



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

State Capitol Building  
Des Moines, Iowa 50319-0004

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David A. Vaudt, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE December 8, 2009

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Elkport, Iowa for the years ended June 30, 2006 and 2007.

The City's receipts totaled \$420,024 for the year ended June 30, 2007, and included \$5,159 in property tax, \$5,291 from local option sales tax, \$ 3,459 from charges for service, \$405,480 from operating grants and contributions and \$635 from unrestricted interest on investments. The City's receipts totaled \$808,013 for the year ended June 30, 2006, and included \$8,596 in property tax, \$4,699 from local option sales tax, \$2,583 from charges for service, \$791,652 from operating grants and contributions and \$483 from unrestricted interest on investments.

Disbursements for the year ended June 30, 2007 totaled \$646,291, and included \$622,726 for public safety, \$20,211 for public works and \$2,851 for general government. Disbursements for the year ended June 30, 2006 totaled \$585,101, and included \$575,639 for public safety, \$5,568 for public works and \$3,042 for general government.

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/index.html>.

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**CITY OF ELKPORT**

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

**JUNE 30, 2007 AND 2006**

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## **City of Elkport**

### **Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Roger Bolsinger	Mayor	Jan 2008
Rick Bolsinger	Council Member	Jan 2008
Dianne Bolsinger	Council Member	Jan 2008
Dianna Hansel	Council Member	Jan 2008
Darcy Bolsinger	City Clerk	(resigned June 2008)
Darwin Baldridge (appointed July 2008)	City Clerk	(resigned June 2009)
Una Groth (appointed June 2009)	City Clerk	Indefinite
John Gnagy	Attorney	Indefinite

**City of Elkport**



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

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 Elkport, Iowa, as of and for the years ended June 30, 2007 and 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 Elkport'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.

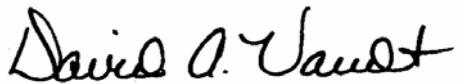
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not 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, 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 Elkport as of June 30, 2007 and 2006, and the respective changes in cash basis financial position for the years then ended in conformity with the basis of accounting described in Note 1.

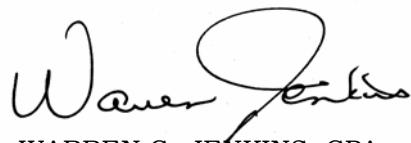
In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2009 on our consideration of the City of Elkport's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 22 through 24 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 Elkport's basic financial statements. Other supplementary information included in Schedule 1, the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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

September 28, 2009

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Elkport provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2007 and 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

- The City's cash basis net assets decreased 86.1%, or approximately \$226,000, from June 30, 2006 to June 30, 2007.
- The City's cash basis net assets increased 558.2%, or approximately \$223,000, from June 30, 2005 to June 30, 2006.

### **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 Schedule of Expenditures of Federal Awards and provides details of various federal programs benefiting the City.

Because 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.

## **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. Governmental Activities include public safety, public works, health and social services, culture and recreation and general government. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statement*

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, FEMA Fund. 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.

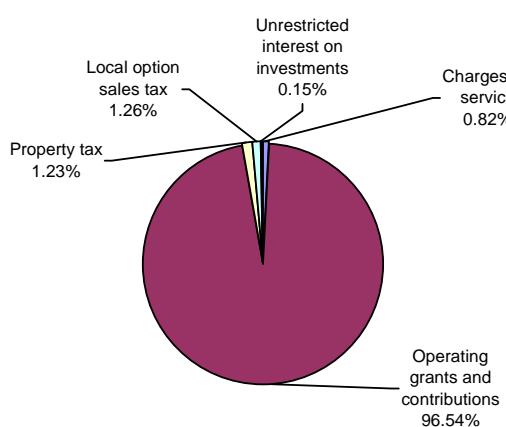
## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from fiscal year 2006 to 2007 by approximately \$226,000 to approximately \$37,000. The City's cash balance for governmental activities increased from fiscal year 2005 to 2006 by approximately \$223,000 to approximately \$263,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

