



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ February 16, 2015 \_\_\_\_\_

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$2,849,409 for the year ended June 30, 2014. The receipts included \$127,122 in property tax, \$205,207 from charges for service, \$187,188 from operating grants, contributions and restricted interest, \$947,779 from capital grants, contributions and restricted interest, \$734 from unrestricted interest on investments, \$1,368,182 of note and anticipation project note proceeds and \$13,197 from other general receipts.

Disbursements for the year ended June 30, 2014 totaled \$2,887,732, and included \$215,750 for public safety, \$137,941 for capital projects and \$83,003 for general government. Also, disbursements for business type activities totaled \$2,279,009.

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/1422-0236-B00F.pdf>.

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**CITY OF MINBURN**

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

**JUNE 30, 2014**

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	8-9
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	10-11
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	13
Notes to Financial Statements		14-20
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		22-23
Notes to Other Information – Budgetary Reporting		24
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	27
Schedule of Indebtedness	2	28-29
Note Maturities	3	30
Schedule of Expenditures of Federal Awards	4	31
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 <u>Government Auditing Standards</u>		33-34
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133		37-38
Schedule of Findings and Questioned Costs		39-48
Staff		49

**City of Minburn**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Expires</u>
<b>(Before January 2014)</b>		
Michael Pace	Mayor	Jan 2014
David Baccus	Mayor Pro tem	Jan 2014
Phyllis Moss	Council Member	Jan 2014
Don Peel	Council Member	Jan 2014
Margarete Buscher	Council Member	Jan 2016
Jordan Lint	Council Member	Jan 2016
Susan Fitch	City Clerk	Indefinite
Beverly Wild	Attorney	Indefinite
<b>(After January 2014)</b>		
Michael Pace	Mayor	Jan 2016
Jordan Lint	Mayor Pro tem	Jan 2016
Margarete Buscher	Council Member	Jan 2016
Ronald Allen	Council Member	Jan 2018
Phyllis Moss	Council Member	Jan 2018
Gaylynn Stajcar	Council Member	Jan 2018
Susan Fitch	City Clerk	(Resigned April 2014)
Kris Fitch (Appointed April 2014)	City Clerk	Indefinite
Susan Fitch	Deputy City Clerk	Indefinite
Beverly Wild	Attorney	Indefinite

**City of Minburn**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

Report on the Financial Statements

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 Minburn, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinions

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, 2013.

### Qualified Opinions

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, 2013, 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 Minburn as of June 30, 2014, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Minburn's basic financial statements. The supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the budgetary comparison information on pages 22 through 24, 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.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 22, 2015 on our consideration of the City of Minburn's internal control over financial reporting and on 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 in considering the City of Minburn's internal control over financial reporting and compliance.



MARY MOSIMAN, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 22, 2015

## **Basic Financial Statements**

City of Minburn

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 215,750	-	118,753	-
Public works	74,318	38,456	37,825	-
Health and social services	1,950	-	-	-
Culture and recreation	68,468	4,475	28,389	-
Community and economic development	1,530	-	-	-
General government	83,003	427	2,221	-
Debt service	25,763	-	-	-
Capital projects	137,941	-	-	56,526
Total governmental activities	608,723	43,358	187,188	56,526
Business type activities:				
Water	96,765	96,666	-	-
Sewer and storm water	2,182,244	65,183	-	891,253
Total business type activities	2,279,009	161,849	-	891,253
Total	\$ 2,887,732	205,207	187,188	947,779
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Grant anticipation project note proceeds				
General obligation anticipation project note proceeds				
USDA note proceeds				
Unrestricted interest on investments				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Non expendable:				
Cemetery perpetual care				
Expendable:				
Streets				
Employee benefits				
Library				
Fire				
Debt service				
Capital outlay				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Position

Governmental Activities	Business Type Activities	Total
(96,997)	-	(96,997)
1,963	-	1,963
(1,950)	-	(1,950)
(35,604)	-	(35,604)
(1,530)	-	(1,530)
(80,355)	-	(80,355)
(25,763)	-	(25,763)
(81,415)	-	(81,415)
(321,651)	-	(321,651)
-	(99)	(99)
-	(1,225,808)	(1,225,808)
-	(1,225,907)	(1,225,907)
(321,651)	(1,225,907)	(1,547,558)
101,651	-	101,651
25,471	-	25,471
15,563	-	15,563
74,619	-	74,619
-	1,278,000	1,278,000
262	472	734
10,582	2,615	13,197
2,000	(2,000)	-
230,148	1,279,087	1,509,235
(91,503)	53,180	(38,323)
212,651	235,637	448,288
\$ 121,148	288,817	409,965
\$ 22,886	-	22,886
38,401	-	38,401
24,099	-	24,099
3,617	-	3,617
15,372	-	15,372
1,673	-	1,673
-	58,501	58,501
15,100	230,316	340,277
\$ 121,148	288,817	504,826

