



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE _____ November 3, 2010

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$190,256 for the year ended June 30, 2009. The receipts included \$132,314 in property tax, \$982 from tax increment financing, \$30,460 from charges for service, \$7,849 from operating grants, contributions and restricted interest, \$2,700 from unrestricted interest on investments and \$15,951 from other general receipts.

Disbursements for the year totaled \$160,319, and included \$65,903 for general government, \$44,826 for culture and recreation and \$27,707 for public works. Also, disbursements for business type activities totaled \$6,500.

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/0922-0871-B00F.pdf>.

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CITY OF CUMMING

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

JUNE 30, 2009

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City of Cumming

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jim Gifford	Mayor	Jan 2010
Brad Brown	Council Member	Jan 2010
Ed Harkin	Council Member	Jan 2010
Rick Langen	Council Member	Jan 2012
Jeff Miller	Council Member	Jan 2012
Skip Shelley	Council Member	Jan 2012
Dean Pruiett	Treasurer	Aug 2009
Heather Beougher	City Clerk	Resigned Aug 2008
Anita Enos	City Clerk	Resigned Nov 2009
James Nervig	Attorney	Indefinite

City of Cumming



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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 Cumming, Iowa, as of and for the year ended June 30, 2009, 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 Cumming's management. Our responsibility is to express opinions on these financial statements based on our audit.

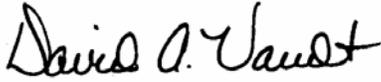
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2008.

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, 2008, 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 Cumming as of June 30, 2009, 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 September 22, 2010 on our consideration of the City of Cumming'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards 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 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 22, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Cumming 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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities increased \$18,388, or 9%.
- The cash basis net assets of the City's business type activities increased \$11,549, or 13%.

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.

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 waterworks and the sewer system. 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 and Urban Renewal Tax Increment. 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 major funds of the City.

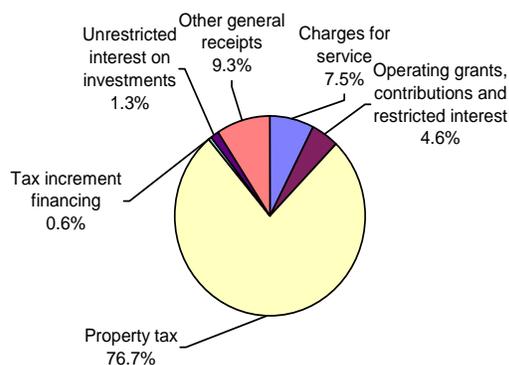
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

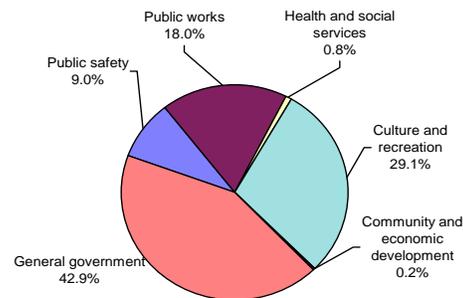
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$214,000 to approximately \$232,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2009
Receipts:	
Program receipts:	
Charges for service	\$ 12,882
Operating grants, contributions and restricted interest	7,849
General receipts:	
Property tax	132,314
Tax increment financing	982
Unrestricted interest on investments	2,229
Other general receipts	15,951
Total receipts	<u>172,207</u>
Disbursements:	
Public safety	13,771
Public works	27,707
Health and social services	1,300
Culture and recreation	44,826
Community and economic development	312
General government	65,903
Total disbursements	<u>153,819</u>
Change in cash basis net assets	18,388
Cash basis net assets beginning of year	<u>213,892</u>
Cash basis net assets end of year	<u>\$ 232,280</u>

Receipts by Source



Disbursements by Function



The cost of all governmental activities this year was approximately \$154,000. However, as shown in the Statement of Activities and Net Assets on pages 14-15, the amount taxpayers ultimately financed for these activities was only \$133,000 because some of the cost was paid by those directly benefited from the programs (\$12,900) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$7,800). The City paid for the remaining "public benefit" portion of governmental activities (\$133,000) with taxes and other receipts.