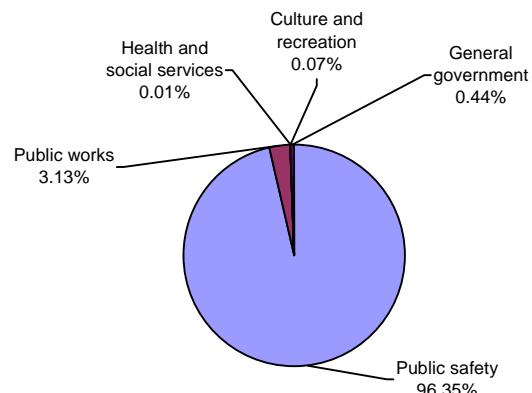
Changes in Cash Basis Net Assets of Governmental Activities			
	Year ended June 30,		
	2007	2006	
<b>Receipts:</b>			
Program receipts:			
Charges for service	\$ 3,459	2,583	
Operating grants and contributions	405,480	791,652	
General receipts:			
Property tax	5,159	8,596	
Local option sales tax	5,291	4,699	
Unrestricted interest on investments	635	483	
Total receipts	420,024	808,013	
<b>Disbursements:</b>			
Public safety	622,726	575,639	
Public works	20,211	5,568	
Health and social services	23	20	
Culture and recreation	480	832	
General government	2,851	3,042	
Total disbursements	646,291	585,101	
Increase (decrease) in cash basis net assets	(226,267)	222,912	
Cash basis net assets beginning of year	262,847	39,935	
Cash basis net assets end of year	\$ 36,580	262,847	

In fiscal year 2007, the City's total receipts for governmental activities decreased 48%, or approximately \$388,000. The total cost of all programs and services increased 10.5%, or approximately \$61,000. The increase in cost was primarily the result of home buyouts due to flooding.

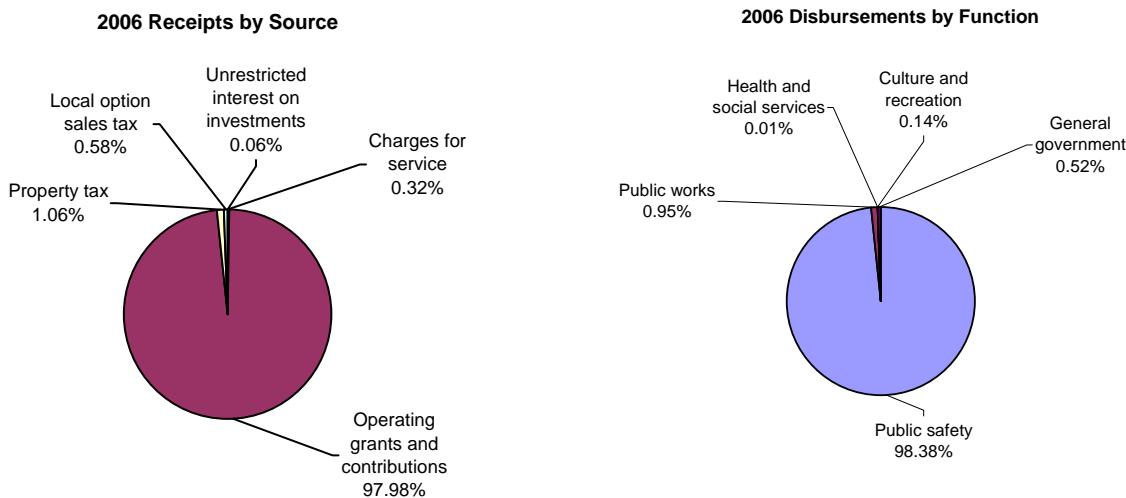
**2007 Receipts by Source**



**2007 Disbursements by Function**



In fiscal year 2006, the City's total cash basis net assets increased 558.2%, or approximately \$223,000. The increase in cash basis net assets resulted primarily from FEMA grant receipts.



## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Elkport completed the years, its governmental funds reported a combined fund balance of \$36,580 at the end of fiscal year 2007 and \$262,847 at the end of fiscal year 2006. 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 \$8,317 to \$33,848 from June 30, 2006 to June 30, 2007 and increased \$2,240 to \$42,165 from June 30, 2005 to June 30, 2006. Receipts from property tax decreased during fiscal year 2007 due to the buyout of property and reduced valuations.
- The Special Revenue, FEMA Fund cash balance decreased \$217,950 to \$2,732 from fiscal year 2006 to 2007 and increased \$220,672 to \$220,682 from fiscal year 2005 to 2006. The ending cash balance during FY 2006 and FY 2007 changed as a result of the timing of the receipt of the FEMA grant proceeds and disbursements for home buy-outs due to flooding.

## BUDGETARY HIGHLIGHTS

The City did not amend its budget during the fiscal years ended June 30, 2007 and 2006. The City exceeded budgeted receipts by approximately \$406,000 in FY07 and approximately \$787,000 in FY06, primarily due to increased intergovernmental receipts for the FEMA grants.

Total disbursements for fiscal years 2007 and 2006 were approximately \$632,000 and \$564,000, more than budgeted, respectively. The City exceeded the amounts budgeted in the public safety, public works and general government functions for the year ended June 30, 2007 and the public safety, culture and recreation and general government functions for the year ended June 30, 2006. The City exceeded the amounts budgeted due primarily to disbursements for home buy-outs due to flooding which were not budgeted.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Elkport'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.

## **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 Una Groth, P.O. Box 2B, Elkport, Iowa 52044-8302.

**City of Elkport**

**Basic Financial Statements**

**Exhibit A**

City of Elkport  
Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2007

	Disbursements	Program Receipts		Net (Disbursements) Receipts and Change in Cash Cash Net Assets
		Charges for Service	Operating Grants and Contributions	
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 622,726	-	401,872	(220,854)
Public works	20,211	1,476	3,608	(15,127)
Health and social services	23	-	-	(23)
Culture and recreation	480	1,833	-	1,353
General government	2,851	150	-	(2,701)
Total governmental activities	<u>\$ 646,291</u>	<u>3,459</u>	<u>405,480</u>	<u>(237,352)</u>
<b>General Receipts:</b>				
Property and other city tax levied for general purposes				5,159
Local option sales tax				5,291
Unrestricted interest on investments				635
Total general receipts				<u>11,085</u>
Change in cash basis net assets				(226,267)
Cash basis net assets beginning of year				<u>262,847</u>
Cash basis net assets end of year				<u>\$ 36,580</u>
<b>Cash Basis Net Assets:</b>				
Restricted for FEMA grant purposes				\$ 2,732
Unrestricted				<u>33,848</u>
Total cash basis net assets				<u>\$ 36,580</u>

See notes to financial statements.

City of Elkport  
Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2006

	Program Receipts			Net (Disbursements) Receipts and Change in Cash Basis Net Assets	
	Disbursements	Operating			
		Charges for Service	Grants and Contributions		
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety	\$ 575,639	-	788,027	212,388	
Public works	5,568	1,747	3,625	(196)	
Health and social services	20	-	-	(20)	
Culture and recreation	832	611	-	(221)	
General government	3,042	225	-	(2,817)	
Total governmental activities	\$ 585,101	2,583	791,652	209,134	
<b>General Receipts:</b>					
Property and other city tax levied for general purposes				8,596	
Local option sales tax				4,699	
Unrestricted interest on investments				483	
Total general receipts				13,778	
Change in cash basis net assets				222,912	
Cash basis net assets beginning of year				39,935	
Cash basis net assets end of year				\$ 262,847	
<b>Cash Basis Net Assets:</b>					
Restricted for FEMA grant purposes				\$ 220,682	
Unrestricted				42,165	
Total cash basis net assets				\$ 262,847	

See notes to financial statements.