City of Minburn

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

As of and for the year ended June 30, 2014

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Minburn Area Fire Fighters Association
Receipts:				
Property tax	\$ 83,031	-	18,620	-
Licenses and permits	427	-	-	-
Use of money and property	225	-	-	20
Intergovernmental	21,926	37,825	-	-
Charges for service	42,306	-	-	-
Miscellaneous	24,877	-	-	103,210
Total receipts	172,792	37,825	18,620	103,230
Disbursements:				
Operating:				
Public safety	43,928	-	282	143,104
Public works	62,875	8,319	3,124	-
Health and social services	1,950	-	-	-
Culture and recreation	62,466	-	3,698	-
Community and economic development	1,530	-	-	-
General government	77,303	-	5,700	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	250,052	8,319	12,804	143,104
Excess (deficiency) of receipts over (under) disbursements	(77,260)	29,506	5,816	(39,874)
Other financing sources:				
Transfers in	2,000	-	-	-
Grant anticipation project note proceeds	-	-	-	-
General obligation anticipation project note proceeds	-	-	-	-
Total other financing sources	2,000	-	-	-
Change in cash balances	(75,260)	29,506	5,816	(39,874)
Cash balances beginning of year	106,541	8,895	18,283	47,812
Cash balances end of year	\$ 31,281	38,401	24,099	7,938
<b>Cash Basis Fund Balances</b>				
Non spendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for:				
Streets	-	38,401	-	-
Employee benefits	-	-	24,099	-
Library	-	-	-	-
Fire	-	-	-	7,938
Debt service	-	-	-	-
Unrestricted	31,281	-	-	-
Total cash basis fund balances	\$ 31,281	38,401	24,099	7,938

See notes to financial statements

Capital Projects	Permanent Cemetery		
Depot Project	Perpetual Care	Nonmajor	Total
-	-	25,471	127,122
-	-	-	427
-	37	13	295
56,526	-	-	116,277
-	625	-	42,931
-	-	9,899	137,986
56,526	662	35,383	425,038

-	-	28,436	215,750
-	-	-	74,318
-	-	-	1,950
-	-	2,304	68,468
-	-	-	1,530
-	-	-	83,003
-	-	25,763	25,763
137,941	-	-	137,941
137,941	-	56,503	608,723
(81,415)	662	(21,120)	(183,685)

-	-	-	2,000
15,563	-	-	15,563
74,619	-	-	74,619
90,182	-	-	92,182
8,767	662	(21,120)	(91,503)
(23,560)	22,224	32,456	212,651
(14,793)	22,886	11,336	121,148

-	22,886	-	22,886
-	-	-	38,401
-	-	-	24,099
-	-	3,617	3,617
-	-	7,434	15,372
-	-	1,673	1,673
(14,793)	-	(1,388)	15,100
(14,793)	22,886	11,336	121,148

**City of Minburn**

City of Minburn

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

As of and for the year ended June 30, 2014

	Enterprise		
	Water	Sewer and Storm Water	Total
Operating receipts:			
Charges for service	\$ 96,666	65,183	161,849
Operating disbursements:			
Business type activities	96,765	41,165	137,930
Excess (deficiency) of operating receipts over (under) operating disbursements	(99)	24,018	23,919
Non-operating receipts (disbursements):			
USDA grant	-	761,728	761,728
Community Development Block grant	-	129,525	129,525
USDA note proceeds	-	1,278,000	1,278,000
Interest on investments	-	472	472
Miscellaneous	2,615	-	2,615
Debt service	-	(247,660)	(247,660)
Capital projects	-	(1,893,419)	(1,893,419)
Total non-operating receipts (disbursements)	2,615	28,646	31,261
Excess of receipts over disbursements	2,516	52,664	55,180
Transfers out	(1,000)	(1,000)	(2,000)
Change in cash balances	1,516	51,664	53,180
Cash balances beginning of year	123,103	112,534	235,637
Cash balances end of year	\$ 124,619	164,198	288,817
<b>Cash Basis Fund Balances</b>			
Restricted for capital outlay	\$ -	58,501	58,501
Unrestricted	124,619	105,697	230,316
Total cash basis fund balances	\$ 124,619	164,198	288,817

See notes to financial statements.

City of Minburn

Notes to Financial Statements

June 30, 2014

**(1) Summary of Significant Accounting Policies**

The City of Minburn is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1892 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Minburn 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: Dallas County Assessor's Conference Board, Dallas County Emergency Management Commission, North Dallas Solid Waste Regional Planning Commission and the Dallas County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position 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 Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Employee Benefits Fund is used to account for the tax levy and disbursements for employee benefits (such as health insurance, pensions, etc.).

