



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

June 29, 2007

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on the City of Mount Union, Iowa.

The City has implemented new reporting standards for the year ended June 30, 2006, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$47,835 for the year ended June 30, 2006. The receipts included \$21,549 in property tax, \$15,300 from operating grants, contributions and restricted interest, \$10,182 from local option sales tax, \$568 from unrestricted interest on investments and \$236 from other general receipts.

Disbursements for the year totaled \$59,953, and included \$33,769 for public works, \$11,638 for general government and \$9,172 for culture and recreation.

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/reports.htm>.

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

JUNE 30, 2006

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City of Mount Union

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|------------------------------|----------------|---------------------|
| (Before January 2006) | | |
| Dan Johnson | Mayor | Jan 2006 |
| David Stott | Mayor Pro tem | Jan 2008 |
| Diane Breon | Council Member | Jan 2006 |
| Ben Johnson | Council Member | Jan 2006 |
| Lewis Venghous | Council Member | Jan 2008 |
| Lelia Wilkerson | Council Member | Jan 2008 |
| Amber Scarff/Scott | City Clerk | Indefinite |
| Pat Brau | City Attorney | Indefinite |
| (After January 2006) | | |
| Dan Johnson | Mayor | Jan 2010 |
| David Stott | Mayor Pro tem | Jan 2008 |
| Lewis Venghous | Council Member | Jan 2008 |
| Lelia Wilkerson | Council Member | Jan 2008 |
| Diane Breon | Council Member | Jan 2010 |
| Ben Johnson | Council Member | Jan 2010 |
| Amber Scarff/Scott | City Clerk | Indefinite |
| Pat Brau | City Attorney | Indefinite |

City of Mount Union



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Mount Union, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Mount Union's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

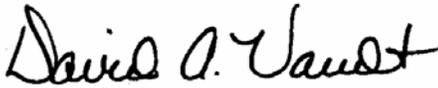
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2005.

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, 2005, 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 and each major fund of the City of Mount Union as of June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 10, during the year ended June 30, 2006, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2007 on our consideration of the City of Mount Union's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 24 through 25 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 29, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Mount Union provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, and since the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

2006 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities decreased approximately \$12,000, due primarily to an overall increase in disbursements.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statement tells how governmental services were financed in the short term, as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

The Statement of Activities and Net Assets reports governmental activities. Governmental activities include public safety, public works, culture and recreation, community and economic development, general government and debt service. Property tax and state and federal grants finance most of these activities.

Fund Financial Statement

Governmental funds account for the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) the Special Revenue Funds, such as Road Use Tax and Eagles Landing Playground. The governmental fund financial statement provides a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

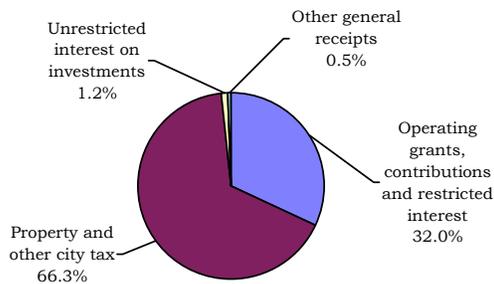
The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

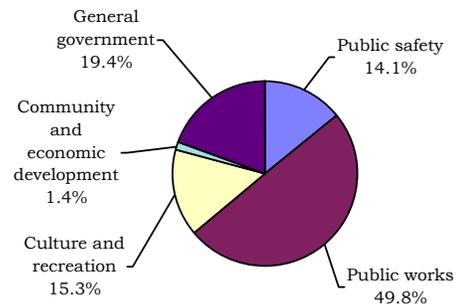
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities is \$38,259 at June 30, 2006. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

| Changes in Cash Basis Net Assets of Governmental Activities | |
|---|--------------------------------|
| | Year ended June 30, 2006 |
| Receipts: | |
| Program receipts: | |
| Operating grants, contributions and restricted interest | \$ 15,300 |
| General receipts: | |
| Property and other city tax | 31,731 |
| Unrestricted interest on investments | 568 |
| Other general receipts | 236 |
| Total receipts | <u>47,835</u> |
| Disbursements: | |
| Public safety | 8,474 |
| Public works | 29,842 |
| Culture and recreation | 9,172 |
| Community and economic development | 827 |
| General government | 11,638 |
| Total disbursements | <u>59,953</u> |
| Decrease in cash basis net assets | (12,118) |
| Cash basis net assets beginning of year | <u>50,377</u> |
| Cash basis net assets end of year | <u>\$ 38,259</u> |

