



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

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NEWS RELEASE

FOR RELEASE

September 13, 2017

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on Blakesburg, Iowa.

The City's receipts totaled \$550,724 for the year ended June 30, 2013. The receipts included \$69,422 in property tax, \$130,777 from charges for service, \$89,520 from operating grants, contributions and restricted interest, \$55,074 from capital grants, contributions and restricted interest, \$32,155 from local option sales tax, \$794 from unrestricted interest on investments, \$172,832 from bond and loan proceeds and \$150 from other general receipts.

Disbursements for the year totaled \$488,574, and included \$75,288 for public safety, \$63,305 for general government and \$51,160 for public works. Also, disbursements for business type activities totaled \$255,924.

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 <https://auditor.iowa.gov/reports/1322-0863-B00F>.

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CITY OF BLAKESBURG
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2013

Table of Contents

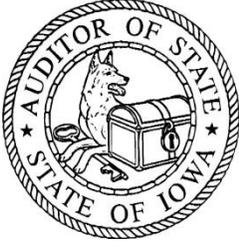
		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-7
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	10-11
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	12-13
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	15
Notes to Financial Statements		16-21
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		24-25
Notes to Other Information – Budgetary Reporting		26
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	29
Schedule of Indebtedness	2	30-31
Note Maturities	3	33
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>		35-36
Schedule of Findings		37-44
Staff		45

City of Blakesburg

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jason Myers	Mayor	Jan 2016
Allen Bettis	Council Member	(Resigned Apr 2013)
Chuck Enlow	Council Member	Jan 2014
Larry Howe (Appointed Jun 2013)	Council Member	Nov 2013
Kenneth Martin	Council Member	Jan 2014
Vicki Willey	Council Member	Jan 2014
Bill Hinshaw	Council Member	Jan 2016
Bill Mitchell	Council Member	Jan 2016
Donna Thompson	Clerk	Indefinite
Victoria Siegel	Attorney	Indefinite

City of Blakesburg



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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 City of Blakesburg, Iowa, as of and for the year ended June 30, 2013, and the related notes to the 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 are unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2012.

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, 2012, as discussed in the Basis for Qualified Opinions 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 Blakesburg as of June 30, 2013, and the respective changes in 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 opinion is 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 City of Blakesburg'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.

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, 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, 2012, as discussed in the Basis for Qualified Opinions paragraph, the supplementary information is fairly state in all material respects in relation to the basic financial statements taken as a whole.

The other information, the budgetary comparison information on pages 24 through 26 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 August 16, 2017 on our consideration of City of Blakesburg'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 City of Blakesburg's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

August 16, 2017

City of Blakesburg

Basic Financial Statements

City of Blakesburg

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 75,288	-	36,491	-
Public works	51,160	-	31,445	-
Culture and recreation	24,709	1,222	8,579	-
General government	63,305	863	6,787	-
Debt service	18,188	-	-	-
Total	232,650	2,085	83,302	-
Business type activities:				
Water	75,980	61,064	6,218	-
Sewer	161,396	50,779	-	55,074
Solid waste	18,548	16,849	-	-
Total business type activities	255,924	128,692	6,218	55,074
Total	\$ 488,574	130,777	89,520	55,074
General Receipts:				
Property and other city tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Bond proceeds				
Loan proceeds				
Miscellaneous				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Streets				
Debt service				
Unrestricted				
Total cash basis net position				
See notes to financial statements.				

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(38,797)	-	(38,797)
(19,715)	-	(19,715)
(14,908)	-	(14,908)
(55,655)	-	(55,655)
(18,188)	-	(18,188)
<u>(147,263)</u>	<u>-</u>	<u>(147,263)</u>
-	(8,698)	(8,698)
-	(55,543)	(55,543)
-	(1,699)	(1,699)
-	(65,940)	(65,940)
<u>(147,263)</u>	<u>(65,940)</u>	<u>(213,203)</u>
47,417	-	47,417
22,005	-	22,005
32,155	-	32,155
794	-	794
-	165,331	165,331
-	7,501	7,501
150	-	150
<u>102,521</u>	<u>172,832</u>	<u>275,353</u>
(44,742)	106,892	62,150
27,013	50,543	77,556
<u>\$ (17,729)</u>	<u>157,435</u>	<u>139,706</u>
\$ 2,651	-	2,651
3,317	656	3,973
(23,697)	156,779	133,082
<u>\$ (17,729)</u>	<u>157,435</u>	<u>139,706</u>