The Minburn Area Fire Fighters Association Fund is used to account for fundraising proceeds and donations used to support the City's volunteer fire department.

The Capital Projects, Depot Project Fund is utilized to account for the grants and other resources used for the relocation and restoration of the Minburn Depot.

The Permanent, Cemetery Perpetual Care Fund is used to account for the permanently maintained restricted cash balance and the interest earned that can only be used for maintaining the City Cemetery.

The City reports the following major proprietary funds:

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

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

#### C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

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

#### D. Governmental Cash Basis Fund Balances

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

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

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 classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, general government and business type activities functions prior to the May 2014 budget amendment. At June 30, 2014, disbursements exceeded the amounts budgeted in the public safety and business type activities functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2014 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 ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**(3) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% 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, 2014 was \$8,636, equal to the required contribution for the year.

**(4) Anticipation Project Notes**

On May 23, 2013, the City issued a grant anticipation project note to provide funds for relocating and restoring the Minburn Depot. The note was issued pursuant to Chapter 76.13 of the Code of Iowa is payable from the anticipated proceeds of a grant from the Iowa Department of Transportation. Pursuant to the note, the City may draw a maximum of \$546,531 on the note provided the total amount outstanding at any one time does not exceed \$400,000. Each advance on the note bears interest at 3.35% per annum from the date advanced. The note matures December 1, 2014. At June 30, 2014, the City had drawn \$59,973 against the anticipation project note, including \$15,563 drawn during fiscal year 2014.

On May 23, 2013, the City entered into a general obligation anticipation project note for up to \$350,000 to provide funds for relocating and restoring the Minburn Depot. The note was issued pursuant to Chapters 76.13 and 384.24A of the Code of Iowa and is payable from the anticipated proceeds of an authorized loan agreement and the corresponding issuance of general obligation bonds or notes. The note bears interest at 3.35% per annum and matures on December 1, 2014. At June 30, 2014, the City had drawn \$124,452 against the anticipation project note, including \$74,619 drawn during fiscal year 2014. During the year ended June 30, 2014, the City paid principal of \$56,256 and interest of \$1,697 on the note.

**(5) U.S. Department of Agriculture – Rural Development Notes**

On August 23, 2013, the City entered into an agreement with the U.S. Department of Agriculture – Rural Development for the issuance of \$947,000 of sewer revenue notes with interest at 2.75% per annum. The notes were issued for the purpose of providing funds to pay a portion of the cost of constructing improvements and extensions to the municipal sanitary sewer system. The notes are payable solely from sewer customer net receipts. Interest only on the unpaid principal balance, calculated from the date of each advance, is payable on August 23 in each of the years ended June 30, 2014 and 2015. Thereafter, both the principal and interest are payable in equal monthly installments of \$3,353, commencing on September 23, 2015, with the final payment due August 23, 2053.

Annual debt service requirements to maturity for the sewer revenue notes is as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ -	26,373	26,373
2016	11,951	47,953	59,904
2017	14,707	25,529	40,236
2018	15,116	25,120	40,236
2019	15,537	24,699	40,236
2020-2024	84,422	116,758	201,180
2025-2029	96,851	104,329	201,180
2030-2034	111,109	90,071	201,180
2035-2039	127,467	73,713	201,180
2040-2044	146,233	54,947	201,180
2045-2049	167,762	33,418	201,180
2050-2054	155,845	9,130	164,975
Total	\$ 947,000	632,040	1,579,040

On August 23, 2013, the City entered into an agreement with the U.S. Department of Agriculture – Rural Development for the issuance of \$331,000 of sewer revenue notes with interest at 2.75% per annum. The notes were issued for the purpose of providing funds to pay a portion of the cost of constructing improvements and extensions to the municipal sanitary sewer system. The notes are payable solely from sewer customer net receipts. Interest only on the unpaid principal balance, calculated from the date of each advance, is payable on August 23 in each of the years ended June 30, 2014 and 2015. Thereafter, both principal and interest are payable in equal monthly installments of \$1,172, commencing on September 23, 2015, with the final payment due August 23, 2053.

