



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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

July 30, 2013

Contact: Andy Nielsen  
515/281-5834

The Office of Auditor of State today released an audit report on the City of Villisca, Iowa.

The City's receipts totaled \$1,252,863 for the year ended June 30, 2012. The receipts included \$267,754 in property tax, \$703,662 from charges for service, \$171,371 from operating grants, contributions and restricted interest, \$108,183 from local option sales tax and \$1,893 from unrestricted interest on investments.

Disbursements for the year totaled \$1,208,781, and included \$197,614 for public works, \$154,871 for public safety and \$113,321 for culture and recreation. Also, disbursements for business type activities totaled \$564,024.

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/1221-0649-B00F.pdf>.

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

**JUNE 30, 2012**

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**City of Villisca**

**Officials**

**(Before January 2012)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Andy Crussell	Mayor	Jan 2012
Lee Haidsiak	Council Member	Jan 2012
Marilyn Halda	Council Member	Jan 2012
Adam Wainwright	Council Member	Jan 2012
Rex Galloway	Council Member	Jan 2014
Marsha Shepherd	Council Member	Jan 2014
Trisha Owens	City Clerk	Indefinite
Cindy Scott	Deputy Clerk	Indefinite
Carl Sonksen	Attorney	Indefinite

**(After January 2012)**

Andy Crussell	Mayor	Jan 2014
Rex Galloway	Council Member	Jan 2014
Marsha Shepherd	Council Member	Jan 2014
Lee Haidsiak	Council Member	Jan 2016
Marilyn Halda	Council Member	Jan 2016
Adam Wainwright	Council Member	Jan 2016
Trisha Owens	City Clerk	Indefinite
Cindy Scott	Deputy Clerk	Indefinite
Carl Sonksen	Attorney	Indefinite

**City of Villisca**



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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 remaining fund information of the City of Villisca, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Villisca's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2011.


The financial statements referred to above include only the primary government of the City of Villisca, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component unit, which U.S. generally accepted accounting principles requires to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Villisca as of June 30, 2012, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.


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, 2011, 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 remaining fund information of the primary government of the City of Villisca as of June 30, 2012, 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 June 24, 2013 on our consideration of the City of Villisca'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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Villisca's primary government financial statements. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Villisca's primary government financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 11 and 26 through 28 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 24, 2013



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

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The City of Villisca 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, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

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.

### **2012 FINANCIAL HIGHLIGHTS**

- The cash basis net assets of the City's governmental activities increased 17%, or approximately \$86,000, during the year. The increase was primarily due to accumulating local option sales tax receipts for future civic betterment and infrastructure projects.
- The cash basis net assets of the City's business type activities decreased 7.3%, or approximately \$42,000, during the fiscal year, due primarily to debt service payments and capital acquisitions.

### **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 financial 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.

Other Information further explains and supports the financial statements with a comparison to the City's budget for the year.

Supplementary Information provides detailed information about the City's indebtedness.

## **BASIS OF ACCOUNTING**

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

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government and debt service. Property tax finances most of these activities.
- Business Type Activities include the waterworks and the sanitary 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, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund and 4) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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

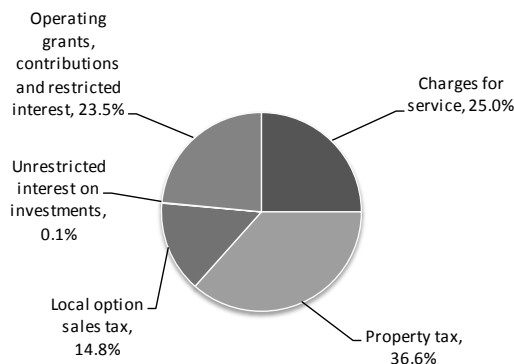
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

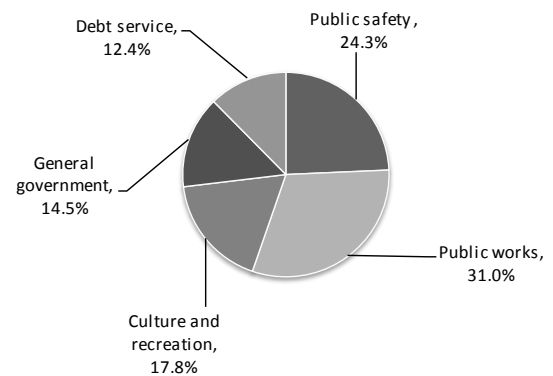
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased \$85,932 from a year ago, from \$505,868 to \$591,800. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2012
Receipts:	
Program receipts:	
Charges for service	\$ 182,741
Operating grants, contributions and restricted interest	171,371
General receipts:	
Property tax	267,754
Local option sales tax	108,183
Unrestricted interest on investments	640
Total receipts	<u>730,689</u>
Disbursements:	
Public safety	154,871
Public works	197,614
Culture and recreation	113,321
Community and economic development	8,185
General government	92,104
Debt service	<u>78,662</u>
Total disbursements	<u>644,757</u>
Change in cash basis net assets	85,932
Cash basis net assets beginning of year	<u>505,868</u>
Cash basis net assets end of year	<u><u>\$ 591,800</u></u>

**Receipts by Source**



**Disbursements by Function**



Total business type activities cash basis net assets decreased \$41,850 from a year ago, decreasing from \$575,767 to \$533,917.