**Exhibit B**

## City of Elkport

Statement of Cash Receipts, Disbursements and  
Changes in Cash Balances -  
All Funds

As of and for the year ended June 30, 2007

	General	Special Revenue FEMA	Total
<b>Receipts:</b>			
Property tax	\$ 5,159	-	5,159
Other city tax	5,291	-	5,291
Licenses and permits	150	-	150
Use of money and property	2,468	-	2,468
Intergovernmental	18,254	387,226	405,480
Charges for service	1,476	-	1,476
<b>Total receipts</b>	<b>32,798</b>	<b>387,226</b>	<b>420,024</b>
<b>Disbursements:</b>			
Operating:			
Public safety	17,550	605,176	622,726
Public works	20,211	-	20,211
Health and social services	23	-	23
Culture and recreation	480	-	480
General government	2,851	-	2,851
<b>Total disbursements</b>	<b>41,115</b>	<b>605,176</b>	<b>646,291</b>
Deficiency of receipts under disbursements	(8,317)	(217,950)	(226,267)
Cash balances beginning of year	42,165	220,682	262,847
Cash balances end of year	<b>\$ 33,848</b>	<b>2,732</b>	<b>36,580</b>
<b>Cash Basis Fund Balances</b>			
Reserved for FEMA grant purposes	\$ -	2,732	2,732
Unreserved	33,848	-	33,848
<b>Total cash basis fund balances</b>	<b>\$ 33,848</b>	<b>2,732</b>	<b>36,580</b>

See notes to financial statements.

## City of Elkport

Statement of Cash Receipts, Disbursements and  
Changes in Cash Balances -  
All Funds

As of and for the year ended June 30, 2006

	Special Revenue		
	General	FEMA	Total
<b>Receipts:</b>			
Property tax	\$ 8,596	-	8,596
Other city tax	4,699	-	4,699
Licenses and permits	225	-	225
Use of money and property	1,094	-	1,094
Intergovernmental	9,625	782,027	791,652
Charges for service	1,747	-	1,747
<b>Total receipts</b>	<b>25,986</b>	<b>782,027</b>	<b>808,013</b>
<b>Disbursements:</b>			
<b>Operating:</b>			
Public safety	14,284	561,355	575,639
Public works	5,568	-	5,568
Health and social services	20	-	20
Culture and recreation	832	-	832
General government	3,042	-	3,042
<b>Total disbursements</b>	<b>23,746</b>	<b>561,355</b>	<b>585,101</b>
Excess of receipts over disbursements	2,240	220,672	222,912
Cash balances beginning of year	39,925	10	39,935
Cash balances end of year	<b>\$ 42,165</b>	<b>220,682</b>	<b>262,847</b>
<b>Cash Basis Fund Balances</b>			
Reserved for FEMA grant purposes	\$ -	220,682	220,682
Unreserved	42,165	-	42,165
<b>Total cash basis fund balances</b>	<b>\$ 42,165</b>	<b>220,682</b>	<b>262,847</b>

See notes to financial statements.

City of Elkport

Notes to Financial Statements

June 30, 2007 and 2006

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

The City of Elkport is a political subdivision of the State of Iowa located in Clayton County. It was first incorporated in 1918 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 and general government services.

**A. Reporting Entity**

For financial reporting purposes, the City of Elkport 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: Clayton County Assessor's Conference Board, Clayton County Emergency Management Commission and Clayton 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 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 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 Statement – A separate financial statement is provided for governmental funds. 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.

The Special Revenue, FEMA Fund is used to account for FEMA grant receipts and disbursements for home buy-outs due to flooding.

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

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

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

#### **D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the public safety, public works and general government functions. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public safety, culture and recreation and general government functions.

#### **(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2007 and 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 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 contributions to IPERS for the years ended June 30, 2007 and June 30, 2006 were \$38 and \$75, respectively, equal to the required contributions for each year.