Annual debt service requirements to maturity for the sewer revenue notes is as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ -	9,218	9,218
2016	4,178	16,761	20,939
2017	5,141	8,923	14,064
2018	5,284	8,780	14,064
2019	5,431	8,633	14,064
2020-2024	29,511	40,809	70,320
2025-2029	33,855	36,465	70,320
2030-2034	38,840	31,480	70,320
2035-2039	44,558	25,762	70,320
2040-2044	51,117	19,203	70,320
2045-2049	58,643	11,677	70,320
2050-2054	54,442	3,188	57,630
<b>Total</b>	<b>\$ 331,000</b>	<b>220,899</b>	<b>551,899</b>

The resolutions providing for the issuance of the sewer revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue note sinking account for the purpose of making principal and interest payments when due.
- (c) A reserve account of \$54,300 shall be established and maintained. Monthly transfers equal to \$435 shall be made until the required balance has been accumulated. This account is restricted for paying the principal and interest on the notes if the sinking account balance is insufficient.
- (d) Annual deposits of \$1,500 are required to be made to a short lived asset account within the Sewer Fund. The account is restricted for deficiencies in the sinking or reserve accounts or capital improvements, extensions or repairs to the system.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,278,000 of sewer revenue notes issued in August 2013. Estimated total principal and interest remaining to be paid on the notes is \$2,130,939.

At June 30, 2014, the City had not established the required sinking, reserve and short-lived asset accounts and is not being charged for sewer usage.

## **(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 hours payable to employees at June 30, 2014, primarily relating to the General Fund, is approximately \$6,000. This liability has been computed based on rates of pay in effect at June 30, 2014.

**(7) Risk Management**

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

**(8) Deficit Balances**

The Special Revenue, Bike Trail Fund and the Capital Projects, Depot Project Fund had deficit balances of \$1,388 and \$14,793, respectively, at June 30, 2014. The City is investigating alternatives to eliminate the deficits, which include future cost saving measures and/or anticipated receipts.

**(9) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Enterprise:	
	Water	\$ 1,000
	Sewer and Storm Water	1,000
Total		<u>\$ 2,000</u>

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

**(10) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

**(11) Subsequent Event**

On December 22, 2014, the City approved promissory notes from Raccoon Valley State Bank extending the City’s grant anticipation project note and general obligation anticipation project note maturity dates to December 1, 2015 and April 1, 2016, respectively.

**Other Information**

City of Minburn  
 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, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total
<b>Receipts:</b>			
Property tax	\$ 127,122	-	127,122
Licenses and permits	427	-	427
Use of money and property	295	472	767
Intergovernmental	116,277	891,253	1,007,530
Charges for service	42,931	161,849	204,780
Miscellaneous	137,986	2,615	140,601
Total receipts	<u>425,038</u>	<u>1,056,189</u>	<u>1,481,227</u>
<b>Disbursements:</b>			
Public safety	215,750	-	215,750
Public works	74,318	-	74,318
Health and social services	1,950	-	1,950
Culture and recreation	68,468	-	68,468
Community and economic development	1,530	-	1,530
General government	83,003	-	83,003
Debt service	25,763	-	25,763
Capital projects	137,941	-	137,941
Business type activities	-	2,279,009	2,279,009
Total disbursements	<u>608,723</u>	<u>2,279,009</u>	<u>2,887,732</u>
Excess (deficiency) of receipts over (under) disbursements	(183,685)	(1,222,820)	(1,406,505)
Other financing sources, net	92,182	1,276,000	1,368,182
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(91,503)	53,180	(38,323)
Balances beginning of year	212,651	235,637	448,288
Balances end of year	<u>\$ 121,148</u>	<u>288,817</u>	<u>409,965</u>

See accompanying independent auditor's report.

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Budgeted Amounts		Final to
Original	Final	Total
		Variance
128,589	103,431	23,691
425	387	40
100	220	547
57,295	1,685,902	(678,372)
225,670	230,600	(25,820)
7,050	112,750	27,851
419,129	2,133,290	(652,063)
15,850	53,150	(162,600)
82,430	92,230	17,912
2,000	2,000	50
58,285	71,367	2,899
2,750	3,050	1,520
56,290	84,210	1,207
25,765	25,765	2
-	2,522,500	2,384,559
154,491	180,171	(2,098,838)
397,861	3,034,443	146,711
21,268	(901,153)	(505,352)
-	437,569	930,613
21,268	(463,584)	425,261
400,046	500,689	(52,401)
421,314	37,105	372,860

City of Minburn

Notes to Other Information – Budgetary Reporting

June 30, 2014

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, the Capital Projects Fund, the Permanent Fund 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 \$2,636,582. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, general government and business type activities functions prior to the May 2014 budget amendment. At June 30, 2014, disbursements exceeded the amounts budgeted in the public safety and business type activities functions.