<u>Changes in Cash Basis Net Assets of Business Type Activities</u>	
	<u>Year ended June 30, 2012</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 205,509
Sewer	315,412
General receipts:	
Unrestricted interest on investments	1,253
Total receipts	<u>522,174</u>
Disbursements:	
Water	224,751
Sewer	<u>339,273</u>
Total disbursements	<u>564,024</u>
Change in cash basis net assets	(41,850)
Cash basis net assets beginning of year	<u>575,767</u>
Cash basis net assets end of year	<u>\$ 533,917</u>

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Villisca completed the year, its governmental funds reported a combined fund balance of \$591,800, an increase of \$85,932 from last year's total of \$505,868. 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 \$5,197 over the prior year to a year-end balance of \$186,326.
- The Special Revenue, Road Use Tax Fund cash balance increased \$2,319 over the prior year to a year-end balance of \$37,733.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$78,183 over the prior year to a year-end balance of \$286,018. The balance consists of local option sales tax receipts designated for civic betterment and infrastructure which have not yet been spent.
- The Debt Service Fund cash balance increased \$326 over the prior year to a year-end balance of \$6,101.
- The Permanent, Cemetery Perpetual Care Fund cash balance increased \$1,751 over the prior year to a year-end balance of \$64,896.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance decreased \$19,068 from the prior year to a year-end balance of \$106,085, primarily due to decreased water usage in fiscal year 2012.

- The Enterprise, Sewer Fund cash balance decreased \$22,782 from the prior year to a year-end balance of \$427,832, primarily due to the debt service payments and capital acquisitions during fiscal year 2012.

**BUDGETARY HIGHLIGHTS**

The City did not amend its budget in fiscal year 2012.

The City’s receipts were \$152,108 less than budgeted. This was primarily due to the City receiving less intergovernmental receipts and charges for utility service than anticipated.

Total disbursements were \$195,683 less than budgeted. This was primarily due to the City budgeting for a fire/ambulance building which did not get accomplished during the year.

**DEBT ADMINISTRATION**

At June 30, 2012, the City had \$2,195,000 of general obligation and revenue bonds outstanding, compared to \$2,299,000 last year.

	Outstanding Debt at Year-End	
	June 30,	
	2012	2011
General obligation bonds	\$ 959,000	1,005,000
Revenue bonds	1,236,000	1,294,000
Total	<u>\$ 2,195,000</u>	<u>2,299,000</u>

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. At June 30, 2012, the City had \$959,000 of general obligation bonds outstanding, compared to \$1,005,000 last year. The City’s constitutional debt limit is approximately \$1,626,000. Additional information about the City’s long-term debt is presented in Note 3 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES**

The City of Villisca’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees charged for various City activities. The City’s fiscal year 2013 taxable valuation increased approximately \$536,000 over the fiscal year 2012 level. The fiscal year 2013 levy is \$14.78301 per \$1,000 of taxable valuation, which is an increase of \$0.2979 per \$1,000 of taxable valuation over the levy rate used in fiscal year 2012. The fiscal year 2013 budget contains receipts totaling \$1,315,893 and disbursements totaling \$1,386,008. This budget is lower than the fiscal year 2012 budget, which contained total receipts of \$1,404,971 and disbursements of \$1,404,464. If these estimates are realized, the City’s cash balance is expected to decrease \$70,115 by the close of fiscal year 2013.

**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 Trisha Owens, City Clerk, 318 S 3<sup>RD</sup> Ave, Villisca, IA 50864.