Receipts by Source



Disbursements by Functions



INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Mount Union completed the year, its governmental funds reported a combined fund balance of \$38,259, a decrease of \$12,118 from the June 30, 2005 balance of \$50,377. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased approximately \$10,000 from the prior year to a year-end balance of \$31,648 because the City had more disbursements for street improvements during the fiscal year.
- The Road Use Tax Fund received and disbursed \$7,717 in the fiscal year ending June 30, 2006. The beginning and ending balances were \$0.
- The Eagles Landing Playground Fund was established to account for playground donations for local park improvement. At the end of the fiscal year, the cash balance was \$501, a decrease of \$4,101 from the previous year, due to disbursements for a playground safety surface.
- The Volunteer Fire Department Fund was established to account for volunteer fire department donations. At the end of the fiscal year, the cash balance was \$6,110, an increase of approximately \$2,100 over the previous year. The increase occurred because donation receipts exceeded disbursements for the year.

BUDGETARY HIGHLIGHTS

The City did not amend the budget during the year.

The City's actual receipts were \$29,844 more than budgeted receipts. This was primarily due to the City under estimating property tax, local option sales tax and road use tax collections. In addition, the City included the Volunteer Fire Department and the Eagles Landing Playground funds as departments of the City for financial reporting purposes. The City did not include these funds in the City's budget for the fiscal year.

The City's actual disbursements were \$10,553 more than budgeted disbursements. This was primarily due to the inclusion of the Volunteer Fire Department and Eagles Landing Playground funds as departments of the City for financial reporting purposes. These funds were not included in the City's budget for the fiscal year.

DEBT ADMINISTRATION

At June 30, 2006, the City had no debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget and tax rates. The City's FY 2007 assessed property value has decreased \$179,791 from the FY 2006 level.

The adopted FY 2007 budget includes total receipts of \$40,920 and disbursements of \$35,150. This budget is lower than the FY 2006 budget which contained total disbursements of \$49,400.

The adopted FY 2007 general and ag land tax levy rates remained unchanged from FY 2006 at \$8.10000 and \$3.00375 per \$1,000 of taxable valuation, respectively.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Johnson, City Clerk, P.O. Box 41, Mount Union, Iowa 55644.

City of Mount Union

Basic Financial Statements

Exhibit A

City of Mount Union

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2006

| | Disbursements | Program Receipts Operating Grants, Contributions and Restricted Interest | Net (Disbursements) Receipts and Changes in Cash Basis Net Assets |
|--|---------------|--|---|
| Functions/Programs: | | | |
| Governmental activities: | | | |
| Public safety | \$ 4,547 | 3,126 | (1,421) |
| Public works | 33,769 | 7,717 | (26,052) |
| Culture and recreation | 9,172 | 4,457 | (4,715) |
| Community and economic development | 827 | - | (827) |
| General government | 11,638 | - | (11,638) |
| Total governmental activities | \$ 59,953 | 15,300 | (44,653) |
| General Receipts: | | | |
| Property and other city tax levied for general purposes | | | 21,549 |
| Local option sales tax | | | 10,182 |
| Unrestricted interest on investments | | | 568 |
| Miscellaneous | | | 236 |
| Total general receipts | | | 32,535 |
| Change in cash basis net assets | | | (12,118) |
| Cash basis net assets beginning of year | | | 50,377 |
| Cash basis net assets end of year | | | \$ 38,259 |
| Cash Basis Net Assets | | | |
| Restricted: | | | |
| Fire department | | | \$ 6,110 |
| Other purposes | | | 501 |
| Unrestricted | | | 31,648 |
| Total cash basis net assets | | | \$ 38,259 |

See notes to financial statements.