<u>Changes in Cash Basis Net Assets of Business Type Activities</u>	
	<u>Year ended June 30, 2009</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 6,370
Sewer	11,208
General receipts:	
Unrestricted interest on investments	471
Total receipts	<u>18,049</u>
Disbursements:	
Water	1,279
Sewer	5,221
Total disbursements	<u>6,500</u>
Change in cash basis net assets	11,549
Cash basis net assets beginning of year	<u>88,927</u>
Cash basis net assets end of year	<u>\$ 100,476</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Cumming completed the year, its governmental funds reported a combined fund balance of \$232,280, an increase of \$18,388 above last year's total of \$213,892. 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 increased \$72,664 over the prior year to \$179,378. The increase was due, in part, to an increase in the property tax valuation base of 59%, which resulted in an increase in property tax receipts of approximately \$46,000 over the prior year.
- The Special Revenue, Road Use Fund did not report a cash balance for fiscal year 2008 or fiscal year 2009. All road use tax receipts were used by the City.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$982 over the previous year to \$45,572. Receipts decreased approximately \$43,000 from the prior year based on debt certified for urban renewal projects.
- The Special Revenue, Parks and Recreation Fund cash balance decreased \$59,930 from the prior year. This decrease was due to the use of funds during the year for the park project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$5,171 to \$45,634.
- The Sewer Fund cash balance increased \$6,378 to \$54,842.

BUDGETARY HIGHLIGHTS

The City's receipts were \$5,589 less than budgeted. This was primarily due to a decrease in use of money and property. Interest rates decreased and the City had fewer investments in fiscal year 2009.

The actual disbursements for the public safety, health and social services, community and economic development, general government and business type activities functions were \$15,740, \$2,995, \$14,888, \$13,297 and \$28,500, respectively, less than budgeted. This was primarily due to the City not starting a sewer project and completing other capital projects during the year.

The City exceeded the amounts budgeted in the public works and culture and recreation functions for the year ended June 30, 2009 due to the park project which was not budgeted. The City did not amend the budget before incurring the expenses.

DEBT ADMINISTRATION

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's constitutional debt limit is approximately \$796,000. The City has no outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Cumming's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates and fees charged for various City activities.

The budget for governmental activities increased for fiscal year 2010 due to an increase of \$99,000 in tax increment financing for capital improvements.

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 Amanda Hartfield, City Clerk, 649 N. 44th Street, P.O. Box 100, Cumming, IA 50061.

City of Cumming

Basic Financial Statements

City of Cumming

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2009

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 13,771	6,131	-
Public works	27,707	-	7,756
Health and social services	1,300	-	-
Culture and recreation	44,826	6,003	93
Community and economic development	312	-	-
General government	65,903	748	-
Total governmental activities	153,819	12,882	7,849
Business type activities:			
Water	1,279	6,370	-
Sewer	5,221	11,208	-
Total business type activities	6,500	17,578	-
Total	\$ 160,319	30,460	7,849

General Receipts:

Property and other city tax levied for general purposes
 Tax increment financing
 Unrestricted interest on investments
 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:

Urban renewal purposes
 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
(7,640)	-	(7,640)
(19,951)	-	(19,951)
(1,300)	-	(1,300)
(38,730)	-	(38,730)
(312)	-	(312)
(65,155)	-	(65,155)
(133,088)	-	(133,088)
-	5,091	5,091
-	5,987	5,987
-	11,078	11,078
(133,088)	11,078	(122,010)
132,314	-	132,314
982	-	982
2,229	471	2,700
15,951	-	15,951
151,476	471	151,947
18,388	11,549	29,937
213,892	88,927	302,819
\$ 232,280	100,476	332,756
\$ 45,572	-	45,572
7,330	-	7,330
179,378	100,476	279,854
\$ 232,280	100,476	332,756