**City of Villisca**

## **Basic Financial Statements**

City of Villisca

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2012

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants Contributions and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 154,871	64,175	29,309
Public works	197,614	-	129,343
Culture and recreation	113,321	41,041	12,719
Community and economic development	8,185	-	-
General government	92,104	77,525	-
Debt service	78,662	-	-
Total governmental activities	644,757	182,741	171,371
Business type activities:			
Water	224,751	205,509	-
Sewer	339,273	315,412	-
Total business type activities	564,024	520,921	-
Total	\$ 1,208,781	703,662	171,371

**General Receipts:**

Property and other city tax levied for:

    General purposes

    Debt service

Local option sales tax

Unrestricted interest on investments

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:

    Nonexpendable:

        Cemetery perpetual care

    Expendable:

        Streets

        Local option sales tax

        Debt service

        Customer deposits

        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
(61,387)	-	(61,387)
(68,271)	-	(68,271)
(59,561)	-	(59,561)
(8,185)	-	(8,185)
(14,579)	-	(14,579)
(78,662)	-	(78,662)
(290,645)	-	(290,645)
-	(19,242)	(19,242)
-	(23,861)	(23,861)
-	(43,103)	(43,103)
(290,645)	(43,103)	(333,748)
218,766	-	218,766
48,988	-	48,988
108,183	-	108,183
640	1,253	1,893
376,577	1,253	377,830
85,932	(41,850)	44,082
505,868	575,767	1,081,635
\$ 591,800	533,917	1,125,717
\$ 64,896	-	64,896
37,733	-	37,733
286,018	-	286,018
6,101	-	6,101
-	19,071	19,071
129,715	-	129,715
67,337	514,846	582,183
\$ 591,800	533,917	1,125,717

**Exhibit B**

## City of Villisca

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

As of and for the year ended June 30, 2012

	Special Revenue			Debt Service	Permanent	Nonmajor Employee Benefits	Total
	General	Road Use Tax	Local Option Sales Tax		Cemetery Perpetual Care		
<b>Receipts:</b>							
Property tax	\$ 184,547	-	-	48,988	-	34,219	267,754
Local option sales tax	-	-	108,183	-	-	-	108,183
Licenses and permits	8,763	-	-	-	-	-	8,763
Use of money and property	640	-	-	-	-	-	640
Intergovernmental	51,698	118,754	-	-	-	-	170,452
Charges for service	94,268	-	-	-	1,751	-	96,019
Miscellaneous	78,878	-	-	-	-	-	78,878
Total receipts	418,794	118,754	108,183	48,988	1,751	34,219	730,689
<b>Disbursements:</b>							
Operating:							
Public safety	154,593	-	-	-	-	278	154,871
Public works	67,060	116,435	-	-	-	14,119	197,614
Culture and recreation	107,204	-	-	-	-	6,117	113,321
Community and economic development	8,185	-	-	-	-	-	8,185
General government	76,555	-	-	-	-	15,549	92,104
Debt service	-	-	-	78,662	-	-	78,662
Total disbursements	413,597	116,435	-	78,662	-	36,063	644,757
Excess (deficiency) of receipts over (under) disbursements	5,197	2,319	108,183	(29,674)	1,751	(1,844)	85,932
<b>Other financing sources (uses):</b>							
Operating transfers in	-	-	-	30,000	-	-	30,000
Operating transfers out	-	-	(30,000)	-	-	-	(30,000)
Total other financing sources (uses)	-	-	(30,000)	30,000	-	-	-
Change in cash balances	5,197	2,319	78,183	326	1,751	(1,844)	85,932
Cash balances beginning of year	181,129	35,414	207,835	5,775	63,145	12,570	505,868
Cash balances end of year	\$ 186,326	37,733	286,018	6,101	64,896	10,726	591,800
<b>Cash Basis Fund Balances</b>							
Nonspendable - Cemetery perpetual care	\$ -	-	-	-	64,896	-	64,896
Restricted for:							
Streets	-	37,733	-	-	-	-	37,733
Local option sales tax	-	-	286,018	-	-	-	286,018
Debt service	-	-	-	6,101	-	-	6,101
Other purposes	118,989	-	-	-	-	10,726	129,715
Unassigned	67,337	-	-	-	-	-	67,337
Total cash basis fund balances	\$ 186,326	37,733	286,018	6,101	64,896	10,726	591,800

See notes to financial statements.

City of Villisca

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

As of and for the year ended June 30, 2012

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 205,509	315,412	520,921
Operating disbursements:			
Business type activities	224,751	211,828	436,579
Excess (deficiency) of operating receipts over (under) operating disbursements	(19,242)	103,584	84,342
Non-operating receipts:			
Interest on investments	174	1,079	1,253
Capital acquisitions	-	(27,390)	(27,390)
Debt service	-	(100,055)	(100,055)
Net non-operating receipts (disbursements)	174	(126,366)	(126,192)
Change in cash balances	(19,068)	(22,782)	(41,850)
Cash balances beginning of year	125,153	450,614	575,767
Cash balances end of year	\$ 106,085	\$ 427,832	\$ 533,917
<b>Cash Basis Fund Balances</b>			
Restricted for customer deposits	\$ 19,071	-	19,071
Unrestricted	87,014	427,832	514,846
Total cash basis fund balances	\$ 106,085	427,832	533,917

See notes to financial statements.