City of Mount Union

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

As of and for the year ended June 30, 2006

| | Special Revenue | | | | Total |
|---|-----------------|--------------------|---------------------------------|---------------------------------|----------|
| | General | Road Use Tax | Eagles Landing Playground | Volunteer Fire Department | |
| Receipts: | | | | | |
| Property tax | \$ 21,549 | - | - | - | 21,549 |
| Other city tax | 10,182 | - | - | - | 10,182 |
| Use of money and property | 568 | - | 10 | - | 578 |
| Intergovernmental | 237 | 7,717 | - | - | 7,954 |
| Miscellaneous | 236 | - | 4,447 | 2,889 | 7,572 |
| Total receipts | 32,772 | 7,717 | 4,457 | 2,889 | 47,835 |
| Disbursements: | | | | | |
| Operating: | | | | | |
| Public safety | 3,799 | - | - | 748 | 4,547 |
| Public works | 26,052 | 7,717 | - | - | 33,769 |
| Culture and recreation | 614 | - | 8,558 | - | 9,172 |
| Community and economic development | 827 | - | - | - | 827 |
| General government | 11,638 | - | - | - | 11,638 |
| Total disbursements | 42,930 | 7,717 | 8,558 | 748 | 59,953 |
| Excess (deficiency) of receipts over (under) disbursements | (10,158) | - | (4,101) | 2,141 | (12,118) |
| Cash balances beginning of year | 41,806 | - | 4,602 | 3,969 | 50,377 |
| Cash balances end of year | \$ 31,648 | - | 501 | 6,110 | 38,259 |
| Cash Basis Fund Balances | | | | | |
| Unreserved: | | | | | |
| General fund | \$ 31,648 | - | - | - | 31,648 |
| Special revenue funds | - | - | 501 | 6,110 | 6,611 |
| Total cash basis fund balances | \$ 31,648 | - | 501 | 6,110 | 38,259 |

See notes to financial statements.

City of Mount Union

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

The City of Mount Union is a political subdivision of the State of Iowa located in Henry County. It was first incorporated in 1904 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, community and economic development and general government services.

A. Reporting Entity

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

Jointly Governed Organizations

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

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities are primarily supported by tax and intergovernmental revenues.

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

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include grants, contributions and interest on investments restricted to meeting the operational requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statement – Major individual governmental funds are reported as separate columns in the fund financial statement.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts 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 construction and maintenance.

The Eagles Landing Playground Fund is used to account for donations received and purchases made for the City playground.

The Volunteer Fire Department Fund is used to account for donations received and purchases made for the Volunteer Fire Department.

C. Measurement Focus and Basis of Accounting

The City of Mount Union 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.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development and general government functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2006 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) 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 3.70% of their annual covered salary and the City is required to contribute 5.75% 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, 2006 was \$146, equal to the required contribution for the year.

(4) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current member's basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of any payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2006 were \$2,471.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contact with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the

first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

(5) Des Moines County Regional Solid Waste Commission Agreement

On December 17, 1991, the City entered into an agreement with the Des Moines County Regional Solid Waste Commission for the establishment, maintenance and operation of solid waste disposal and resource recovery. The City paid a one time entry charge of \$1,192 and pays a monthly fee of \$132. The total paid under the agreement for the year ended June 30, 2006 was \$1,584.

(6) Hewitt Excavating and Sanitation

The City has a verbal agreement with Hewitt Excavating and Sanitation for the collection of solid waste. During the year ended June 30, 2006, the City paid \$180 per month for this service, a total of \$2,160 for the year.

(7) Sanitary Sewer System

In December 2004, the City received an executive order from the Iowa Department of Natural Resources (IDNR) requiring the City to construct a sanitary sewer system. The IDNR deadline for completion of the project is November 30, 2007.

The City entered into an agreement with Regional Utility Service System (R.U.S.S.) for R.U.S.S. to construct and own the sewer system. Under the agreement, R.U.S.S. will charge users for sewer services.

(8) Corrective Transfer Required

The City has not properly established a Special Revenue, Local Option Sales Tax Fund. The City accounted for the collections and related disbursements of local option sales tax in the General Fund. The unspent balance of local option sales tax collections needs to be determined by the City and the balance should be transferred from the General Fund to a Special Revenue Fund.

(9) Subsequent Event

In March 2007, the City was awarded a Community Development Block Grant (CDBG) not to exceed \$141,000. The City will remit the proceeds of the CDBG grant to R.U.S.S., the subrecipient. The CDBG grant will be used to fund a portion of the costs to construct the sanitary sewer system.

