



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

April 2, 2009

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Martelle, Iowa.

The City's receipts totaled \$777,239 for the year ended June 30, 2008. The receipts included \$44,842 in property tax, \$91,983 from charges for service, \$89,114 from operating grants, contributions and restricted interest, \$4,020 from capital grants, contributions and restricted interest, \$21,142 from local option sales tax, \$12,127 from unrestricted interest on investments, \$511,333 from water revenue bond proceeds and \$2,678 from other general receipts.

Disbursements for the year totaled \$798,480, and included \$66,868 for culture and recreation, \$59,978 for public safety and \$44,519 for public works. Also, disbursements for business type activities totaled \$593,117.

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 MARTELLE

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

JUNE 30, 2008

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City of Martelle

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2008)		
Jeff Whitney	Mayor	Jan 2008
Sandy Davis	Mayor Pro tem	Jan 2008
Barrett Kroeger	Council Member	Jan 2008
Randy Nissen	Council Member	Jan 2008
Mike Lasack	Council Member	Jan 2010
Margaret Sadeghpour-Kramer	Council Member	Jan 2010
Pauline Elarton	City Clerk	Indefinite
June Smothers	City Treasurer	Indefinite
Adrian Knuth	City Attorney	Indefinite
(After January 2008)		
Jeff Butterbaugh	Mayor	Jan 2012
Margaret Sadeghpour-Kramer	Mayor Pro tem	Jan 2010
Mike Lasack	Council Member	Jan 2010
Shirley Durband	Council Member	Jan 2012
Kim Sherman	Council Member	Jan 2012
Jim Slach	Council Member	Jan 2012
Pauline Elarton	City Clerk	Indefinite
June Smothers	City Treasurer	Indefinite
Adrian Knuth	City Attorney	Indefinite

City of Martelle



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Martelle, Iowa, as of and for the year ended June 30, 2008, 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 Martelle's management. 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 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.

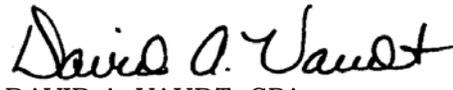
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not 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, 2007.

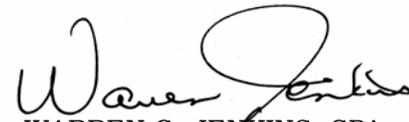
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2007, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Martelle as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2009 on our consideration of the City of Martelle'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 12 and 26 through 28 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Martelle's basic financial statements. Other supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 10, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Martelle 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, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities decreased approximately \$28,000 due, in part, to a payment of approximately \$26,000, in coordination with the Martelle Volunteer Fire Department, toward the purchase of a fire truck on June 23, 2008.
- The cash basis net assets of the City's business type activities increased approximately \$6,000, largely due to an increase in water rates over the prior year.
- The City previously entered into an agreement to receive state revolving loan funds with several corresponding contracts for construction of a water main system and new water tower. The City received \$511,333 of state revolving loan funds to pay contractors on these projects during the year. These loan funds and additional funds subsequently borrowed (approved at up to \$763,000) will be repaid from future water receipts.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide 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.

Other Supplementary Information provides detailed information about the City's outstanding debt.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water and sewer systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

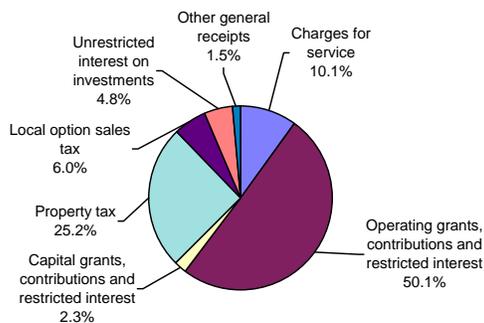
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

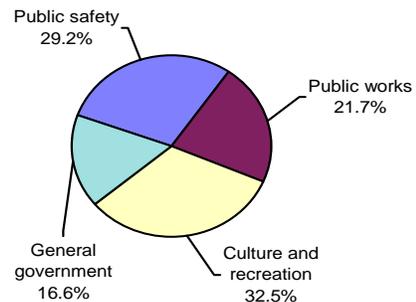
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$222,854 to \$195,125. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year Ended June 30, 2008
Receipts:	
Program receipts:	
Charges for service	\$ 17,876
Operating grants, contributions and restricted interest	89,114
Capital grants, contributions and restricted interest	4,020
General receipts:	
Property tax	44,842
Local option sales tax	10,571
Unrestricted interest on investments	8,533
Other general receipts	2,678
Total receipts	<u>177,634</u>
Disbursements:	
Public safety	59,978
Public works	44,519
Culture and recreation	66,868
General government	33,998
Total disbursements	<u>205,363</u>
Change in cash basis net assets	(27,729)
Cash basis net assets beginning of year	<u>222,854</u>
Cash basis net assets end of year	<u>\$ 195,125</u>