City of Blakesburg

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

As of and for the year ended June 30, 2013

	General	Special Revenue Road Use Tax
Receipts:		
Property tax	\$ 34,612	-
Other city tax	-	32,155
Licenses and permits	652	-
Use of money and property	819	-
Intergovernmental	44,329	31,445
Charges for service	1,222	-
Miscellaneous	7,864	-
Total receipts	89,498	63,600
Disbursements:		
Operating:		
Public safety	75,288	-
Public works	1,121	50,039
Culture and recreation	24,709	-
General government	55,829	-
Debt service	-	-
Total disbursements	156,947	50,039
Excess (deficiency) of receipts over (under) disbursements	(67,449)	13,561
Other financing sources (uses):		
Transfers in	5,423	-
Transfers out	-	-
Total other financing sources (uses)	5,423	-
Change in cash balances	(62,026)	13,561
Cash balances beginning of year	38,423	(10,910)
Cash balances end of year	\$ (23,603)	2,651
Cash Basis Fund Balances		
Restricted for:		
Streets	\$ -	2,651
Debt service	-	-
Unassigned	(23,603)	-
Total cash basis fund balances	\$ (23,603)	2,651

See notes to financial statements.

Debt Service	Nonmajor	Total
22,005	12,805	69,422
-	-	32,155
-	-	652
-	-	819
-	-	75,774
-	-	1,222
-	-	7,864
<u>22,005</u>	<u>12,805</u>	<u>187,908</u>
-	-	75,288
-	-	51,160
-	-	24,709
-	7,476	63,305
<u>18,188</u>	<u>-</u>	<u>18,188</u>
<u>18,188</u>	<u>7,476</u>	<u>232,650</u>
<u>3,817</u>	<u>5,329</u>	<u>(44,742)</u>
-	-	5,423
-	(5,423)	(5,423)
-	(5,423)	-
<u>3,817</u>	<u>(94)</u>	<u>(44,742)</u>
<u>(500)</u>	<u>-</u>	<u>27,013</u>
<u>3,317</u>	<u>(94)</u>	<u>(17,729)</u>
-	-	2,651
<u>3,317</u>	<u>-</u>	<u>3,317</u>
-	(94)	(23,697)
<u>3,317</u>	<u>(94)</u>	<u>(17,729)</u>

City of Blakesburg

City of Blakesburg

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

As of and for the year ended June 30, 2013

	Enterprise			Total
	Water	Sewer	Non-Major Solid Waste	
Operating receipts:				
Charges for service	\$ 57,664	50,779	16,849	125,292
Miscellaneous	3,400	-	-	3,400
Total operating receipts	61,064	50,779	16,849	128,692
Operating disbursements:				
Business type activities	75,980	14,624	18,548	109,152
Excess (deficiency) of operating receipts over (under) operating disbursements	(14,916)	36,155	(1,699)	19,540
Non-operating receipts (disbursements):				
Intergovernmental	-	55,074	-	55,074
Insurance reimbursement	6,218	-	-	6,218
Revenue bond proceeds	-	165,331	-	165,331
Bank loan proceeds	-	7,501	-	7,501
Capital projects	-	(146,772)	-	(146,772)
Net non-operating receipts (disbursements)	6,218	81,134	-	87,352
Change in cash balances	(8,698)	117,289	(1,699)	106,892
Cash balances beginning of year	8,330	43,145	(932)	50,543
Cash balances end of year	\$ (368)	160,434	(2,631)	157,435
Cash Basis Fund Balances				
Restricted for debt service	\$ -	656	-	656
Unrestricted	(368)	159,778	(2,631)	156,779
Total cash basis fund balances	\$ (368)	160,434	(2,631)	157,435

See notes to financial statements.

City of Blakesburg

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

The City of Blakesburg is a political subdivision of the State of Iowa located in Wapello County. It was first incorporated in 1856 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, and general government services. The City also provides water, sewer and solid waste utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Blakesburg 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: Wapello County Assessor's Conference Board, Wapello County Emergency Management Commission and Wapello 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:

Restricted net position results when constraints placed on the use of cash balances are either externally imposed or 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 often have constraints on cash balances 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.