**City of Minburn**

**Supplementary Information**

**Schedule 1**

## City of Minburn

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balance  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2014

	Special Revenue				Total
	Bike Trail	Friends of the Library	Minburn Emergency Rescue Team	Debt Service	
Receipts:					
Property tax	\$ -	-	-	25,471	25,471
Use of money and property	-	-	13	-	13
Miscellaneous	-	4,209	5,690	-	9,899
Total receipts	-	4,209	5,703	25,471	35,383
Disbursements:					
Operating:					
Public safety	-	-	28,436	-	28,436
Culture and recreation	-	2,304	-	-	2,304
Debt service	-	-	-	25,763	25,763
Total disbursements	-	2,304	28,436	25,763	56,503
Change in cash balances	-	1,905	(22,733)	(292)	(21,120)
Cash balances beginning of year	(1,388)	1,712	30,167	1,965	32,456
Cash balances end of year	\$ (1,388)	3,617	7,434	1,673	11,336
<b>Cash Basis Fund Balances</b>					
Restricted for:					
Library	\$ -	3,617	-	-	3,617
Fire	-	-	7,434	-	7,434
Debt service	-	-	-	1,673	1,673
Unassigned	(1,388)	-	-	-	(1,388)
Total cash basis fund balances	\$ (1,388)	3,617	7,434	1,673	11,336

See accompanying independent auditor's report.

City of Minburn  
Schedule of Indebtedness  
June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Sewer improvement	Jun 21, 1994	3.00%	\$ 220,000
Sewer improvement	Dec 16, 1994	3.00	126,000
Total			
Revenue bonds/notes:			
Sewer	Jun 21, 1994	3.00%	\$ 311,000
Sewer	Mar 25, 2010	0.00	225,000
Sewer (USDA)	Aug 23, 2013	2.75	331,000
Sewer (USDA)	Aug 23, 2013	2.75	947,000
Anticipation project notes:			
Grant anticipation project note	May 23, 2013	3.35%	\$ 59,973
General obligation anticipation project note	May 23, 2013	3.35	124,452
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
16,000	-	16,000	-	480
9,000	-	9,000	-	270
<b>\$ 25,000</b>	-	25,000	-	750
22,000	-	22,000	-	660
225,000	-	225,000	-	-
-	331,000	-	331,000	-
-	947,000	-	947,000	-
<b>\$ 247,000</b>	1,278,000	247,000	1,278,000	660
44,410	15,563	-	59,973	1,593
49,833	74,619	56,526	67,926	1,697
<b>\$ 94,243</b>	90,182	56,526	127,899	3,290

**Schedule 3**

City of Minburn

Note Maturities

June 30, 2014

Year Ending June 30,	Revenue Notes					Total
	Sewer Revenue Note		Sewer Revenue Note			
	Issued Aug 23, 2013		Issued Aug 23, 2013			
	Interest Rates	Amount	Interest Rates	Amount		
2015	2.75%	\$ -	2.75%	\$ -	-	
2016	2.75	11,951	2.75	4,178	16,129	
2017	2.75	14,707	2.75	5,141	19,848	
2018	2.75	15,116	2.75	5,284	20,400	
2019	2.75	15,537	2.75	5,431	20,968	
2020	2.75	15,970	2.75	5,582	21,552	
2021	2.75	16,415	2.75	5,738	22,153	
2022	2.75	16,871	2.75	5,898	22,769	
2023	2.75	17,342	2.75	6,062	23,404	
2024	2.75	17,824	2.75	6,231	24,055	
2025	2.75	18,320	2.75	6,404	24,724	
2026	2.75	18,831	2.75	6,583	25,414	
2027	2.75	19,356	2.75	6,766	26,122	
2028	2.75	19,895	2.75	6,954	26,849	
2029	2.75	20,449	2.75	7,148	27,597	
2030	2.75	21,018	2.75	7,347	28,365	
2031	2.75	21,604	2.75	7,552	29,156	
2032	2.75	22,205	2.75	7,762	29,967	
2033	2.75	22,824	2.75	7,978	30,802	
2034	2.75	23,458	2.75	8,201	31,659	
2035	2.75	24,112	2.75	8,429	32,541	
2036	2.75	24,784	2.75	8,663	33,447	
2037	2.75	25,474	2.75	8,905	34,379	
2038	2.75	26,184	2.75	9,153	35,337	
2039	2.75	26,913	2.75	9,408	36,321	
2040	2.75	27,662	2.75	9,670	37,332	
2041	2.75	28,433	2.75	9,939	38,372	
2042	2.75	29,225	2.75	10,216	39,441	
2043	2.75	30,038	2.75	10,500	40,538	
2044	2.75	30,875	2.75	10,792	41,667	
2045	2.75	31,735	2.75	11,093	42,828	
2046	2.75	32,619	2.75	11,402	44,021	
2047	2.75	33,527	2.75	11,720	45,247	
2048	2.75	34,461	2.75	12,046	46,507	
2049	2.75	35,420	2.75	12,382	47,802	
2050	2.75	36,407	2.75	12,726	49,133	
2051	2.75	37,421	2.75	13,081	50,502	
2052	2.75	38,463	2.75	13,445	51,908	
2053	2.75	39,534	2.75	13,820	53,354	
2054	2.75	4,020	2.75	1,370	5,390	
Total		<u>\$ 947,000</u>		<u>\$ 331,000</u>	<u>1,278,000</u>	

See accompanying independent auditor's report.