Receipts by Source



Disbursements by Function



<u>Changes in Cash Basis Net Assets of Business Type Activities</u>	
	<u>Year Ended June 30, 2008</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 59,535
Sewer	14,572
General receipts:	
Local option sales tax	10,571
Unrestricted interest on investments	3,594
Water revenue bond proceeds	511,333
Total receipts	<u>599,605</u>
Disbursements:	
Water	582,630
Sewer	10,487
Total disbursements	<u>593,117</u>
Change in cash basis net assets	6,488
Cash basis net assets beginning of year	<u>126,097</u>
Cash basis net assets end of year	<u>\$ 132,585</u>

The cash basis net assets of the City's business type activities increased approximately \$6,000, largely due to an increase in water rates from the prior year. Total business type activities receipts and disbursements for the fiscal year included receipt and subsequent payment to contractors of \$511,333 in state revolving loan fund water revenue bond proceeds.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Martelle completed the year, its governmental funds reported a combined fund balance of \$195,125, a decrease of approximately \$28,000 below last year's total of \$222,854. 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 \$25,209 from the prior year to \$19,489. Approximately \$26,000 of this decrease was due to a payment, in coordination with the Martelle Volunteer Fire Department, of approximately \$26,000 toward the purchase of a fire truck on June 23, 2008.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$2,055 from the prior year to \$82,476.
- The Special Revenue, Martelle Volunteer Fire Department Fund cash balance decreased \$4,126 from the prior year to \$53,980. The decrease was primarily due to a payment of approximately \$14,000 toward the purchase of a fire truck on June 23, 2008.
- The Special Revenue, Martelle Library Board Fund cash balance increased \$1,568 over the prior year to \$34,750.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$2,162 to \$105,962, due primarily to an increase in water rates over the prior year.
- The Sewer Fund cash balance increased \$4,326 to \$26,623, due primarily to an increase in sewer rates over the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on March 3, 2008 and resulted in an increase in business type receipts and disbursements of \$335,804 related to costs incurred for the water main system and water tower projects and receipt of additional state revolving loan funds.

The City's receipts were \$259,537 less than budgeted. This was primarily due to the City budgeting state revolving loan funds with charges for service.

Even with the budget amendment, total disbursements were \$273,037 more than the amended budget.

The City exceeded the amounts budgeted in the public safety, public works, culture and recreation, general government and business type activities functions for the year ended June 30, 2008. The business type activities function budget was exceeded, primarily due to greater progress on the water main system and water tower projects than anticipated. Additionally, the City did not include the disbursement made on June 23, 2008 toward the purchase of a new fire truck in the public safety function budget.

DEBT ADMINISTRATION

On March 5, 2007, the City entered into a state revolving fund loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. (Trustee) for the issuance of \$763,000 of water revenue bonds with interest at 3.0% 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 water storage and water main projects. The funds were drawn by the City from the Trustee upon request to reimburse the City for costs as they were incurred. At June 30, 2008, the City had drawn \$511,333, including a \$7,630 initiation fee, of the \$763,000 authorized. Wells Fargo Bank Iowa, N.A., has the remaining balance of \$251,667 held in trust, which the City will request as the projects progress. A formal repayment schedule has not yet been adopted.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Martelle's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the Jones County now stands at 3.8%, versus 3.7% a year ago. This compares with the State's unemployment rate of 4.0%.

These indicators were taken into account when adopting the budget for fiscal year 2009. Amounts available for appropriation in the operating budget are \$623,772, an increase of 18.8% over the final 2008 budget. Budgeted receipts and disbursements are expected to decrease approximately \$98,000. The majority of the construction costs relating to a water main system and new water tower were anticipated in fiscal year 2008. However, the majority of the costs were actually incurred in fiscal year 2008 with final completion in fiscal year 2009. The City has added no major new programs or initiatives to the 2009 budget.

If these estimates are realized, the City's budgeted cash balance is expected to be approximately \$244,000 by the close of 2009.