(10) Accounting Change

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2006. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and a fund financial statement which present information for individual major funds rather than by fund type.

Implementation of these standards had no effect on the beginning balances of the City.

City of Mount Union

Required Supplementary Information

City of Mount Union

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

Required Supplementary Information

Year ended June 30, 2006

| | Total | Original and Final Budget | Final to Total Variance |
|--|------------------|---------------------------------|-------------------------------|
| Receipts: | | | |
| Property tax | \$ 21,549 | 17,349 | 4,200 |
| Other city tax | 10,182 | 642 | 9,540 |
| Use of money and property | 578 | - | 578 |
| Intergovernmental | 7,954 | - | 7,954 |
| Miscellaneous | 7,572 | - | 7,572 |
| Total receipts | <u>47,835</u> | <u>17,991</u> | <u>29,844</u> |
| Disbursements: | | | |
| Public safety | 4,547 | 2,200 | (2,347) |
| Public works | 33,769 | 34,550 | 781 |
| Culture and recreation | 9,172 | 2,800 | (6,372) |
| Community and economic development | 827 | 200 | (627) |
| General government | 11,638 | 9,650 | (1,988) |
| Total disbursements | <u>59,953</u> | <u>49,400</u> | <u>(10,553)</u> |
| Deficiency of receipts under disbursements | (12,118) | (31,409) | 19,291 |
| Balances beginning of year | <u>50,377</u> | <u>43,242</u> | <u>7,135</u> |
| Balances end of year | <u>\$ 38,259</u> | <u>11,833</u> | <u>26,426</u> |

See accompanying independent auditor's report.

City of Mount Union

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue 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 ended June 30, 2006, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development and general government functions.

City of Mount Union



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Mount Union, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 29, 2007. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2005.

Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Mount Union's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Mount Union's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items (A), (C) and (D) are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mount Union's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that 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, 2006 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Mount Union and other parties to whom the City of Mount Union may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Mount Union during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 29, 2007

City of Mount Union
Schedule of Findings
Year ended June 30, 2006

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

For the City, one individual has control over each of the following areas:

- (1) Accounting system – performing all general accounting functions and having custody of assets.
- (2) Cash – initiating cash receipt and disbursement functions, handling and recording cash.
- (3) Investments – detailed record keeping, custody of investments and reconciling earnings.
- (4) Receipts – opening mail, collecting, depositing, journalizing, maintaining the deposit/check register and posting.
- (5) Disbursements – check preparation, purchasing, check signing, recording, maintaining the check register and reconciling.
- (6) Payroll – approval, input of information, preparing, check signing, recording and distributing.
- (7) Information system (computer usage) – performing all general accounting functions and controlling all data and output.
- (8) Financial reporting – preparing, reconciling and distributing.

For the Eagles Landing Playground, one individual has control over each of the following areas:

- (1) Receipts – opening mail, collecting, depositing, posting and reconciling.
- (2) Disbursements – check writing, approval, posting and reconciling.
- (3) Cash – handling and recording cash and preparing bank reconciliations.

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

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements – check writing, approval, posting and reconciling.
- (3) Cash – handling and recording cash and preparing bank reconciliations.

City of Mount Union

Schedule of Findings

Year ended June 30, 2006

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City, Eagles Landing Playground Committee and the Volunteer Fire Department should review their operating procedures to obtain the maximum internal control possible under the circumstances. The City should utilize current personnel and officials to provide additional control through review financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – We will review transactions and reports to obtain the maximum controls possible. In addition, the City Council has voted to hire an accountant to handle the finances and activities of the City, Eagles Landing Playground and the Volunteer Fire Department.

Conclusion – Response accepted.

- (B) Information Systems – During our review of internal control, the existing control activities in the City's computer based financial systems 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 based financial systems were noted:

The City does not have written policies for:

- Requiring time out/log off or screen saver password to protect computer terminal when not in use.
- Requiring use of passwords and requiring password(s) to be changed at least every 60 to 90 days.
- Maintaining password privacy and confidentiality.
- Requiring the use of anti-virus programs on the computer.
- Limiting physical access to the computer to authorized personnel.
- Ensuring software not licensed to the City is not installed.
- Usage of the internet.
- Requiring backups be performed (daily, weekly, monthly and yearly) and the backup tapes/files be stored off site daily.

