



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

State Capitol Building
Des Moines, Iowa 50319-0004

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

David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE January 15, 2004

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Earlham, Iowa for the Clean Water-State Revolving Fund grant.

The City expended \$373,525 for the year ended June 30, 2002 to construct waste water treatment system improvements.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

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CITY OF EARLHAM
INDEPENDENT AUDITOR'S REPORTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2002

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report on Schedule of Expenditures of Federal Awards	5
Schedule of Expenditures of Federal Awards	6
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance	7-8
Staff	9

City of Earlham

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Rothert	Mayor	Jan 2004
Truman Payne	Council Member	Jan 2004
William Hunter (Appointed)	Council Member	Jan 2004
Doug Waugh	Council Member	Jan 2006
Jeff Beisner	Council Member	Jan 2006
Andrew Arnburg	Council Member	Jan 2006
Marilyn Sesker	Clerk/Treasurer	Indefinite
Samuel Braland	Attorney	Indefinite

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Independent Auditor's Report
on Schedule of Expenditures of Federal Awards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying Schedule of Expenditures of Federal Awards of the City of Earlham, Iowa, as of and for the year ended June 30, 2002. This Schedule is the responsibility of the City of Earlham's management. Our responsibility is to express an opinion on this Schedule based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, 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 provisions require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The Schedule of Expenditures of Federal Awards is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the aforementioned Schedule of Expenditures of Federal Awards presents fairly, in all material respects, the expenditures of federal awards of the City of Earlham for the year ended June 30, 2002 on the basis of accounting described 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 Earlham and other parties to whom the City of Earlham 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

August 21, 2003

City of Earlham

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency Pass-through Number</u>	<u>Program Expendi- tures</u>
Indirect:			
U.S. Environmental Protection Agency:			
Iowa Department of Natural Resources:			
Capitalization Grants for Clean Water -			
State Revolving Fund	66.458	CS192180 01	<u>\$ 373,525</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Earlham and is presented on the basis of cash receipts and disbursements, which is 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 financial statements.

See accompanying independent auditor's report.



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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Earlham, 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 the year ended June 30, 2002. The City of Earlham's major federal program is identified in the accompanying Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Earlham's management. Our responsibility is to express an opinion on the City of Earlham's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, 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 provisions 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 Earlham's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Earlham's compliance with those requirements.

In our opinion, the City of Earlham complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

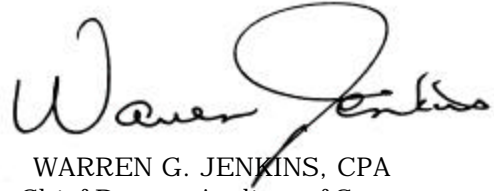
The management of the City of Earlham is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Earlham's internal 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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 Earlham and other parties to whom the City of Earlham 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

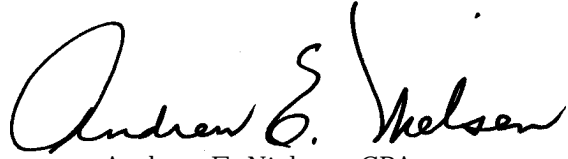
August 21, 2003

City of Earlham

Staff

This audit was performed by:

Joe Marturello, CIA, Manager
Shawn P. Limback, CPA, Staff Auditor
Mary Crystal Berg, CPA, Staff Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State