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 Pauline Elarton, City Clerk, P.O. Box 96, Martelle, Iowa 52305-0096.

Basic Financial Statements

City of Martelle

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2008

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 59,978	-	23,569	-
Public works	44,519	15,468	18,524	3,800
Culture and recreation	66,868	2,143	47,021	220
General government	33,998	265	-	-
Total governmental activities	205,363	17,876	89,114	4,020
Business type activities:				
Water	582,630	59,535	-	-
Sewer	10,487	14,572	-	-
Total business type activities	593,117	74,107	-	-
Total	\$ 798,480	91,983	89,114	4,020
General Receipts:				
Property and other city tax levied for general purposes				
Local option sales tax				
Unrestricted interest on investments				
Water revenue bond proceeds				
Miscellaneous				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Fire				
Library				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(36,409)	-	(36,409)
(6,727)	-	(6,727)
(17,484)	-	(17,484)
(33,733)	-	(33,733)
(94,353)	-	(94,353)
-	(523,095)	(523,095)
-	4,085	4,085
-	(519,010)	(519,010)
(94,353)	(519,010)	(613,363)
44,842	-	44,842
10,571	10,571	21,142
8,533	3,594	12,127
-	511,333	511,333
2,678	-	2,678
66,624	525,498	592,122
(27,729)	6,488	(21,241)
222,854	126,097	348,951
\$ 195,125	132,585	327,710
\$ 82,476	-	82,476
53,980	-	53,980
34,750	-	34,750
4,430	-	4,430
19,489	132,585	152,074
\$ 195,125	132,585	327,710

City of Martelle

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

As of and for the year ended June 30, 2008

	General	Road Use Tax
Receipts:		
Property tax	\$ 42,231	-
Local option sales tax	10,571	-
Other city tax	2,611	-
Licenses and permits	265	-
Use of money and property	1,664	2,718
Intergovernmental	220	22,324
Charges for service	17,611	-
Miscellaneous	9,056	-
Total receipts	<u>84,229</u>	<u>25,042</u>
Disbursements:		
Operating:		
Public safety	35,489	-
Public works	17,422	27,097
Culture and recreation	22,529	-
General government	33,998	-
Total disbursements	<u>109,438</u>	<u>27,097</u>
Excess (deficiency) of receipts over (under) disbursements	(25,209)	(2,055)
Cash balances beginning of year	<u>44,698</u>	<u>84,531</u>
Cash balances end of year	<u>\$ 19,489</u>	<u>82,476</u>
Cash Basis Fund Balances		
Unreserved:		
General fund	\$ 19,489	-
Special revenue funds	-	82,476
Total cash basis fund balances	<u>\$ 19,489</u>	<u>82,476</u>

See notes to financial statements.

Special Revenue			
Martelle Volunteer Fire Department	Martelle Library Board	Nonmajor Martelle Senior and Community Center	Total
-	-	-	42,231
-	-	-	10,571
-	-	-	2,611
-	-	-	265
3,172	979	-	8,533
-	14,444	6,568	43,556
-	-	-	17,611
17,191	365	25,644	52,256
20,363	15,788	32,212	177,634
24,489	-	-	59,978
-	-	-	44,519
-	14,220	30,119	66,868
-	-	-	33,998
24,489	14,220	30,119	205,363
(4,126)	1,568	2,093	(27,729)
58,106	33,182	2,337	222,854
53,980	34,750	4,430	195,125
-	-	-	19,489
53,980	34,750	4,430	175,636
53,980	34,750	4,430	195,125

City of Martelle

City of Martelle

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances

Proprietary Funds

As of and for the year ended June 30, 2008

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 59,535	14,572	74,107
Operating disbursements:			
Business type activities	34,049	10,487	44,536
Excess of operating receipts over operating disbursements	25,486	4,085	29,571
Non-operating receipts (disbursements):			
Local option sales tax	10,571	-	10,571
Interest on investments	3,353	241	3,594
Water revenue bond proceeds	511,333	-	511,333
Capital projects	(540,711)	-	(540,711)
Debt service	(7,870)	-	(7,870)
Net non-operating receipts (disbursements)	(23,324)	241	(23,083)
Excess of receipts over disbursements	2,162	4,326	6,488
Cash balances beginning of year	103,800	22,297	126,097
Cash balances end of year	\$ 105,962	26,623	132,585
Cash Basis Fund Balances			
Unreserved	\$ 105,962	26,623	132,585

See notes to financial statements.