#### **(4) Risk Management**

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

**Required Supplementary Information**

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

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds Actual	Budgeted Amounts Original/Final	Final to Actual Variance
<b>Receipts:</b>			
Property tax	\$ 5,159	4,332	827
Other city tax	5,291	4,500	791
Licenses and permits	150	150	-
Use of money and property	2,468	425	2,043
Intergovernmental	405,480	3,500	401,980
Charges for service	1,476	1,350	126
<b>Total receipts</b>	<b>420,024</b>	<b>14,257</b>	<b>405,767</b>
<b>Disbursements:</b>			
Public safety	622,726	2,825	(619,901)
Public works	20,211	5,700	(14,511)
Health and social services	23	50	27
Culture and recreation	480	1,000	520
General government	2,851	2,702	(149)
Business type activities	-	1,980	1,980
<b>Total disbursements</b>	<b>646,291</b>	<b>14,257</b>	<b>(632,034)</b>
Deficiency of receipts under disbursements	(226,267)	-	(226,267)
Balances beginning of year	262,847	19,360	243,487
<b>Balances end of year</b>	<b>\$ 36,580</b>	<b>19,360</b>	<b>17,220</b>

See accompanying independent auditor's report.

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

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds Actual	Budgeted Amounts Original/Final	Final to Actual Variance
<b>Receipts:</b>			
Property tax	\$ 8,596	7,898	698
Other city tax	4,699	4,500	199
Licenses and permits	225	250	(25)
Use of money and property	1,094	825	269
Intergovernmental	791,652	4,000	787,652
Charges for service	1,747	3,500	(1,753)
<b>Total receipts</b>	<b>808,013</b>	<b>20,973</b>	<b>787,040</b>
<b>Disbursements:</b>			
Public safety	575,639	2,632	(573,007)
Public works	5,568	10,940	5,372
Health and social services	20	75	55
Culture and recreation	832	525	(307)
Community and economic development	-	489	489
General government	3,042	2,872	(170)
Business type activities	-	3,500	3,500
<b>Total disbursements</b>	<b>585,101</b>	<b>21,033</b>	<b>(564,068)</b>
Excess (deficiency) of receipts over (under) disbursements	222,912	(60)	222,972
Balances beginning of year	39,935	40,691	(756)
<b>Balances end of year</b>	<b>\$ 262,847</b>	<b>40,631</b>	<b>222,216</b>

See accompanying independent auditor's report.

City of Elkport

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007 and 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 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 and the Special Revenue Fund. 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, 2007, disbursements exceeded the amounts budgeted in the public safety, public works and general government functions.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public safety, culture and recreation and general government functions.

**Other Supplementary Information**

**Schedule 1**

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## City of Elkport

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants			
State's Program		14.228	\$ 92,633
U.S. Department of Homeland Security:			
Iowa Department of Public Defense - Iowa Homeland			
Security and Emergency Management Division:			
Disaster Grants - Public Assistance			
(Presidentially Declared Disasters)		97.036	FEMA-1518-DR-IA 126,976
Hazard Mitigation Grant		97.039	FEMA-1518-DR-IA 356,189
			483,165
Total			\$ 575,798

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

See accompanying independent auditor's report.

## City of Elkport

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants			
State's Program	14.228		\$ 88,712
U.S. Department of Homeland Security:			
Iowa Department of Public Defense - Iowa Homeland Security and Emergency Management Division:			
Hazard Mitigation Grant	97.039	FEMA-1518-DR-IA	<u>420,646</u>
Total			\$ <u>509,358</u>

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

See accompanying independent auditor's report.

**City of Elkport**



## OFFICE OF AUDITOR OF STATE

STATE OF IOWA

David A. Vaudt, CPA

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 and each major fund of the City of Elkport, Iowa, as of and for the years ended June 30, 2007 and 2006, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated September 28, 2009. Our report expressed unqualified opinions on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. 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 Elkport'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 Elkport's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Elkport'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 Elkport'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 Elkport's financial statements that is more than inconsequential will not be prevented or detected by the City of Elkport's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs 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 Elkport'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 II-A-07 and II-B-07 are material weaknesses.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the years ended June 30, 2007 and 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.

The City of Elkport's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Elkport'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 Elkport and other parties to whom the City of Elkport may report, including federal awarding agencies and pass-through entities. 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 Elkport 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

September 28, 2009

**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

**City of Elkport**



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

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Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the compliance of the City of Elkport, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for each of the years ended June 30, 2007 and 2006. The City of Elkport's major federal program for each of the years ended June 30, 2007 and 2006 is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Elkport's management. Our responsibility is to express an opinion on the City of Elkport's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Elkport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Elkport's compliance with those requirements.