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

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding 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, general government and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

(3) Bonds and Notes Payable

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

Year Ending June 30,	City Hall Note	
	Principal	Interest
2014	\$ 15,000	2,550
2015	15,000	1,913
2016	15,000	1,275
2017	15,000	638
Total	\$ 60,000	6,376

General Obligation Municipal Building Note – On August 11, 2006, the City entered into an agreement with First Iowa State Bank (Bank) for \$150,000 to construct a new City building which houses City Hall, maintenance and the Police Department. The note requires annual installments of \$15,000 plus interest at 4.25% per annum, with the final payment due June 1, 2017. During the year ended June 30, 2013, the City paid principal of \$15,000 and interest of \$3,188. The unpaid principal balance at June 30, 2013 was \$60,000. The loan will be paid from future collections of a debt service levy on all taxable property in the City.

Sewer Revenue Bonds – On February 22, 2013, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of \$450,000 of sewer revenue bonds with interest at 1.75% per annum. 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 City’s sewer system. As of June 30, 2013 the City has drawn down \$165,331. No repayments have been made as of June 30, 2013. The total amount of principal and interest remaining to be paid on the bonds at June 30, 2013 is not available sine a final repayment schedule has not been provided.

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

- (a) 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 fund.
- (b) Sufficient monthly transfers shall be made to a sewer revenue bond sinking account for the purpose of making principal and interest payments when due.
- (c) The City shall establish rates charged to customers sufficient to produce new revenues equal to at least 110% of the principal and interest due in the fiscal year.

For the year ended June 30, 2013, the City has not established a sewer revenue bond sinking account

(4) Installment-Purchase Agreement

On April 24, 2013, the City entered into an installment-purchase agreement for the purchase of a police vehicle and a pumper truck. The following is a schedule of the future minimum payments, including interest at 3.50% per annum, with a cost of \$66,623 and the present value of net minimum lease payments under the agreement in effect at June 30, 2013:

Year Ending June 30,	Amount
2014	\$ 16,615
2015	16,615
2016	16,615
2017	16,615
2018	<u>6,644</u>
Total minum lease payments	73,104
Less amount representing interest	<u>6,481</u>
Present value of net minimum lease payments	<u><u>\$ 66,623</u></u>

(5) Loan Agreement

Grant Anticipation Loan Agreement Anticipation Project Note – On May 23, 2013, the City entered into a loan agreement with First Iowa State Bank (Bank) for issuance of a grant anticipation loan agreement anticipation project note, bearing interest at 3.50% per annum, not to exceed \$150,000. The principal of \$150,000 or so much as has been advanced, with interest, is due on June 1, 2014. The principal on the note is payable from the proceeds of certain CDBG grant payments anticipated to be received by the City and from proceeds of a loan agreement. The agreement was executed pursuant to the provisions of Sections 76.13 and 384.24A of the Code of Iowa for the purpose of paying the costs of constructing improvements and extensions to the municipal sanitary sewer system prior to receipt of CDBG grant payments and loan proceeds. The City receives drawdowns from the Bank for costs as they are incurred. At June 30, 2013, the City had drawn \$7,501 of the \$150,000 authorized.

(6) 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 5.78% of their annual covered salary and the City is required to contribute 8.67% 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 contributions to IPERS for the year ended June 30, 2013 was \$5,880, equal to the required contribution for the year.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Employee Benefits	<u>\$ 5,423</u>

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

(8) Risk Management

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

(9) Deficit Balances

The General Fund, Special Revenue, Insurance Fund, Enterprise, Water Fund and Enterprise, Solid Waste Fund had deficit balances at June 30, 2013 of \$23,603, \$29,504, \$94, \$368, and \$2,631, respectively. The deficit balances were a result of costs incurred prior to availability of funds.

(10) Subsequent Events

In October 2015, the City issued \$450,000 of sewer revenue bonds, for the purpose of paying the cost of planning, designing and constructing improvements and extensions to the municipal sanitary sewer system for the City.

In September 2016, the City issued \$307,000 of sewer revenue improvement and refunding bonds.

The May 29, 2017 City Council meeting minutes identified the billings for water services were slow due to the City working to ensure accurate utility billings.

At the August 18, 2017 meeting, the City Council approved a resolution for a one-time payment plan for residents who are in arrears paying city utilities.

The City Council meeting minutes were not provided for the months of March, April and June 2017.