Also, the City does not have a written disaster recovery plan and does not have a written accounting procedures manual.

Recommendation – The City should develop written policies addressing the above items in order to improve the City's control over computer based financial systems. Also, a written disaster recovery plan should be developed and should be tested periodically and the City should develop a written accounting procedures manual.

City of Mount Union

Schedule of Findings

Year ended June 30, 2006

Response – The City will develop written policies and plans. Only the Mayor and Clerk have access to the City Computer and financial information. DSL was approved to be installed at the May 9 meeting. Anti-virus will be installed at that time. Backup for all financials are currently stored on web drives off site.

Conclusion – Response accepted.

- (C) City Financial Management Information – The City does not maintain its accounting system in a format to facilitate fund accounting required for governmental accounting and financial reporting. Fund accounting is required as a means for the City to demonstrate compliance with legal requirements pertaining to the various funding sources of the City, including, but not limited to, road use tax and local option sales tax.

Monthly financial reports, including fund balances and comparisons of actual results to budget by function, were not compiled from the accounting records and provided to the City Council for their review and approval.

Procedures do not exist to ensure the accounting records include all transactions applicable to the reporting period. Interest earned and added to certificates of deposit balances was not recorded as a receipt in the City's accounting records. Receipts are not verified to deposits and checks issued are not compared to checks clearing the bank.

Monthly reconciliations are not prepared (including a list of outstanding checks) to reconcile book to bank balances. An unidentified variance of \$895 existed between the City's monthly Quickbooks report and the reconciled bank balance at June 30, 2006. In addition, the City's check register does not include a running book balance.

Recommendation – The City should review the current financial accounting system and establish procedures to require and ensure records are maintained to facilitate fund accounting required for governmental accounting and financial reporting.

To improve financial accountability and control, a monthly report should be submitted to the Council showing beginning balances, receipts, disbursements, transfers and ending balances for each individual fund. To provide better control over budgeted disbursements and opportunity for timely amendments to the budget, the monthly financial reports should include comparisons to the City's budget by function.

Procedures should be established to ensure the accounting records include all transactions applicable to the reporting period. Interest received on certificates of deposit should be included in receipts. Receipts and disbursements per the City's financial records should be compared to bank account activity to ensure completeness and accuracy.

A monthly reconciliation of the book and bank balances should be prepared and retained. Any variances should be investigated and resolved in a timely manner. A listing of outstanding checks should be prepared each month and retained.

City of Mount Union

Schedule of Findings

Year ended June 30, 2006

Response – The Council has voted to hire an accountant to handle the finances and activities of the City. The accountant will be responsible for the City’s financial management including preparation of the recommended financial reports to the Council on a monthly basis.

Conclusion – Response accepted.

- (D) Receipts – Receipts were not issued for City collections.

Recommendation – Prenumbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all City money. Also, control over cash collections would be strengthened if receipts were reconciled to deposits.

Response – The City has purchased a cash receipt book.

Conclusion – Response accepted.

- (E) Disbursements – The City does not have a written disbursement approval policy allowing certain items to be paid prior to City Council approval. One of sixteen disbursements tested did not include Council approval.

Recommendation – The City should adopt a written disbursement policy for payment of certain bills prior to City Council approval. All City disbursements should be approved by the City Council prior to payment with the exception of those specifically allowed by the policy.

Response – The City Clerk has prior approval to pay utility and “standard” monthly bills. All other bills are presented to the Council prior to payment for approval. Because we are unable to locate the policy, the Council will establish a new policy. We will ensure all disbursements are approved. Two signatures (Mayor and Clerk) are required on all checks.

Conclusion – Response accepted.

- (F) Records of Accounts/Separately Maintained Records – The Eagles Landing Playground and the Volunteer Fire Department each maintain bank accounts separate from the City Clerk’s accounting records. The transactions and resulting balances of these accounts were not reported to the City Council each month and were not recorded in the City Clerk’s accounting records. Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show and accurate and detailed statement of all public funds collected, received or expended for any city purpose.

Additionally, prenumbered receipts were not issued. Also, the accounting records did not include classification of receipts or disbursements by source and function, respectively.

Recommendation – The Eagles Landing Playground and the Volunteer Fire Department financial transactions and balances should be included in the Clerk’s monthly financial reports. Internal control could be strengthened and operating efficiency could be increased by integrating the accounts with the City’s accounting records.