City of Cumming

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

As of and for the year ended June 30, 2009

	General	Special Revenue	
		Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 127,642	-	-
Tax increment financing	-	-	982
Licenses and permits	6,670	-	-
Use of money and property	2,229	-	-
Intergovernmental	-	7,756	-
Charges for service	209	-	-
Miscellaneous	15,951	-	-
Total receipts	152,701	7,756	982
Disbursements:			
Operating:			
Public safety	13,771	-	-
Public works	-	27,707	-
Health and social services	1,300	-	-
Culture and recreation	50	-	-
Community and economic development	312	-	-
General government	65,903	-	-
Total disbursements	81,336	27,707	-
Excess (deficiency) of receipts over (under) disbursements	71,365	(19,951)	982
Other financing sources (uses):			
Operating transfers in	21,250	19,951	-
Operating transfers out	(19,951)	-	-
Total other financing sources (uses)	1,299	19,951	-
Net change in cash balances	72,664	-	982
Cash balances beginning of year	106,714	-	44,590
Cash balances end of year	\$ 179,378	-	45,572
Cash Basis Fund Balances			
Unreserved, undesignated:			
General fund	\$ 179,378	-	-
Special revenue funds	-	-	45,572
Total cash basis fund balances	\$ 179,378	-	45,572

See notes to financial statements.

Parks and Recreation	Nonmajor Emergency	Total
-	4,672	132,314
-	-	982
-	-	6,670
43	-	2,272
-	-	7,756
6,003	-	6,212
50	-	16,001
6,096	4,672	172,207
-	-	13,771
-	-	27,707
-	-	1,300
44,776	-	44,826
-	-	312
-	-	65,903
44,776	-	153,819
(38,680)	4,672	18,388
-	-	41,201
(21,250)	-	(41,201)
(21,250)	-	-
(59,930)	4,672	18,388
59,930	2,658	213,892
-	7,330	232,280
-	-	179,378
-	7,330	52,902
-	7,330	232,280

City of Cumming

City of Cumming

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

As of and for the year ended June 30, 2009

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 6,370	11,208	17,578
Operating disbursements:			
Business type activities	1,279	5,221	6,500
Excess of operating receipts over operating disbursements	5,091	5,987	11,078
Non-operating receipts:			
Interest on investments	80	391	471
Excess of receipts over disbursements	5,171	6,378	11,549
Cash balances beginning of year	40,463	48,464	88,927
Cash balances end of year	\$ 45,634	54,842	100,476
Cash Basis Fund Balances			
Unreserved	\$ 45,634	54,842	100,476

See notes to financial statements.

City of Cumming

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

The City of Cumming is a political subdivision of the State of Iowa located in Warren County. It was first incorporated in 1925 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 provided water and sewer utilities for its citizens until January 2007, at which time the City contracted with the Des Moines Water Works to provide these services. The City continues to collect fees to fund future infrastructure improvements and maintenance of the utility system.

A. Reporting Entity

For financial reporting purposes, the City of Cumming 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: Warren County Assessor's Conference Board, Wastewater Reclamation Authority and Des Moines Metropolitan Planning Organization.

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 intergovernmental monies which are to be used for road purposes.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the payment of debt for urban renewal projects.

The Parks and Recreation Fund is used to fund new park equipment and events for the citizens of the City of Cumming.

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 wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

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

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

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, 2009, disbursements exceeded the amounts budgeted in the public works and culture and recreation functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

(3) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2009 was \$709, equal to the required contribution for the year.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Parks and Recreation	\$ 21,250
Special Revenue: Road Use Tax	General	19,951
Total		\$ 41,201

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

(5) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 577 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2009 were \$2,010.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

(6) Subsequent Event

On December 14, 2009, the City approved a sewer revenue loan agreement, not to exceed \$60,000, for a sewer project. The sewer revenue loan agreement will be financed with sewer receipts.