City of Blakesburg

Other Information

City of Blakesburg
 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, 2013

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 69,422	-
Other city tax	32,155	-
Licenses and permits	652	-
Use of money and property	819	-
Intergovernmental	75,774	55,074
Charges for service	1,222	125,292
Miscellaneous	7,864	3,400
Total receipts	<u>187,908</u>	<u>183,766</u>
Disbursements:		
Public safety	75,288	-
Public works	51,160	-
Culture and recreation	24,709	-
General government	63,305	-
Debt service	18,188	-
Business type activities	-	255,924
Total disbursements	<u>232,650</u>	<u>255,924</u>
Excess (deficiency) of receipts over (under) disbursements	(44,742)	(72,158)
Other financing sources, net	-	179,050
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(44,742)	106,892
Balances beginning of year	27,013	50,543
Balances end of year	<u>\$ (17,729)</u>	<u>157,435</u>

See accompanying independent auditor's report.

Total	Budgeted	Final to Total Variance
	Amounts	
	Original/ Final	
69,422	67,842	1,580
32,155	42,314	(10,159)
652	725	(73)
819	200	619
130,848	94,800	36,048
126,514	124,100	2,414
11,264	5,000	6,264
<u>371,674</u>	<u>334,981</u>	<u>36,693</u>
75,288	37,500	(37,788)
51,160	81,900	30,740
24,709	26,500	1,791
63,305	59,400	(3,905)
18,188	23,000	4,812
255,924	106,681	(149,243)
<u>488,574</u>	<u>334,981</u>	<u>(153,593)</u>
(116,900)	-	(116,900)
<u>179,050</u>	-	<u>179,050</u>
62,150	-	62,150
<u>77,556</u>	<u>87,809</u>	<u>(10,253)</u>
<u>139,706</u>	<u>87,809</u>	<u>51,897</u>

City of Blakesburg

Notes to Other Information – Budgetary Reporting

June 30, 2013

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 Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. There were no budget amendments during the year.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public safety, general government and business type activities functions.

Supplementary Information

City of Blakesburg

City of Blakesburg

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

As of and for the year ended June 30, 2013

	Special Revenue		Total
	Insurance	Employee Benefits	
Receipts:			
Property tax	\$ 7,382	5,423	12,805
Disbursements:			
General government	7,476	-	7,476
Excess (deficiency) of receipts over (under) disbursements	(94)	5,423	5,329
Other financing uses:			
Transfers out	-	(5,423)	(5,423)
Change in cash balances	(94)	-	(94)
Cash balances beginning of year	-	-	-
Cash balances end of year	\$ (94)	-	(94)
Cash Basis Fund Balances			
Unassigned	\$ (94)	-	(94)

See accompanying independent auditor's report.

City of Blakesburg
Schedule of Indebtedness
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation note: Municipal building note	Aug 11, 2006	4.25%	\$ 150,000
Revenue bond: Sewer	Feb 22, 2013	1.75%	\$ 450,000
Loan: Grant anticipation loan agreement	May 23, 2013	3.50%	\$ 150,000
Installment purchase agreement: Police vehicle and pumper truck	Apr 24, 2013	3.50%	\$ 66,623

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
75,000	-	15,000	60,000	3,188	-
-	165,331	-	165,331	-	-
-	7,501	-	7,501	-	-
-	66,623	-	66,623	-	-

City of Blakesburg

City of Blakesburg

Note Maturities

June 30, 2013

Year Ending June 30,	Municipal Building Note	
	Issued Aug 11, 2006	
	Interest Rates	Amount
2014	4.25%	\$ 15,000
2015	4.25	15,000
2016	4.25	15,000
2017	4.25	15,000
Total		<u>\$ 60,000</u>

See accompanying independent auditor's report.

City of Blakesburg



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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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the 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 Blakesburg, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 16, 2017. 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, 2012.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Blakesburg'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 an opinion on the effectiveness of the City of Blakesburg's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Blakesburg'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, 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 Blakesburg's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) through (D) 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 (E) through (G) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Blakesburg'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, 2013 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.

City of Blakesburg's Responses to Findings

The City of Blakesburg's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Blakesburg'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 result 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 Blakesburg 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

August 16, 2017

City of Blakesburg

Schedule of Findings

Year ended June 30, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County's financial statements.

Condition – Generally, one individual has control over the following areas for which no compensating controls exist:

- (1) Receipts – collecting, depositing, recording.
- (2) Disbursements – check writing, signing and recording.
- (3) Payroll – preparation and distribution.
- (4) Utility receipts – billing, collecting, depositing, and recording.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

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

Response – The City will review duties and attempt to involve council persons in the day to day financial procedures of the City. The City Clerk and Mayor both now sign checks.