City of Martelle

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

The City of Martelle is a political subdivision of the State of Iowa located in Jones County. It was first incorporated in 1899 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Martelle 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 although there are several departments created by ordinances which maintain separate records. The financial activity for those departments have been included as Special Revenue Funds of the City, as follows: Martelle Volunteer Fire Department, Martelle Library Board and Martelle Senior and Community Center.

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: Jones County Assessor's Conference Board, Jones County Emergency Management Commission, Jones County Solid Waste Commission and Jones County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in 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 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. The remaining governmental fund is reported as a nonmajor governmental fund.

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 Martelle Volunteer Fire Department Fund is used to account for fire department activities.

The Martelle Library Board Fund is used to account for library activities.

The City reports the following major proprietary funds:

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

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sewer system.

C. Measurement Focus and Basis of Accounting

The City of Martelle 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.

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, general government and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2008 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.

A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

(3) Water Revenue Bonds

On March 5, 2007, the City entered into a state revolving fund loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. (Trustee) for the issuance of \$763,000 of water revenue bonds with interest at 3.0% 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 the water storage and water main projects. The funds were drawn by the City from the Trustee upon request to reimburse the City for costs as they were incurred. At June 30, 2008, the City had drawn \$511,333, including a \$7,630 initiation fee, of the \$763,000 authorized. Wells Fargo Bank Iowa, N.A., has the remaining balance of \$251,667 held in trust, which the City will request as the project progresses. A formal repayment schedule has not yet been adopted.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$763,000 in water revenue bonds issued in March 2007. Proceeds from the bonds provided the prepayment of a portion of the City's outstanding water revenue bonds, series 2007 dated March 5, 2007. The bonds are payable solely from water customer net receipts. For the current year, principal and interest paid and total customer net receipts were \$7,870 and \$25,486, respectively. Annual principal and interest payments on the water revenue bonds are expected to require 31% of net receipts.

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a water revenue bond sinking fund for the purpose of making principal and interest payments when due.

The City has not established the sinking fund and has not made monthly transfers as required by the water revenue bond resolution.

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% 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, 2008 was \$1,605, equal to the required contribution for the year.

(5) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance coverage for the year ended June 30, 2008.

(6) Construction Contracts

On April 9, 2007, the City entered into several construction contracts totaling \$687,788 for a water main project and a water tower project with change orders of \$12,190 approved during the year. At June 30, 2008, \$508,381 had been paid for work completed. The unpaid contract balance totaled \$191,597 and will be paid as work on the projects progresses.

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 42,231	-	42,231
Local option sales tax	10,571	10,571	21,142
Other city tax	2,611	-	2,611
Licenses and permits	265	-	265
Use of money and property	8,533	3,594	12,127
Intergovernmental	43,556	-	43,556
Charges for service	17,611	74,107	91,718
Miscellaneous	52,256	-	52,256
Total receipts	177,634	88,272	265,906
Disbursements:			
Public safety	59,978	-	59,978
Public works	44,519	-	44,519
Culture and recreation	66,868	-	66,868
General government	33,998	-	33,998
Business type activities	-	593,117	593,117
Total disbursements	205,363	593,117	798,480
Excess (deficiency) of receipts over (under) disbursements	(27,729)	(504,845)	(532,574)
Other financing sources, net	-	511,333	511,333
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(27,729)	6,488	(21,241)
Balances beginning of year	222,854	126,097	348,951
Balances end of year	\$ 195,125	132,585	327,710

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
42,452	42,452	(221)
8,889	8,889	12,253
2,584	2,584	27
200	200	65
5,713	5,713	6,414
23,632	23,632	19,924
87,280	423,084	(331,366)
18,889	18,889	33,367
<u>189,639</u>	<u>525,443</u>	<u>(259,537)</u>
11,280	11,280	(48,698)
43,012	43,012	(1,507)
23,995	23,995	(42,873)
27,260	27,260	(6,738)
84,092	419,896	(173,221)
<u>189,639</u>	<u>525,443</u>	<u>(273,037)</u>
-	-	(532,574)
-	-	511,333
-	-	(21,241)
<u>244,129</u>	<u>244,129</u>	<u>104,822</u>
<u>244,129</u>	<u>244,129</u>	<u>83,581</u>

City of Martelle

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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 nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$335,804. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, general government and business type activities functions.