Required Supplementary Information

City of Cumming
 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, 2009

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 132,314	-
Tax increment financing	982	-
Local option sales tax	-	-
Licenses and permits	6,670	-
Use of money and property	2,272	471
Intergovernmental	7,756	-
Charges for service	6,212	17,578
Miscellaneous	16,001	-
Total receipts	172,207	18,049
Disbursements:		
Public safety	13,771	-
Public works	27,707	-
Health and social services	1,300	-
Culture and recreation	44,826	-
Community and economic development	312	-
General government	65,903	-
Business type activities	-	6,500
Total disbursements	153,819	6,500
Excess of receipts over disbursements	18,388	11,549
Balances beginning of year	213,892	88,927
Balances end of year	\$ 232,280	100,476

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
132,314	135,164		(2,850)
982	1,000		(18)
-	1,164		(1,164)
6,670	8,200		(1,530)
2,743	9,500		(6,757)
7,756	8,494		(738)
23,790	21,400		2,390
16,001	10,923		5,078
<u>190,256</u>	<u>195,845</u>		<u>(5,589)</u>
13,771	29,511		15,740
27,707	25,200		(2,507)
1,300	4,295		2,995
44,826	6,835		(37,991)
312	15,200		14,888
65,903	79,200		13,297
6,500	35,000		28,500
<u>160,319</u>	<u>195,241</u>		<u>34,922</u>
29,937	604		29,333
<u>302,819</u>	<u>241,287</u>		<u>61,532</u>
<u>332,756</u>	<u>241,891</u>		<u>90,865</u>

City of Cumming

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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, the City did not amend the budget.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the public works and culture and recreation functions.



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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 Cumming, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated September 22, 2010. 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, 2008. 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 Cumming'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 Cumming's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Cumming'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 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 Cumming'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 Cumming's financial statements that is more than inconsequential will not be prevented or detected by the City of Cumming'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 Cumming'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) and (B) are material weaknesses.

Compliance and Other Matters

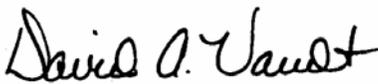
As part of obtaining reasonable assurance about whether the City of Cumming's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 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 Cumming'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 Cumming'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 Cumming and other parties to whom the City of Cumming 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 Cumming 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 22, 2010

City of Cumming
Schedule of Findings
Year ended June 30, 2009

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. One of two individuals has control over each of the following areas:

- (1) Investments – detailed record keeping, custody of investments and reconciling earnings.
- (2) Cash – disbursement functions, handling and recording cash and control of change fund.
- (3) Receipts – opening mail, collecting, depositing and recording.
- (4) Disbursements – check preparation, purchasing and recording.
- (5) Information system (computer usage) – performing all general accounting functions and controlling all data and output.

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 – The City has added an additional employee in the form of a City Treasurer to gain additional segregation of duties since the previous audit report. The City will continue to review all control procedures to ensure maximum internal control.

Conclusion – Response accepted.

(B) Bank Reconciliations – The City's book balances were not reconciled to the bank accounts and investments monthly. Also, a list of outstanding checks was not always prepared for each month and retained.

Recommendation – To improve financial accountability and control, the book and bank balances should be reconciled monthly and the reconciliation should be retained. Any variances should be investigated and resolved in a timely manner. A listing of outstanding checks should be prepared each month and retained. An independent review of the reconciliation should be performed for propriety and should be evidenced by the signature or initials of the independent reviewer and the date of the review.

Response – The City was made aware of this recommendation approximately midway through FY 2009 audit and began to implement the recommendations above. The City will continue to reconcile the book balances to the bank balances and prepare a list of outstanding checks monthly.

Conclusion – Response accepted.

City of Cumming

Schedule of Findings

Year ended June 30, 2009

- (C) Information System – The following weaknesses in the City’s information system were noted:

The City does not have written policies for:

- (1) Requiring the maintenance of password privacy and confidentiality.
- (2) Requiring passwords to be changed at least every 60 to 90 days.
- (3) Requiring password history to be maintained to prevent employees from using the same password.
- (4) Usage of the internet.