## City of Minburn

## Schedule of Expenditures of Federal Awards

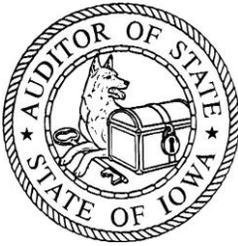
June 30, 2014

Grantor/Program	CFDA Number	Agency Pass-Through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture:			
Water and Waste Disposal System for Rural Communities	10.760		\$ 2,002,681
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	10-WS-046	247,440
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	09-STPES-117	41,134
Total indirect			288,574
Total			\$ 2,291,255

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Minburn and is presented in conformity with another comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report

**City of Minburn**



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Honorable Mayor and  
Members of the City Council:

We have audited 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, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Minburn, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 22, 2015. Our report expressed qualified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2013.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Minburn's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Minburn's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Minburn's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and 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 Minburn's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-14 through II-D-14 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 Part II of the accompanying Schedule of Findings and Questioned Costs as items II-E-14 through II-L-14 to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Minburn'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 that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 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 Minburn's Responses to the Findings

The City of Minburn's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Minburn's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Minburn 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.

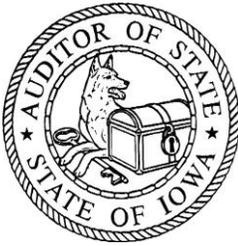
  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 22, 2015

**City of Minburn**

**Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

Mary Mosiman, CPA  
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Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Minburn, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Minburn's major federal program for the year ended June 30, 2014. The City of Minburn's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Minburn's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Minburn's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Minburn's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Minburn complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of the City of Minburn is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Minburn's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in

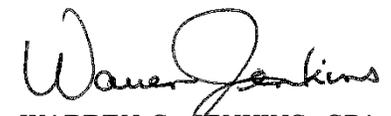
the circumstances for the purpose of expressing an opinion on compliance for the major deferral program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Minburn's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 22, 2015

City of Minburn

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

**Part I: Summary of the Independent Auditor's Results:**

- (a) Qualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 10.760 – Water and Waste Disposal Systems for Rural Communities.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Minburn did not qualify as a low-risk auditee.

City of Minburn

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-14 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. One person has control over each of the following areas for the City:

- (1) Accounting system – performing all general accounting functions, including journal entries and having custody of City assets.
- (2) Cash – handling, reconciling and recording.
- (3) Investments – investing, recording and custody.
- (4) Long-term debt – Recording and reconciling.
- (5) Receipts – collecting, depositing, posting and reconciling.
- (6) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (7) Disbursements – purchasing, check writing, check signing, recording, reconciling and mailing.
- (8) Payroll – recordkeeping, preparing, entering pay rates, adding and removing employees from payroll and distributing.
- (9) Journal entries – preparing and journalizing.
- (10) Compensated absences – maintaining records and balances.
- (11) Computer system – performing all general accounting functions and controlling all data input and output.
- (12) Financial reporting – preparing, reconciling and distributing.

For the Friends of the Minburn Public Library, Minburn Area Fire Fighters Association and the Minburn Emergency Rescue Team accounts, one person has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements – posting, reconciling and check writing.
- (3) Cash and investments – handling and recording cash and investing.

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

City of Minburn

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Response and Corrective Action Planned – The City will develop policies and procedures to obtain the maximum internal control possible utilizing current staff and elected officials. Evidence of review in areas stated above will be documented by the signature or initials of the reviewer and the date of the review.

Conclusion – Response accepted.

- II-B-14 Bank Reconciliations – The cash and investment balances in the City’s general ledger were not reconciled to bank and investment account balances throughout the year. At June 30, 2014, bank and book balances did not properly reconcile. The total fund balance reported on the City’s “Balance Sheet” report does not agree to fund balances per the “Fund Balance” report. The difference appears to be certificates of deposit and certain savings accounts excluded from the “Fund Balance” reports. In addition, the City maintains ten bank accounts. The bank statements for several of these accounts do not cut off at month end.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely. Procedures should be established to ensure all financial reports reconcile and include all City activity. All bank account statements should cut off at month end to facilitate month end balancing. The City should consider reducing the number of bank accounts maintained to simplify the reconciling process.