Other Supplementary Information

City of Martelle

Schedule of Indebtedness

As of and for the year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Revenue bonds: Water	Mar 05, 2007	3.0%	<u>\$ 763,000</u>

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
-	511,333	-	511,333	7,870

**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**



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Martelle, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 10, 2009. 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, 2007. 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 Martelle's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Martelle's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Martelle's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Martelle's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Martelle's financial statements that is more than inconsequential will not be prevented or detected by the City of Martelle's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Martelle's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A), (D) and (E) are material weaknesses.

Compliance and Other Matters

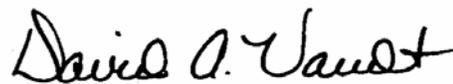
As part of obtaining reasonable assurance about whether the City of Martelle's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Martelle's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Martelle's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Martelle and other parties to whom the City of Martelle 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 Martelle 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 10, 2009

City of Martelle

City of Martelle

Schedule of Findings

Year ended June 30, 2008

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one person has control over each of the following areas:

	Entity
(1) Receipts – collecting, depositing, journalizing and posting.	City Martelle Volunteer Fire Department Martelle Library Board Martelle Senior and Community Center
(2) Utility receipts – billing, collection, depositing, posting and reconciling.	City
(3) Disbursements – purchasing, check signing, recording and reconciling.	City Martelle Volunteer Fire Department Martelle Library Board Martelle Senior and Community Center
(4) Payroll – preparing and distributing.	City Martelle Library Board Martelle Senior and Community Center
(5) Bank reconciliations – preparing, reconciling and reviewing.	City Martelle Volunteer Fire Department Martelle Library Board Martelle Senior and Community Center

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each entity should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and the date of the review.

Responses –

City – The utility meter reader currently does the billing portion of the utility receipts. The majority of purchasing is done by a council member and approved by all council members. Bank reconciliations are prepared by the Treasurer. We will ask her to date and initial. We will do what we can with the limited personnel.

Martelle Volunteer Fire Department – We will work diligently to comply with the recommendations set forth by the Office of Auditor of State.

Martelle Library Board – A trustee that does not sign checks will review reconciliations monthly. A receipt book will be utilized for recording cash.

Martelle Senior and Community Center – The President has agreed to audit the Treasurer’s books quarterly. All bills are preapproved before being paid. All major fund raising events incoming cash is collected by someone other than the Treasurer.

City of Martelle

Schedule of Findings

Year ended June 30, 2008

This person gives the tally to the Board of Directors. A written financial statement is given to all eleven Board of Directors and is updated monthly.

Conclusions –

City – Response accepted.

Martelle Volunteer Fire Department – Response accepted.

Martelle Library Board – Response acknowledged. Checks should be signed by an independent person.

Martelle Senior and Community Center – Response acknowledged. The Center should review its control procedures to obtain the maximum internal control possible under the circumstances.

- (B) Record of Investments – A detailed record of investment transactions was not maintained.

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

Responses –

City – We will start keeping a book or spreadsheet of investments showing CD or money market number, purchase date and interest recorded.

Martelle Volunteer Fire Department – We will work diligently to comply with the recommendations set forth by the Office of Auditor of State.

Martelle Library Board – An investment record is being prepared with the elements listed above.

Martelle Senior and Community Center – A special “Investment” file will be created for our one and only time certificate.

Conclusions – Response accepted.

- (C) City Records and Accounting Procedures – Prenumbered receipts were not issued and checks received were not restrictively endorsed "For Deposit Only" immediately upon collection. City Council members approve payment of claims each month in the minutes. However, the minutes do not document the individual claims approved. The City Clerk prepares a listing of claims paid. However, the list is not signed by a Council member documenting authorization for payment.

Recommendation – Prenumbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all money. These receipts should be recorded and reconciled with timely deposits, and the reconciliation should be reviewed periodically by an independent person. Checks received should be restrictively endorsed "For Deposit Only" at the time of collection to provide additional control. Approval of payment of claims by the Council should be individually documented in the minutes or by a Council member signing the listing.

Response – The City Clerk will start recording checks in a book or on a spreadsheet as received and then mark when deposited. She will endorse checks when received rather than at the time of deposit.

City of Martelle

Schedule of Findings

Year ended June 30, 2008

The Clerk will have a council member date and initial the disbursement listing each month.

Conclusion – Response accepted.

- (D) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared. Also, penalties are not collected on delinquent utility collections and water shut-off procedures are not followed in accordance with the City ordinance.