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

Response – The City will gather information from like sized communities and the Iowa League of Cities to create written policies and a disaster recovery plan for the City’s information systems.

Conclusion – Response accepted.

- (D) Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual. In addition, the City should establish policies and procedures for equipment usage, purchasing and city employment.

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

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

The City should also develop policies to further define equipment usage, purchasing and city employment.

City of Cumming

Schedule of Findings

Year ended June 30, 2009

Responses – The City will develop an accounting policy and procedures manual after consultation with cities of like size and the Iowa League of Cities.

Conclusions –Response accepted.

- (E) Employee Policy and Procedures – The City does not have written employee policies or procedures. Also, the City does not have a policy for accruing vacation or sick leave.

Recommendation – The City should establish employee policies and procedures which establish a code of conduct for employees and a policy regarding conflicts of interest. Also, a vacation and sick leave policy should be established.

Response – The City will establish an employee policy and procedures manual, including a vacation and sick leave policy, at the direction of the Mayor and City Council.

Conclusion – Response accepted.

- (F) Record Retention – The City did not properly retain all reports and records as required. Specifically, receipts issued for collections from July 2008 to June 2009 were not consistently maintained. In addition, the City did not properly retain copies of cancelled checks.

Recommendation – The City should maintain all required reports and records.

Response – The City has experienced instability among City staff during this time period. Current staff will work to maintain all required reports and records.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Cumming
Schedule of Findings
Year ended June 30, 2009

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the public works and culture and recreation 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.” Also, a notice for the public hearing was not published 10 days prior to the budget hearing.

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 and a notice for the public hearing should be published at least 10 days and not more than 20 days prior to the budget hearing.

Response – The City will amend the budget in sufficient amounts before future disbursements are allowed. The City will also post the public hearing notice in the time frame required by Iowa Code.

Conclusion – Response accepted.

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

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Jill Stanford	Buns, meat and condiments for a December event	\$ 87
Chad Neubauer	Lemonade and cups for a December event	44

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

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

Response – All City disbursements will meet the requirements of public purpose and be clearly documented as to the public benefit derived.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Cumming
 Schedule of Findings
 Year ended June 30, 2009

- (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
Anita Enos, City Clerk, owner of Egnacio's	Reception hall rental	\$ 200

In accordance with Chapter 362.5(11) of the Code of Iowa, the above transaction does not appear to represent a conflict of interest since the cumulative amount was less than \$2,500 during the year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – Except as noted below, no transactions were found that we believe should have been approved in the minutes but were not.

Transfers between funds were not approved in the City Council minutes.

The City did not publish annual gross salaries as required by an Attorney General's opinion dated April 12, 1978.

Certain minutes of the City Council meetings were not signed.

Recommendation - The City should ensure all transfers are approved and recorded in the minutes. Annual gross salaries should be published in accordance with an Attorney General's opinion dated April 12, 1978. All minutes of the City Council should be maintained and signed to authenticate the action taken.

Response – The City will ensure all transfers are approved and recorded in the minutes and all minutes are maintained and signed to authenticate the actions taken. The City will also post salaries to ensure compliance with the Attorney General's opinion.

Conclusion – Response accepted.

- (7) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not retain electronic images of the back of cancelled checks.

Recommendation – The City should retain an image of both the front and back of each cancelled check as required.

Response – The City will properly retain electronic images of both the front and back of cancelled checks.

Conclusion – Response accepted.

City of Cumming

Schedule of Findings

Year ended June 30, 2009

- (8) Tax Increment Financing – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of taxes to generate funds to repay the certified indebtedness. Chapter 403.19 of the Code of Iowa does not allow a municipality to set aside taxes divided for tax increment purposes for current or future urban renewal projects. Except for assistance for low and moderate income family housing discussed in Chapter 403.22 of the Code of Iowa, indebtedness incurred is to be certified to the County Auditor and then the divided taxes are to be used to pay the principal of and interest on the certified indebtedness. In addition, Chapter 403.19(5)(b) requires the City to certify the amount of reductions resulting from reduction in debt or for any other reason to the County Auditor.