Conclusion – Response accepted.

(B) Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to reconciling monthly financial reports to all bank accounts and investments. Supervisory review of bank reconciliations can help ensure the accuracy of recorded amounts.

City of Blakesburg

Schedule of Findings

Year ended June 30, 2013

Condition – Monthly bank reconciliations are not prepared reconciling the bank balances to the City’s general ledger. In addition a listing of outstanding checks is not prepared.

Cause – Policies have not been established and procedures have not been implemented to prepare a complete bank reconciliation of all accounts and investments.

Effect – Lack of performing and maintaining bank reconciliations and lack of review by an independent person could result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The City should establish procedures to ensure bank account balances are reconciled to the general ledger monthly. The City should also prepare and maintain a complete listing of outstanding checks. Variances, if any, should be reviewed and resolved timely. Procedures should be established to ensure all financial reports reconcile to the City’s bank balances. An independent person should review the bank reconciliations and document the review by signing or initialing and dating the monthly bank reconciliations. City fund balances should be reconciled to the bank balances monthly. Any variances should be investigated and corrected in a timely manner.

Response – The Clerk will reconcile bank statements monthly.

Conclusion – Response acknowledged. In addition, the bank reconciliations should be reviewed by an independent person.

(C) Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Cause – Policies have not been established and procedures have not been implemented to reconcile utility billings, collections and delinquent accounts.

In addition, during our field work, we identified several utility accounts with delinquent balances. The City does not appear to be following the established utility shut-off procedures for the delinquent accounts.

Effect – This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account of adjustments and write-offs and propriety of delinquent account balances.

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. The City Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

City of Blakesburg

Schedule of Findings

Year ended June 30, 2013

In addition, the City should review all utility accounts for delinquent balances and work with customers to bring account balances up to date. Also, the City should be following the utility shut-off procedures for all delinquent accounts.

Response – A listing of delinquent accounts will be prepared monthly. The Council will discuss and determine if a Council person or another independent person will review the reconciliations and monitor delinquencies.

Conclusion – Response accepted.

(D) Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition – There was no evidence monthly financial reports were provided to the City Council detailing receipts, disbursements, fund and account balances with comparisons to budget.

The City utilized a manual cash receipts, cash disbursements ledger. The cash disbursements ledger did not always clearly identify disbursements by function.

In addition, the City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on September 25, 2002.

Cause – City policies and procedures have not been established for financial reporting.

Effect – Lack of properly prepared monthly financial reports may result in the City not adequately monitoring or reporting its financial activity.

Recommendation – The City should establish policies and procedures to ensure monthly financial reports are prepared and provided to the City Council for review. To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, financial records should clearly identify disbursements by function and the monthly financial reports should include comparisons of year-to-date disbursements to the certified budget by function. In addition, the City should adopt the Uniform COA.

Response – The City will use the Uniform Chart of Accounts and will be using monthly financial reports this new fiscal year including comparisons to the previous year as available.

Conclusion – Response accepted.

City of Blakesburg

Schedule of Findings

Year ended June 30, 2013

(E) Credit Cards

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity’s governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – The City has two credit cards for use by the City Clerk and Fire Chief 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 of credit card charges. Additionally, supporting documentation was not always available to support credit card charges.

Cause – Adoption of a formal policy to regulate the use of credit cards has not been prioritized by the City Council. Lack of supporting documentation for credit card charges is the result of a lack of policies and procedures requiring proper support for these charges.

Effect – Lack of written policies and procedures to regulate the use of credit cards could result in unauthorized and unsupported transactions and the opportunity for misappropriation.

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 credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – At this time the City no longer has credit cards. Should we decide to use credit cards in the future, a written policy will be implemented addressing who controls, who is authorized to use and for what purpose as well as supporting documentation required to substantiate charges.

Conclusion – Response accepted.

(F) Disbursements

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity’s governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – A listing of disbursements is approved by the Council and documented in the minutes. However, it doesn’t appear that an independent person is reviewing the support and comparing to checks written.

Cause – The City has not implemented procedures to ensure disbursements are properly reviewed prior to approval.

City of Blakesburg

Schedule of Findings

Year ended June 30, 2013

Effect – Lack of proper review could result in unauthorized or improper transactions and the opportunity for misappropriation.

Recommendation – An independent person should be reviewing and initialing the support for disbursements and comparing to checks written.

Response – The Council will appoint a Council person or an independent person to review checks written and compare to payment backup.