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period. Also, penalties should be collected on delinquent utility collections and water-shut off procedures should be followed in accordance with the City ordinance. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – The City Clerk will start keeping a delinquent list of utility bills each month. The clerk will start adding penalties to delinquent bills. The Council will decide who is to review.

Conclusion – Response accepted.

- (E) Financial Reporting – During the audit, we identified a material amount of disbursements for a fire truck which were not posted to the General Fund. Also, certain checks written in July, 2007 and 2008 were posted to June, 2007 and 2008, respectively. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements.

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

Response – So noted.

Conclusion – Response acknowledged. All receipts and disbursements should be recorded in the proper period.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Martelle

Schedule of Findings

Year ended June 30, 2008

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the public safety, public works, culture and recreation, general government and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – So noted.

Conclusion – Response acknowledged. The budget should be amended before disbursements are allowed to exceed the budget.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Barrett Kroeger, Council member	Snow removal	\$ 75
Mike Lasack, Council member	Maintenance work	294
Bret Stewart, Water Department employee	Mowing and snow removal	567

Former Mayor Jeff Whitney’s wife, Claudia Whitney, performed consulting services regarding the water tower and water main projects involving applications for a Community Development Block Grant and state revolving loan funds. A contract for these services at a cost of \$26,300 to be paid in equal installments of \$1,643.75 over sixteen months was signed and approved by the Mayor and Water Works Commissioner on April 4, 2005. Federal 1099 tax reports prepared by the City indicate total payments of \$36,660 paid to Claudia Whitney for calendar years 2004, 2005, 2006 and 2007. Claudia Whitney received payments totaling \$6,323 prior to the contract and received the equivalent of eighteen payments of \$1,643.75, or \$3,287.50 more than the contract for \$26,300. Additionally, Claudia Whitney received \$750 from the Martelle Senior and Community Center as a “stipend” per the 2007 Federal Form 1099. There is no evidence of bids being taken for these services or evidence of approval of the contract by the City Council in the minutes.

City of Martelle

Schedule of Findings

Year ended June 30, 2008

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with the Council members and Water Department employee do not appear to represent conflicts of interest since total transactions with each individual were less than \$2,500 during the fiscal year.

The transactions with Claudia Whitney may represent a conflict of interest as defined in Chapter 362.5 of the Code of Iowa since the total transactions exceed \$2,500 during a fiscal year and the transaction was not competitively bid.

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

Response – The Council will review and decide if it is feasible to do this.

Conclusion – Response acknowledged. The City should consult legal counsel.

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

Minutes of the Council meetings were not signed.

Minutes are not published in a newspaper of general circulation and do not include a listing of all claims allowed or a summary of all receipts.

Recommendation – Council minutes should be signed to authenticate actions taken.

As required by Chapter 372.13(6) of the Code of Iowa, a city with a population of over 200 should publish its minutes in a newspaper of general circulation which meets the qualification of a newspaper for official publication as defined in Chapter 618.3 of the Code of Iowa.

Also, a listing of claims allowed shall show the name of the person or firm making the claim, the reason for the claim and the amount of the claim as required by Chapter 372.13(6) of the Code of Iowa and an Attorney's General opinion dated April 12, 1978.

Response – Minutes will be signed by the Clerk each month. The City will start to publish minutes and disbursement list in the Anamosa paper. We will continue to post the minutes at the Village Bank and City Hall.

Conclusion – Response accepted.

- (7) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

The City should adopt a new depository resolution which establishes maximum amounts for each bank as required by Chapter 12C.2 of the Code of Iowa.

City of Martelle

Schedule of Findings

Year ended June 30, 2008

Response – The County Treasurer has sent samples of the two documents and the Clerk will present them to the Council for passage.

Conclusion – Response accepted.

- (8) Revenue Bonds – The water revenue bond sinking fund was not established and monthly transfers were not made to the water revenue bond sinking fund as required by the water revenue bond resolution.

Recommendation – Monthly transfers should be made to the water revenue bond sinking fund as required by the water revenue bond resolution.

Response – The City will start the transfer of money to the water revenue bond sinking fund.

Conclusion – Response accepted.

- (9) Additional and Advanced Salary – The City Clerk was paid an additional \$80 for attending two special Council meetings on November 24, 2007 and May 19, 2008. The City Clerk is paid \$20 per hour with a minimum of two hours per meeting for special Council meetings. There is no evidence of approval of additional compensation for the City Clerk in the City Council minutes or the City ordinances.