According to the October 9, 2006 Council minutes, the City established an urban renewal area in 1994, which was due to expire in 2006 since it was used for residential purposes. According to the November 27, 2006 City Council minutes, the City approved an advance of \$44,000 from the General Fund to the Special Revenue, Urban Renewal Tax Increment Fund (TIF Fund) to pay the cost of the sewer project.

Ordinance number 2007-10, dated September 10, 2007, established an urban renewal area identified as the “Cumming Commercial Urban Renewal Area.” On November 26, 2007, the City approved an advance of \$1,000 from the General Fund to the TIF Fund to pay the initial costs of infrastructure projects. On November 24, 2008, the City approved an advance of \$100,000 from the General Fund to the TIF Fund to pay for capital improvement projects.

Although the City approved these advances, the City never transferred the funds for each advance approved by the City Council. The City certified each advance as TIF indebtedness in its annual TIF certification required to be filed with the Warren County Auditor. As a result of the TIF certification, the County collected and the City received TIF revenue of approximately \$44,000 during fiscal year 2008 and \$982 during fiscal year 2009. Also, according to the Warren County Auditor, the County collected \$97,566 on behalf of the City of Cumming during the year ended June 30, 2010. During fiscal year 2009, the revenue was properly reported in the TIF Fund and as of June 30, 2009, the ending fund balance in the TIF Fund was \$45,572. We did not attempt to determine the ending fund balance in the TIF Fund as of June 30, 2010.

The City has not identified or reported specific TIF disbursements in its accounting records or financial reports. As a result of the audit, the City provided invoices through June 30, 2009 believed to qualify as TIF disbursements, but the invoices were not specifically identified to a related TIF project and/or advance. As such, we were unable to determine whether TIF disbursements were within the allowable/approved TIF area.

Based on our review of the TIF invoices provided, approximately \$26,000 appear to be applicable to a sewer project, but we were unable to definitively determine which TIF area and/or advance the disbursements related to. The City also provided invoices totaling approximately \$45,000 which appear to be applicable to the City Park and Pavilion project, but again, it was unclear which and/or whether these disbursements were within a designated TIF area. In addition, the costs for these

City of Cumming

Schedule of Findings

Year ended June 30, 2009

projects were paid from the General Fund and/or the Special Revenue, Parks and Recreation Fund, which were not reimbursed by the TIF Fund. As such, it appears the City has collected TIF revenue in excess of TIF disbursements.

Recommendation – The City should ratify its actions through corrective transfers. To accomplish this, the City should reconstruct the TIF activity to identify and prepare an accounting of all TIF transactions within each TIF district and by project, including the specific TIF disbursements applicable to each project and the remaining balance of unspent TIF revenue, if any.

In the future, the City's records should reflect transfers approved as advances, if any, to clearly establish debt has been incurred. Disbursements should be clearly identified as TIF disbursements by specific project within the designated TIF area prior to payment and a proper accounting should be maintained. The cost of improvements outside of the TIF area, if any, can not be paid from TIF revenue.

To the extent the City has collected excess TIF revenue, the City should decertify debt on its next TIF debt certification. The City should adjust its requests for additional tax increment revenue in its next and/or future TIF debt certifications to the Warren County Auditor until the TIF account balances are consistent with current requirements for the debt outstanding. A copy of this report has been filed with the Warren County Auditor.

In addition, we were unable to determine whether the City's TIF area required and, if so, whether the City complied with the low income assistance (LMI) requirements of Chapter 403.22 of the Code of Iowa. If required, the City has not demonstrated compliance with the requirements of Chapter 403.22 of the Code of Iowa.

The City should consult TIF legal counsel to determine the proper disposition of these matters.

Response – The City will consult with TIF legal council to ensure compliance with the State Code.

Conclusion – Response accepted.

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

City of Cumming

Staff

This audit was performed by:

Michelle Meyer, CPA, Manager
Brett Conner, Staff Auditor
Alison Herold, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State