Conclusion – Response accepted.

(G) Annual Financial Report

Criteria – An effective internal control system provides for internal controls related to ensuring the annual financial report (AFR) is prepared accurately and is materially correct.

Condition – The beginning and ending total fund balances were misstated by \$7,896 and \$23,070, respectively. The misstatement was due to outstanding checks not included in the determination of the beginning and ending fund balances. Also, receipt and disbursement amounts did not agree to the City's manual ledgers. In addition, the amounts reported in the budget column of the AFR do not agree with the approved budget.

Cause – Policies have not been established and procedures have not been implemented to require an independent review of the annual financial report for accuracy.

Effect – The lack of an independent review process increases the probability staff errors in recording amounts to the annual financial report will go undetected.

Recommendation – The City should develop procedures to independently review the annual financial report for accuracy.

Response – The City will implement an independent review of the Annual Financial Report.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Blakesburg

Schedule of Findings

Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the public safety, 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.”

In addition, the proof of publication for the fiscal year 2013 budget could not be located.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. Documentation for proof of publication should be retained by the City.

Response – The recommendation is so noted.

Conclusion – Response accepted.

- (2) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Blakesburg Corn Carnival	Fireworks donation	\$ 500
Visa	Fire Department Christmas meal food and supplies purchased at Dollar Tree and Fareway	173
	Neckties	116
	Late charges	29
	Purchase at Kum & Go	127
Christina Lyon	Reimbursement for food and decorations for the elementary school's father-daughter dance hosted at the public library	273
Selix Lawn Care	Mowing on 9/12/2012 was paid twice	300
IRS	Duplicate tax payment	2,304
IPERS	Late charges and interest for late reports	273

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

Recommendation – The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation. The City should also pursue the resolution of the duplicate tax payment to the IRS.

City of Blakesburg

Schedule of Findings

Year ended June 30, 2013

Response – Noted. Care will be taken in the future to avoid these types of situations. The City will establish written policies and procedures including requirements for proper documentation.

Conclusion – Response accepted.

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

Recommendation – The City should adopt a written investment policy in compliance with the provisions of Chapters 12B and 12C of the Code of Iowa.

Response – The City Clerk will recommend the City Council pursue development of an investment policy.

Conclusion – Response accepted.

- (8) Revenue Bond – The provisions of the sewer revenue bond requires sufficient monthly transfers be made to the sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.

The City has not created a sewer revenue bond sinking account and did not make sufficient required monthly transfers to the account.

Recommendation – The City should ensure adequate transfers are made to the sinking account so the balance at year end is at least equal to the amounts required.

Response – The City will pursue your recommendation.

Conclusion – Response accepted.

- (9) Financial Condition – The General Fund, Special Revenue, Insurance Fund, Enterprise, Water Fund and Enterprise, Solid Waste Fund had deficit balances of \$23,603, \$94, \$368 and \$2,631, respectively, at June 30, 2013.

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

City of Blakesburg

Schedule of Findings

Year ended June 30, 2013

Response – Noted. The City will pursue your recommendation.

Conclusion – Response accepted.

- (10) Local Option Sales Tax (LOST) – The LOST ballot requires 50% of LOST collections be used for the Wapello County Jail and 50% for the City of Blakesburg transportation and safety. For the year ended June 30, 2013, \$32,155 of LOST receipts were collected and credited to the Special Revenue, Road Use Tax Fund. Documentation was not maintained to demonstrate the tax receipts were spent in accordance with the provisions of the referendum authorizing the collection of the tax, including if LOST payments were made to Wapello County for the jail.

Recommendation – The City should contact the City Attorney and Wapello County regarding the disposition of LOST receipts due, if any, to Wapello County. In addition, the City should establish a Special Revenue, Local Option Sales Tax Fund to record the collection, disbursement and balance of all LOST funds to document compliance with the LOST ballot referendum.

Response – The recommendation is noted. Also, the City will be certain LOST funds are properly identified in the general ledger.

Conclusion – Response accepted.

- (11) Employee Benefits Levy – The City levies property tax for employee benefits. During the year, the City did not record its employee benefit levy receipts in a separate fund or track disbursements.

Recommendation – The City should ensure employee benefits levy receipts are properly recorded in a separate fund and disbursements are tracked.

Response – Noted. The City will pursue your recommendation.

Conclusion – Response accepted.

City of Blakesburg

Staff

This audit was performed by:

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