2,460	6,460
2017	4,000	2,340	6,340
2018-2022	25,000	9,600	34,600
2023-2027	29,000	5,670	34,670
2028-2030	20,000	1,230	21,230
Total	\$ 94,445	29,413	123,858

Revenue Bonds

On March 16, 2011, the City entered into an agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources (DNR) for the issuance of up to \$1,053,000 of sewer revenue bonds 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 cost of constructing improvements and extensions to the sewer utility system. The City will draw down funds from DNR upon request to reimburse the City for costs as they are incurred. At June 30, 2012, the City had drawn down \$1,048,483. The City plans to draw the remaining \$4,517 of the authorized amount in fiscal year 2013.

A final repayment schedule will not be adopted until the City has drawn down the remaining authorized amount of the bonds.

The City has pledged future sewer customer receipts, net of specific operating disbursements, to repay the sewer revenue bonds. The bonds are payable solely from sewer customer net receipts and are payable through 2031. Annual principal and interest payments on the bonds require more than 100% of net receipts. For the current year, principal and interest paid and total customer net receipts were \$67,030 and \$54,985 respectively.

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

- (1) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (2) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

The City's net receipts for the year ended June 30, 2012 were less than the required 110% of bond principal and interest falling due during the 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 \$2,734, equal to the required contribution for the year.

(5) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local Option Sales Tax	\$ 39,641
Enterprise: Sewer	General	138,804
Total		<u>\$ 178,445</u>

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

(6) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance coverage for the year ended June 30, 2012.

Other Information

City of Conesville

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	\$ 34,478	-
Other city tax	43,474	-
Licenses and permits	95	-
Use of money and property	1,063	113
Intergovernmental	41,208	65,000
Charges for service	31,382	67,825
Special assessments	5,891	-
Miscellaneous	5,546	700
Total receipts	<u>163,137</u>	<u>133,638</u>
Disbursements:		
Public safety	18,622	-
Public works	79,208	-
Health and social services	-	-
Culture and recreation	3,433	-
General government	44,651	-
Debt service	9,388	-
Business type activities	-	1,198,882
Total disbursements	<u>155,302</u>	<u>1,198,882</u>
Excess (deficiency) of receipts over (under) disbursements	7,835	(1,065,244)
Other financing sources, net	(138,804)	1,243,363
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(130,969)	178,119
Balances beginning of year	205,898	(43,735)
Balances end of year	<u>\$ 74,929</u>	<u>134,384</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts Original/Final	Final to Total Variance
34,478	33,333	1,145
43,474	43,427	47
95	540	(445)
1,176	8,000	(6,824)
106,208	42,000	64,208
99,207	110,560	(11,353)
5,891	-	5,891
6,246	6,000	246
296,775	243,860	52,915
18,622	29,300	10,678
79,208	54,000	(25,208)
-	100	100
3,433	13,000	9,567
44,651	30,000	(14,651)
9,388	11,037	1,649
1,198,882	619,000	(579,882)
1,354,184	756,437	(597,747)
(1,057,409)	(512,577)	(544,832)
1,104,559	500,000	604,559
47,150	(12,577)	59,727
162,163	190,232	(28,069)
209,313	177,655	31,658

City of Conesville

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, the Debt Service Fund and the Enterprise Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. The City did not amend its budget during the year.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the public works, general government and business type activities functions.

Supplementary Information

City of Conesville

City of Conesville

Schedule 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
	Road Use Tax	Local Option Sales Tax	Debt Service	
Receipts:				
Property tax	\$ -	-	10,651	10,651
Other city tax	-	43,474	-	43,474
Intergovernmental	39,225	-	-	39,225
Total receipts	39,225	43,474	10,651	93,350
Disbursements:				
Operating:				
Public works	47,600	-	-	47,600
Culture and recreation	-	3,408	-	3,408
Debt service	-	-	9,388	9,388
Total disbursements	47,600	3,408	9,388	60,396
Excess (deficiency) of receipts over (under) disbursements	(8,375)	40,066	1,263	32,954
Other financing uses:				
Operating transfers out	-	(39,641)	-	(39,641)
Change in cash balances	(8,375)	425	1,263	(6,687)
Cash balances beginning of year	43,645	24,364	-	68,009
Cash balances end of year	\$ 35,270	\$ 24,789	\$ 1,263	\$ 61,322
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ 35,270	-	-	35,270
Debt service	-	-	1,263	1,263
Other purposes	-	24,789	-	24,789
Total cash basis fund balances	\$ 35,270	24,789	1,263	61,322

See accompanying independent auditor's report.