City of Mount Union

Schedule of Findings

Year ended June 30, 2006

Prenumbered receipts should be issued for all collections. The accounting records should include the classification of receipts and disbursements by source and function, respectively.

Response – The City will hire an accountant who will be responsible for the Eagles Landing Playground and the Volunteer Fire Department’s finances. The accounts will be included in the City’s accounting records and financial reports.

Conclusion – Response accepted.

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

City of Mount Union

Schedule of Findings

Year ended June 30, 2006

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development and general government functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – Procedures noted to the Council. Budgeted monies will be followed and the budget amended, if necessary.

Conclusion – Response accepted.

- (2) Questionable Disbursement – 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.
- (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 insure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

Minutes were posted but did not include the total disbursements by fund, a summary of receipts and the list of claims allowed did not include the name of the person or firm making the claim as required by Chapter 372.13(6) of the Code of Iowa.

Council meeting minutes were not signed as required by Chapter 380.7 of the Code of Iowa.

The minutes record did not show information sufficient to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa.

The minutes from August 18, 2004, state, in part, “Two requests were received for the vacated (Council) seat of Kelly White. By secret ballot, Council selected Diane Breon.” Chapter 21.3 of the Code of Iowa does not allow the Council to conduct a vote through secret ballot. In addition, the minutes did not indicate whether an oath of the office was taken by Diane Breon before entering into her duties as a Council member as required by Chapter 63.1 of the Code of Iowa. The City provided us a copy of an oath of office signed by Diane Breon, but the document was not dated. We were unable to determine if the oath of office was taken as required.

City of Mount Union

Schedule of Findings

Year ended June 30, 2006

The City went into closed session on February 23, 2006. The minutes record did not show the specific exemption and the question of entering into a closed session was not approved by two-thirds of the City Council members present as required by Chapter 21.5 of the Code of Iowa.

The City did not post annual gross salaries as required by an Attorney General's opinion dated April 12, 1978 and Chapter 372.13(6) of the Code of Iowa.

Additionally, minutes were not kept for the Eagles Landing Playground and the Volunteer Fire Department.

Recommendation – The City should post and sign minutes as required by the Code of Iowa. The minutes should indicate the vote of each member as required. The City should administer the required oath of office for all elected or appointed officials and the action should be included in the minutes. The minutes should include the specific exemption and the vote of at least two-thirds of the Council members present for closed sessions as required. The annual gross salaries should be posted as required. Also, the Eagles Landing Playground and the Volunteer Fire Department's should keep minutes to document specific actions and should be signed to authenticate the records.

Response – We will post the required information. The Clerk now signs the minutes. The vote of Council members will be noted in the minutes. The minutes will include documentation of the oath of office. All future closed sessions will require two-thirds vote of present Council members. Salaries will be posted at the end of the fiscal year. Eagles Landing and Fire Department minutes will be included in the City's posted minutes.

Conclusion – Response accepted.

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted, except as follows:

The City has not approved an investment policy as required by Chapter 12B.10B of the Code of Iowa.

A resolution naming the official depositories has not been approved by the City. Chapter 12C.2 of the Code of Iowa requires the City, by written resolution, to name each depository approved for depositing all City funds and to specify the maximum dollar amount which may be kept on deposit at each depository.

Recommendation – The City should approve a written investment policy as required by Chapter 12B.10B of the Code of Iowa. A resolution in amounts sufficient to cover anticipated balances at approved depositories should be adopted in accordance with Chapter 12C of the Code of Iowa.

Response – A written investment policy will be written in the near future. The City has 3 CD's totaling \$17,000. Approved banks will be selected in the future and amounts named.

Conclusion – Response accepted.

City of Mount Union

Schedule of Findings

Year ended June 30, 2006

- (8) Road Use Tax – Road use tax collections were posted directly to the General Fund for the year ended June 30, 2006.

Recommendation – The City should establish a Special Revenue, Road Use Tax Fund to record road use tax collections and to ensure the funds are spent in accordance with Chapter 312 of the Code of Iowa.

Response – A Road Use Tax Fund will be established.

Conclusion – Response accepted.