The City Clerk was paid \$300 in advance on February 20, 2008 for March payroll, \$400 on April 14, 2008 for May payroll and \$645 on June 13, 2008 for July payroll. The subsequent payroll was reduced to reflect the correct pay for the month and she did not exceed the salary approved by the Council.

Recommendation – A policy for additional compensation for the City Clerk for attending special Council meetings should be approved in the minutes or by ordinance.

Also, payroll should not be paid in advance of being earned.

Response – The City Clerk will ask the Council for a motion on additional compensation for the minutes.

Partial payment of payroll will no longer be issued in advance, rather it will be paid as scheduled.

Conclusion – Response accepted.

- (10) Electronic Checks – 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, Martelle Volunteer Fire Department, Martelle Library Board and Martelle Senior and Community Center did not obtain an image of the back of each cancelled check as required.

Recommendation – Check or warrant images should be obtained and retained, as required.

City of Martelle

Schedule of Findings

Year ended June 30, 2008

Responses –

City – The bank will start sending backs of checks with the January statement.

Martelle Volunteer Fire Department – We will work diligently to comply with the recommendations set forth by the Office of Auditor of State.

Martelle Library Board – We have contacted Village Bank and Trust and requested images of front and back of checks in future statements.

Martelle Senior and Community Center – A request was made to Mt Vernon Bank & Trust and Village Bank & Trust for copies of both front and back of all written checks.

Conclusions – Response accepted.

- (11) Road Use Tax – On April 4, 2007, the City purchased four tires for a bus owned and operated by the Martelle Senior Community Center for \$610 from the Special Revenue, Road Use Tax Fund. This does not appear to be an appropriate disbursement for the Road Use Tax Fund.

Recommendation – The Road Use Tax Fund should be reimbursed from appropriate funds and the City should ensure disbursements made from the Road Use Tax Fund are only for purposes relating to the construction, maintenance and supervision of the public streets as required by Chapter 312.6 of the Code of Iowa.

Response – The Clerk will check with the street department to see if this is an appropriate disbursement. If not, she will find out what needs to be done from them.

Conclusion – Response acknowledged. The Road Use Tax Fund should be reimbursed from appropriate funds.

- (12) Vacancy Appointments – The City Council may approve appointments to the Council upon resignation/vacancies on the Council. Appointments were made on October 4, 2004 and September 2, 2008 to fill vacancies on the Council. However, the Council did not publish a notice stating the Council intended to fill the vacancy by appointment but the electors of the City have the right to file a petition requiring the vacancy be filled by a special election in accordance with Chapter 372.13(2) of the Code of Iowa.

Recommendation – When future vacancies occur, the Council should publish notice the Council intends to fill the vacancy by appointment but the electors of the City have the right to file a petition requiring the vacancy be filled by a special election in accordance with Chapter 372.13(2) of the Code of Iowa.

Response – So noted.

Conclusion – Response acknowledged. The City Council should fill vacancies on the Council in accordance with the Code of Iowa.

City of Martelle

Schedule of Findings

Year ended June 30, 2008

- (13) Separately Maintained Records - The bookkeeping and custody of the Martelle Library Board, Martelle Volunteer Fire Department and the Martelle Senior and Community Center were under the control of the Treasurer of the respective Boards in a location separate from the City Clerk's office. These accounts were not reflected in the City's accounting system and were not included in the City's annual budget or monthly financial reports.

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

Response – The City Clerk will remind the three entities that they need to give this information to the City for budgeting and financial reporting.

Conclusion – Response accepted.

- (14) Annual Financial Report – The City’s annual financial report was prepared and filed timely for the year ended June 30, 2008. However, the report contained material errors and amounts which could not be substantiated.

Recommendation – The annual financial report should be amended to correct material errors and the amounts reported should be substantiated.

Response – We will submit an updated annual financial report.

Conclusion – Response accepted.

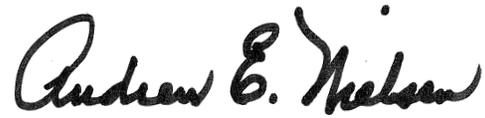
- (15) Petition for Audit – Except as noted, all items included in the petition for audit have been resolved.

City of Martelle

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Darryl J. Brumm, CPA, Senior Auditor II
Kelly L. Hilton, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State