In our opinion, the City of Elkport complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for each of the years ended June 30, 2007 and 2006.

Internal Control Over Compliance

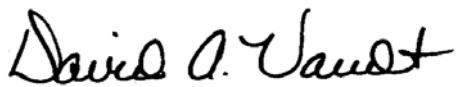
The management of the City of Elkport is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Elkport's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Elkport's internal control over compliance.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 Elkport and other parties to whom the City of Elkport may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 28, 2009

City of Elkport

Schedule of Findings and Questioned Costs

Years ended June 30, 2007 and 2006

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

- (a) Unqualified opinions were issued for the years ended June 30, 2007 and 2006 on the financial statements which 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.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program for each of the years ended June 30, 2007 and 2006 was CFDA Number 97.039 – Hazard Mitigation Grant.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Elkport did not qualify as a low-risk auditee.

City of Elkport

Schedule of Findings and Questioned Costs

Years ended June 30, 2007 and 2006

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

**SIGNIFICANT DEFICIENCIES:**

II-A-07 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One person had control over each of the following areas for the City:

- (1) Receipts - collecting, depositing, journalizing, posting and reconciling.
- (2) Disbursements - check writing, signing and reconciling.
- (3) Payroll - preparation and distribution.
- (4) Financial reporting.

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

Response – We will try to segregate duties as much as possible. Currently all checks are written at the City Council meetings and all bills, receipts and payroll are reviewed by the City Council.

Conclusion – Response accepted.

II-B-07 City Records and Accounting Procedures – Cash collections were not deposited and recorded on a timely basis. Several monthly bank reconciliations were not performed. Certificates of deposit (CDs) and a savings account were not included in the City's cash balance.

Additionally, prenumbered receipts were not issued and checks received were not restrictively endorsed "For Deposit Only" upon collection. Two paid invoices were not canceled to help prevent duplicate payment.

Recommendation – Monthly reconciliations should be performed between financial reports and bank balances, with any reconciling errors resolved in a timely manner. All investments and bank accounts should be included in the City's book balance.

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. For collections received in cash, a daily cash collections log should be maintained, receipts should be issued for the total of the cash collections for the day and reconciled with timely deposits. Checks received should be restrictively endorsed "For Deposit Only" at the time of collection to provide additional control over cash in the office.

City of Elkport

Schedule of Findings and Questioned Costs

Years ended June 30, 2007 and 2006

Prior to signing, the checks and supporting documents should be reviewed for propriety. All paid invoices and supporting documentation should be canceled with the date and check number to help prevent possible duplicate payment.

Response – We have implemented the procedures recommended including performing monthly reconciliations and depositing all checks upon receipt. We will continue to work on implementing the remaining recommendations.

Conclusion – Response accepted.

II-C-07 Chart of Accounts and Accounting System – The City did not have an established chart of accounts. The accounting system consisted of a journal of deposits and checks written, both maintained by the City Clerk. General and subsidiary ledgers have not been established. The City Clerk did not prepare monthly reports for the City Council's review and approval.

Recommendation – To provide better financial information and control, a chart of accounts, such as the one recommended by the City Finance Committee, should be established. Appropriate ledgers and subsidiary ledgers should be maintained and reconciled monthly for all funds. Monthly reports to the City Council should include, at a minimum, beginning of month fund balance, a summary of receipts, a summary of disbursements by function with comparison to budget and end of month fund balance.

Response – We will implement the recommended procedures. We will use a monthly spreadsheet to monitor our finances. These will be submitted to the City Council monthly. We will use a chart of accounts.

Conclusion – Response accepted.

II-D-07 Information Systems – During our review of internal control, the existing control activities in the City's computer based 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 systems were noted:

The City does not have written polices for:

- Daily backups for personal computer hard drives.
- Storage of backup tapes/disks off site.
- Personal use of computer equipment and software.
- Requiring passwords to be changed at least every 60 to 90 days.
- Password privacy and confidentiality.