City of Conesville
Schedule of Indebtedness
Year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Sewer improvement	Mar 16, 2011	3.00% *	\$ 100,445
Revenue bonds:			
Sewer improvement	Mar 16, 2011	3.00% *	\$ 1,053,000
Bank loan:			
Interim financing	Aug 10, 2010	4.00% **	\$ 180,000

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

** The City used the interim financing as a line of credit. The balance of the loan has not exceeded the original authorized issuance amount at any point in time.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
100,445	-	6,000	94,445	3,013
404,129	644,354	44,000	1,004,483	23,030
21,117	460,205	481,322	-	4,580

Schedule 3

City of Conesville

Bond Maturities

June 30, 2012

Year Ending June 30,	General Obligation Bonds	
	Sewer Improvement	
	Issued Mar 16, 2011	
	Interest	
	Rates	Amount
2013	3.00%	\$ 4,445
2014	3.00	4,000
2015	3.00	4,000
2016	3.00	4,000
2017	3.00	4,000
2018	3.00	5,000
2019	3.00	5,000
2020	3.00	5,000
2021	3.00	5,000
2022	3.00	5,000
2023	3.00	5,000
2024	3.00	6,000
2025	3.00	6,000
2026	3.00	6,000
2027	3.00	6,000
2028	3.00	6,000
2029	3.00	7,000
2030	3.00	7,000
Total		<u>\$ 94,445</u>

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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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 Conesville, 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 June 10, 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 Conesville is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Conesville'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 Conesville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Conesville'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 Conesville'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 (H) to be significant deficiencies.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City of Conesville'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.

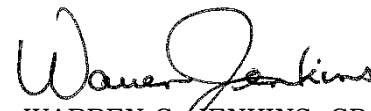
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions 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 Conesville'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 Conesville'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 Conesville and other parties to whom the City of Conesville 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 Conesville 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.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 10, 2013

City of Conesville

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. One person has control over each of the following areas for the City:
- (1) Accounting system - performing all general accounting functions and custody of assets.
 - (2) Cash – reconciling bank accounts, handling and recording.
 - (3) Receipts - collecting, depositing, journalizing and posting.
 - (4) Disbursements – invoice processing, check writing, mailing, reconciling and recording.
 - (5) Payroll – recordkeeping, preparation and distribution.
 - (6) Utility receipts - billing, collecting, depositing, posting and reconciling.
 - (7) Bank reconciliation - preparation and maintenance of accounting records.
 - (8) Computer system – performing all general accounting functions and controlling all data input and output.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – The Mayor and City Council will try to stop in more often and observe clerk activities. The Mayor will review and initial each payroll check and each invoice payment. Also, the City will have its accounting consultant review and sign-off on the monthly bank reconciliations.

Conclusion – Response accepted.

- (B) Financial Reporting – During the audit, we identified a material amount of receipts coded to the wrong funds and a material amount of disbursements which were coded to the wrong fund. Adjustments were subsequently made by the City to properly adjust these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receipts and disbursements are coded to the proper fund.

Response – The City will work to make sure receipts and disbursements are coded to the correct funds.

Conclusion – Response accepted.

City of Conesville

Schedule of Findings

Year ended June 30, 2012

- (C) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled monthly. Delinquent accounts were not monitored and a delinquent accounting listing was not prepared. Uncollectible accounts are included as accounts receivable and are not shown separately as bad debt or uncollectible accounts. The City does not have a formal policy for writing off uncollectible accounts and not all write-offs of delinquent accounts were authorized by the City Council.

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billing collections and delinquent accounts for each billing period and to reconcile collections to deposit. The City Council or a Council-designated independent person should review the reconciliations and monitor delinquent accounts. Uncollectible accounts should be shown separately as bad debts or uncollectible accounts. The City should establish a formal written policy for writing off uncollectible accounts and all write-offs should be approved by the City Council.

Response – The Clerk will prepare a list of delinquent accounts and give to the City Council monthly. Delinquent accounts will be turned over to the County Treasurer twice a year after City Council approval so a lien can be established. A monthly utility reconciliation will be prepared and reviewed by the Mayor.

Conclusion – Response accepted.

- (D) Chart of Accounts – The City has not fully implemented the Uniform Chart of Accounts for Iowa City Governments approved by the City Finance Committee on September 25, 2002.