Response – The City will establish procedures to ensure bank and investment account balances, including all of the City’s financial reports, are reconciled to the general ledger monthly. Variances, if any, will be reviewed and resolved timely. All bank account statements have been changed and are now cut off at month end. The City is considering which bank accounts should be eliminated.

Conclusion – Response accepted.

- II-C-14 Financial Reporting – During the audit, we identified material amounts of receipts and disbursements recorded in incorrect accounts or funds and/or functions and material activity for the lagoon project was recorded to an incorrect fund. We also noted one receipt recorded twice in the City’s general ledger. Adjustments were subsequently made by the City to properly report the amounts in the City’s financial statements.

Also, certain receipts, disbursements and fund balances in the City’s fiscal year 2013 Annual Financial Report did not agree to the general ledger.

Recommendation – The City should implement procedures to ensure all receipts and disbursements and the lagoon project activity are properly recorded in the City’s financial records and in the Annual Financial Report.

Response – The City will implement procedures to ensure all receipts and disbursements and the lagoon project activity are properly recorded in the City’s financial records and in the Annual Financial Report.

Conclusion - Response accepted.

City of Minburn

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

II-D-14 Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or a City Council designated independent person should review the reconciliations and monitor delinquencies. The review should be documented by the signature or initials of the reviewer and the date of review.

Response – Procedures will be established to reconcile utility billings, collections and delinquent accounts for each billing period. A City Council Member will review the reconciliations and monitor delinquencies. The review will be documented by the signature or initials of the reviewer and the date of review.

Conclusion - Response accepted.

II-E-14 Journal Entry Documentation – Supporting documentation was not maintained for journal entries and journal entries are not approved.

Recommendation - Supporting documentation should be maintained to substantiate all journal entries. Journal entries should be approved by an independent person and evidence of the approval should be documented.

Response – Supporting documentation will be maintained to substantiate all journal entries. Journal entries will be approved by an independent person who will sign or initial the documents after approval.

Conclusion - Response accepted.

II-F-14 Computer System – During our review of internal control, the existing control activities in the City's computer system were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City's computer system were noted:

The City does not have written policies over the computer system for:

- Password privacy and confidentiality.
- Requiring password changes because software does not require the user to change log-ins/passwords periodically.
- Requiring preparation and storage of backup tapes/disks.
- Addressing alternative power source(s).
- Usage of the internet.
- Procedures to ensure financial information entered is approved, accurate and complete.

Also, the City does not have a written disaster recovery plan and a computer log is not maintained to determine who recorded a transaction based on an employee's login name.

City of Minburn

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over the computer system. Also, a written disaster recovery plan should be developed.

Response – The City will develop written policies addressing the above items in order to improve the City’s control over the computer system. A written disaster recovery plan will be developed. Employees will use their own log-in names.

Conclusion – Response accepted.

II-G-14 Record of Investments – A detailed record of investment transactions was not maintained.

Recommendation – A detailed record of investment transactions by fund should be maintained. This record should include investment number, purchase date, redemption date, interest rate, principal amount and interest received.

Response – A detailed record of investment transactions by fund will be maintained. This record will include investment number, purchase date, redemption date, interest rate, principal amount and interest received.

Conclusion – Response accepted.

II-H-14 Timely Deposits – Monies collected were not always deposited timely.

Recommendation – To strengthen controls over receipts and to safeguard cash, all collections should be deposited intact and timely.

Response – All collections will be deposited timely.

Conclusion – Response accepted.

II-I-14 Disbursements – Invoices and other supporting documentation were not always available to support disbursements. Supporting documentation for three transactions tested could not be located.

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

Response – All disbursements will be supported by invoices or other supporting documentation.

Conclusion – Response accepted.

II-J-14 Payroll – The following were identified:

- Although timesheets are maintained for all employees, there was no indication the timesheets had been reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll.
- Not all hourly wage rates were approved by the City Council and documented in the minutes record.
- Annual salary increases for all City employees were approved based upon a percentage and the actual approved wages were not documented in the City Council minutes.

City of Minburn

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Recommendation – Timesheets should be reviewed and approved by appropriate supervisory personnel prior to preparation of payroll. The approval should be documented by the signature or initials of the reviewer and the date of the review. Salary/wage rates for all employees should be approved by the City Council and documented in the minutes record. To increase control over actual wages paid, salary/wage rate increases should be documented in the minutes record by recording the new, approved rate, not just the percentage increase.

Response – Timesheets will be reviewed and approved by appropriate supervisory personnel prior to preparation of payroll. The approval will be documented by the signature or initials of the reviewer and the date of the review. Salary/wage rates for all employees will be approved by the City Council and documented in the minutes record. Salary/wage rate increases will be documented in the minutes record by recording the new, approved rate, not just the percentage increase.

Conclusion – Response accepted.