Also, the City does not have a written disaster recovery plan.

City of Elkport  
Schedule of Findings and Questioned Costs  
Years ended June 30, 2007 and 2006

Recommendation – The City should develop written policies addressing the above items to improve the City's control over computer based systems. A written disaster recovery plan should be developed.

Response – We will develop the recommended written policies.

Conclusion – Response accepted.

II-E-07 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.

Response – We will prepare a spreadsheet to record investment transactions.

Conclusion – Response accepted.

II-F-07 Timesheets – Timesheets were not kept for all City employees.

Recommendation – Timesheets should be kept to support hours worked and should be approved and initialed by the employee's supervisor.

Response – A payroll book is now used to track hours worked. This will be reviewed at the City Council meetings.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Elkport

Schedule of Findings and Questioned Costs

Years ended June 30, 2007 and 2006

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

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

City of Elkport

Schedule of Findings and Questioned Costs

Years ended June 30, 2007 and 2006

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

IV-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the public safety, public works and general government functions. Also, disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the public safety, culture and recreation 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 budgets should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budgets.

Response – We are currently tracking disbursements on a spreadsheet. We will amend our budget prior to exceeding disbursements.

Conclusion – Response accepted.

IV-B-07 Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-07 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-07 Business Transactions – No business transactions between the City and City officials or employees were noted.

IV-E-07 Bond Coverage – Surety bond coverage of City officials was not maintained. Chapter 64 of the Code of Iowa states all public officers, except as specifically provided, shall give bond.

Recommendation – The City should comply with the provisions contained in Chapter 64 of the Code of Iowa and periodically review its coverage for adequacy.

Response – We are currently reviewing bonding companies.

Conclusion – Response accepted.

City of Elkport

Schedule of Findings and Questioned Costs

Years ended June 30, 2007 and 2006

- IV-F-07 Council Minutes – Except as noted, no transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, the publication did not include total disbursements by fund as required. Also, the City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978. Certain minutes were not signed as required by Chapter 380.7(3) of the Code of Iowa.

Recommendation – The City should ensure total disbursements by fund and annual individual gross salaries are published as required. Also, the minutes should be signed to authenticate the record.

Response – Minutes will be signed by the City Clerk. We will publish total disbursements by fund and the annual individual employee gross salaries.

Conclusion – Response accepted.

- IV-G-07 Deposits and Investments – A resolution naming official depositories has not been adopted by the City Council.

Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council.

Response – We are currently working on adopting a depository resolution.

Conclusion – Response accepted.

- IV-H-07 Annual Financial Report – The City prepared the annual financial reports for the fiscal years ended June 30, 2007 and 2006. However, the reports did not include investments or the savings account for those years as required by Chapter 384.22 of the Code of Iowa. Additionally, the certified budget and debt limitation information was not included, as required.

Recommendation – The annual financial report should be completed and filed as required by Chapter 384.22 of the Code of Iowa.

Response – The annual financial report will now include all bank accounts and investments of the City. In the future the City will include all required information including the certified budget and debt limitation information.

Conclusion – Response accepted.

- IV-I-07 Special Revenue Funds – The City deposits local option sales tax and road use tax receipts into the General Fund of the City.

Recommendation – The City should establish special revenue funds for local option sales tax and road use tax receipts to aid the City in tracking the receipts, disbursements and balances of local option sales tax collections and road use tax receipts.

Response – We will establish the Special Revenue, Local Option Sales Tax and Road Use Tax Funds.

Conclusion – Response accepted.

City of Elkport

Schedule of Findings and Questioned Costs

Years ended June 30, 2007 and 2006

IV-J-07    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 images of both the front and back of cancelled checks as required.

Responses – We are working with our bank to obtain images of both the front and back of cancelled checks.

Conclusions – Response accepted.

City of Elkport

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager  
Billie Jo Heth, Senior Auditor II  
Kurt Goldsmith, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State