Recommendation – To provide better financial information and control, a chart of accounts, such as the one approved by the City Finance Committee, should be followed.

Response – The City will contact Iowa League of Municipalities to get a copy of Uniform Chart of Accounts for Iowa City Governments. City will then check into cost of acquiring software to be in compliance.

Conclusion – Response accepted.

- (E) Computer System – The following weakness in the City's computer system were noted:

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

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

City of Conesville

Schedule of Findings

Year ended June 30, 2012

Response – We have attempted to have someone install these functions. We will back up the computer files on CD and leave off site. We plan to ask the City Council to allow the City to purchase an external hard drive to backup City data and store off site. The City Council will also look into adopting policies to cover the issues noted above.

Conclusion – Response accepted.

- (F) Payroll - Time cards were not prepared or retained for all City employees and were not always approved and initialed by the employee's supervisor. Also, not all hourly pay rates were approved by the City Council and documented in the minutes record.

Recommendation - Time cards should be kept to support the hours worked and should be approved and initialed by the employee's supervisor or by an independent official who is not involved with payroll. Additionally, all hourly pay rates should be approved by the City Council and documented in the minutes record.

Response – Hourly employees of the City will not get a pay check until they have turned in their time cards correctly filled out. The Mayor will also review and sign-off on all time cards.

Conclusion – Response accepted.

- (G) 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 personnel.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

Response – The City will develop a policy and procedures manual.

Conclusion – Response accepted.

- (H) Deleted Transaction – The City made an incorrect general journal entry on May 31, 2012 to record a portion of a sewer project loan payment. While the City intended to reverse the transaction, the transaction was deleted instead.

Recommendation – In order to retain a viable audit trail the City should reverse posting errors instead of deleting them.

Response – Will not delete any transactions.

Conclusion – Response accepted.

City of Conesville

Schedule of Findings

Year ended June 30, 2012

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Conesville

Schedule of Findings

Year ended June 30, 2012

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the public works, general government and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – In the future, if any disbursement function will exceed the budgeted amount, the City will first amend the budget.

Conclusion – Response accepted.

- (2) Questionable Disbursements - One disbursement 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 was noted. This disbursement is detailed as follows:

Paid to	Purpose	Amount
Every Bloomin' Thing	8" plant	\$ 35

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 closed scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation - The City Council should determine and document the public purpose served by this disbursement before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Responses – All flowers, plants, etc. sent for funerals will be paid by Mayor, Clerk and City Council personally.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

City of Conesville

Schedule of Findings

Year ended June 30, 2012

- (6) City Council Minutes – No transactions were found which we believe should have been approved in the City Council minutes but were not, except as follows:

Transfers were not approved through the certified budget or council resolutions.

The City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978 and Chapters 372.13(6) of the Code of Iowa.

The City's publication of the beginning monthly balances did not always agree with the ending monthly balance of the previous month and the City did not always include electronic bank withdrawals in its publication of disbursements by fund.

Recommendation – The City Council should ensure all transfers are approved through the certified budget and resolutions and are documented in the minutes record. Also, the City should publish annual individual salaries and comply with Chapter 372.13 of the Code of Iowa. In addition, the City should ensure its publication of monthly balances agree from month to month and ensure all disbursements, including electronic bank withdrawals, are included in the publication of disbursements by fund.

Response – All transfers will be approved by the City Council and entered into the Clerk's minutes. In February of each year, the Clerk will publish the gross salaries of all employees. The City will also work to ensure balances and disbursements by fund are published accurately.

Conclusion – Response accepted.

- (7) Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

- (8) Revenue Bonds – Section 7 of the sewer revenue bond agreement requires sewer rates to be established which are sufficient to produce net receipts at least equal to 110% of the principal and interest coming due in the same year. For the year, net receipts were \$54,985 while principal and interest payments were \$67,030.

Recommendation – The City should adopt sewer rates sufficient to produce net receipts at least equal to 110% of the principal and interest payments due each year.

Response – The City Council raised rates effective July 1, 2012 which should bring the City into compliance.

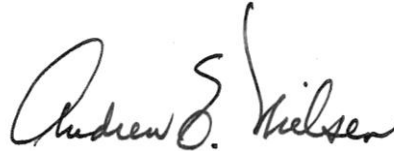
Conclusion – Response accepted.

City of Conesville

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager
Daniel L. Grady, Senior Auditor II
Tyler L. Carter, Staff Auditor
Kelsey J. Kranz, 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