II-K-14 Credit Cards – The City has several credit cards for use by City employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting for credit card charges.

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

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

Conclusion – Response accepted.

II-L-14 Accounting Procedures Manual – The City does not have a current accounting policies and procedures manual.

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

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

Response – The City will develop an accounting policies and procedures manual to meet the goals stated above.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Minburn

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over the major program were noted.

City of Minburn

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-14 Certified Budget – During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, general government and business type activities functions prior to the May 2014 budget amendment. At June 30, 2014, disbursements exceeded the amounts budgeted in the public safety 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.”

The City adopted a budget amendment on May 19, 2014 which incorrectly compiled and negated the budget adopted on March 11, 2013. The budgeted receipts and disbursements included in the “Total Budget as certified or last amended” column include amounts from the last budget amendment, adopted in May 2013, for the fiscal year 2013 budget.

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

Response – The budget will be correctly amended before disbursements are allowed to exceed the budget.

Conclusion – Response accepted.

- IV-B-14 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.

- IV-C-14 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- IV-D-14 Business Transactions – No business transactions between the City and City officials or employees were noted.

- IV-E-14 Bond Coverage – Surety bond coverage of City officials is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

- IV-F-14 Council Minutes – Except as noted in II-J-14 above, no transactions were found that we believe should have been approved in the City Council minutes but were not.

Although minutes of City Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Minutes of the City Council meetings were not signed as required by Chapter 380.7 of the Code of Iowa.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and publish minutes as required. All minutes should be signed, as required, to authenticate the actions taken.

Response – All minutes will be published within fifteen days. All minutes will be signed as required.

Conclusion – Response accepted.

City of Minburn

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

IV-G-14 Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 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. A resolution in the amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Response – The City will adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. A resolution in the amounts sufficient to cover anticipated balances at all approved depositories will be adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Conclusion – Response accepted.

IV-H-14 Revenue Notes – The City has not established the sewer revenue note sinking, reserve and short-lived asset accounts required by the sewer revenue note resolutions.

The City does not pay for sewer usage as required by the sewer revenue note resolutions.

Recommendation – The City should establish the required sinking, reserve and short-lived asset accounts and make the necessary transfers as required by the sewer note resolutions. The City should pay for sewer usage as required.

Response – The City will establish the required sinking, reserve and short-lived asset accounts and make the necessary transfers as required by the sewer note resolutions. The City will pay for sewer usage as required.

Conclusion - Response accepted.

IV-I-14 Payment of General Obligation Anticipation Project Notes – Chapter 384.4 of the Code of Iowa states, in part, “Moneys pledged or available to service general obligation bonds, and received from sources other than property taxes, must be deposited in the debt service fund.” During the year ended June 30, 2014, the City paid the general obligation anticipation project note from the Enterprise, Sewer Fund.

Recommendation – The City should transfer funds to the Debt Service Fund to pay the general obligation anticipation project notes in the future.

Response – The City will transfer funds to the Debt Service Fund to pay the general obligation anticipation project notes in the future.

Conclusion – Response accepted.

City of Minburn

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

IV-J-14 Financial Condition – The Special Revenue, Bike Trail and Capital Projects, Depot Project Funds had deficit balances at June 30, 2014 of \$1,388 and \$14,793, respectively.

Recommendation – The City should investigate alternatives to eliminate these deficit balances to return the funds to a sound financial position.

Response – The City will investigate alternatives to eliminate these deficit balances to return the funds to a sound financial position.

Conclusion – Response accepted.

IV-K-14 Separately Maintained Records – The Friends of Minburn Public Library, the Minburn Area Firefighter Association and the Minburn Emergency Rescue Team maintain bank accounts for fundraiser and donation activity separate from the City Clerk’s accounting records. The 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. However, the transactions and the resulting balances are included in these financial statements.

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.

Response – The financial activity and balances of all City accounts will be included in the City’s accounting records and annual budget.

Conclusion – Response accepted.

IV-L-14 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 does not obtain an image of the back of each cancelled check as required.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check for all accounts, including the Friends of the Minburn Public Library, the Minburn Area Firefighters Association and the Minburn Emergency Rescue Team separately maintained accounts, as required.

Response – The City will obtain and retain an image of both the front and back of each cancelled check for all accounts, including the Friends of the Minburn Public Library, the Minburn Area Firefighters Association and the Minburn Emergency Rescue Team separately maintained accounts, as required.

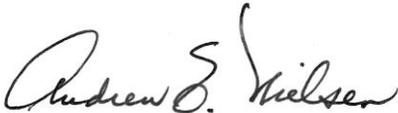
Conclusion – Response accepted.

City of Minburn

Staff

This audit was performed by:

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Laura M. Wernimont, Staff Auditor  
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