- (9) Local Option Sales Tax – The City’s local option sales tax referendum, effective January 1, 2001 through December 31, 2005, states the proceeds shall be used for Parks and Recreation. The City’s local option sales tax referendum, effective January 1, 2006 through December 31, 2015, states the proceeds shall be used for City Park improvements.

The City posts local option sales tax collections to the General Fund. The City does not track how local option sales tax collections are spent or document unspent balances. As a result we were unable to determine whether the City has used the tax for the purposes specified in the local option sales tax referendums.

Recommendation – The City should document local option sales tax collections and disbursements since inception to determine the unspent balance at June 30, 2006. A corrective transfer should be made from the General Fund to establish a Special Revenue Fund for the unspent balance of local option sales tax as of June 30, 2006.

The City should expend local option sales tax in accordance with the local option sales tax referendums.

Response – The City will attempt to reconstruct the LOST activity and determine the unspent balance. A transfer will be made to establish a LOST Fund. The local option sales tax monies will be spent as required.

Conclusion – Response accepted.

- (10) City Code of Ordinances – The City has not compiled the City ordinances since 2001. In accordance with Chapter 380.8 of the Code of Iowa, a code of ordinances must be compiled at least once every five years unless a supplement to the code of ordinances is compiled at least annually.

Recommendation – The City should compile the City ordinances as required.

Response – South East Iowa Regional Planning was contacted earlier this year to help rewrite the City codes.

Conclusion – Response accepted.

City of Mount Union

Schedule of Findings

Year ended June 30, 2006

- (11) Mayor/City Council Compensation and Payroll – The Mayor and City Council were paid flat fees for their services (meeting attendance). The City did not deduct the required employee FICA and IPERS and the City did not submit the employer FICA and IPERS match as required. Also, the amounts paid were reported on Form 1099 rather than Form W-2.

Additionally, the City paid an employee for mowing services and reported the wages on Form 1099. As a result, the City did not deduct the employee share of FICA and IPERS or remit the City's share of FICA and IPERS as required.

Certain elected officials have donated a portion their wages to the City. In these cases, the City did not pay the official for the portion of donated wages, but paid the amount to the Eagles Landing Playground Account.

Recommendation – The City should contact the Internal Revenue Service (IRS) and IPERS to determine the disposition of these matters. All approved wages should be paid to individuals as authorized. If an individual donates their wage, the individual should be paid their wages and then submit their donation to the City.

Response – The Internal Revenue Service (IRS) and IPERS is being contacted. We will cease the practice of not paying individuals for donated wages.

Conclusion – Response accepted.

- (12) Annual Financial Report – Although the City's Annual Financial Report for the year ended June 30, 2006 was submitted as required by Chapter 384.22 of the Code of Iowa, the amounts reported did not agree with the City's financial records and the report did not include the fiscal year budget information. Also, the report did not include the financial activity of the Eagles Landing Playground and Volunteer Fire Department accounts as required by Chapter 384.20 of the Code of Iowa.

Recommendation – The Annual Financial Report should be amended and resubmitted. Future reports should include all City accounts as required by Chapter 384.20 of the Code of Iowa.

Response – This will be the responsibility of the newly hired accountant.

Conclusion – Response accepted.

- (13) Private Use of Public Property – The City owns a piece of land not used by the City since the property is located in a low area and tends to pond water. An adjacent property owner uses the land for parking and storage of landscaping materials. The City does not have a written agreement for the use of the property and the rent to be paid, if any. Although no rent is charged or paid, the adjacent property owner mows the City's property at no cost to the City.

Article III Section 31 of the Constitution of Iowa states, in part, "No public money or property shall be appropriated for local or private purposes unless such appropriation, compensation, or claim, be allowed by two-thirds of the members elected to each branch of the General Assembly."

Although it is possible such a use of City property could meet the public purpose criteria, such items will be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

City of Mount Union

Schedule of Findings

Year ended June 30, 2006

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – Legal counsel has given the City the proper papers for resolving this matter.

Conclusion – Response accepted.

- (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 retains cancelled checks through electronic image, but 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 as required.

Response – We will contact the bank and inform them of the requirement.

Conclusion – Response accepted.

- (15) Petition for Audit – Except as noted, all items included in the petition for the audit have been resolved.

City of Mount Union

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
John G. Vanis, CGFM, Senior Auditor
Michael J. Hackett, Staff Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State