City of Villisca

Notes to Financial Statements

June 30, 2012

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

The City of Villisca is a political subdivision of the State of Iowa located in Montgomery County. It was first incorporated in 1874 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides sewer and water utilities for its citizens.

A. Reporting Entity

Except as discussed below, for financial reporting purposes, the City of Villisca 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. These financial statements present the City of Villisca (the primary government) and exclude the City's component unit. The component unit discussed below is not included in the City's reporting entity although its operational or financial relationship with the City is significant.

Excluded Component Unit

The Villisca Municipal Power Plant was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific financial burdens on the City. The Municipal Power Plant is governed by a three-member board appointed by the Mayor and approved by the City Council. The Municipal Power Plant's operating budget is subject to the approval of the City Council.

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: Montgomery County Assessor's Conference Board, Montgomery County Emergency Management Commission, Montgomery County Landfill Board and Montgomery County Joint E911 Service Board.

B. Basis of Presentation

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

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

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

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

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. 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. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies 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 the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the collection of the local option sales tax which is to be used for the improvement of streets, sidewalks, storm sewers, sanitary sewer systems and parks.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Permanent, Cemetery Perpetual Care Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The City reports the following major proprietary funds:

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

The Enterprise, 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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements in the culture and recreation function exceeded the amount budgeted.

**(2) Cash and Pooled Investments**

The City’s deposits in banks at June 30, 2012 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) Bonds Payable**

Annual debt service requirement to maturity for general obligation and sewer revenue bonds are as follows:

Year Ending June 30,	General Obligation		Sewer Revenue		Total	
	Bonds		Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 48,000	28,770	60,000	37,080	108,000	65,850
2014	49,000	27,330	62,000	35,280	111,000	62,610
2015	50,000	25,860	64,000	33,420	114,000	59,280
2016	52,000	24,360	66,000	31,500	118,000	55,860
2017	54,000	22,800	68,000	29,520	122,000	52,320
2018-2022	292,000	88,890	377,000	115,470	669,000	204,360
2023-2027	340,000	42,300	442,000	55,140	782,000	97,440
2028	74,000	2,220	97,000	2,910	171,000	5,130
Total	\$ 959,000	262,530	1,236,000	340,320	2,195,000	602,850

Sewer Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,468,485 of sewer revenue bonds issued in September 2008 with interest at 3.00% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.83 of the Code of Iowa to provide financing for the construction of sewer extensions. The bonds are payable solely from sewer customer

net receipts and are payable through 2028. Annual principal and interest payments on the bonds are expected to require approximately 94% of net receipts. The total principal and interest remaining to be paid on the bonds is \$1,576,320. For the current year, principal and interest paid and total customer net receipts were \$96,820 and \$103,584, respectively.

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

- (1) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holder holds a lien on the future earnings of the funds.
- (2) Sufficient monthly transfers shall be made to a sewer revenue sinking account for the purpose of making the bond principal and interest payments when due.
- (3) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

The City's net receipts were less than the required 110% of the principal and interest coming due in each year. The City has not established and made the required transfers to a sewer revenue sinking account.

**(4) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2012 was \$17,380, equal to the required contribution for the year.

**(5) Risk Management**

The City is a member of 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 663 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 150% 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, 2012 were \$39,838.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

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, 2012, 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 casualty 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 casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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.

**(6) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 4 active members and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - There are no contribution requirements for plan members as the City pays the entire premium for each member. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$464 for single coverage and \$1,161 for family coverage. For the year ended June 30, 2012, the City contributed \$47,368 to the plan.

**(7) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation time payable to employees at June 30, 2012, primarily relating to the General Fund, is \$7,000. This liability has been computed based on rates of pay in effect at June 30, 2012.

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue: Local Option Sales Tax	<u>\$ 30,000</u>

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

## **Other Information**

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

Other Information

Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 267,754	-
Local option sales tax	108,183	-
Licenses and permits	8,763	-
Use of money and property	640	1,253
Intergovernmental	170,452	-
Charges for service	96,019	520,921
Miscellaneous	78,878	-
Total receipts	<u>730,689</u>	<u>522,174</u>
Disbursements:		
Public safety	154,871	-
Public works	197,614	-
Culture and recreation	113,321	-
Community and economic development	8,185	-
General government	92,104	-
Debt service	78,662	-
Business type activities	-	564,024
Total disbursements	<u>644,757</u>	<u>564,024</u>
Excess (deficiency) of receipts over (under) disbursements	85,932	(41,850)
Balances beginning of year	505,868	575,767
Balances end of year	<u>\$ 591,800</u>	<u>533,917</u>

See accompanying independent auditor's report.

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Total	<u>Budgeted Amounts</u> Original and Final	Final to Total Variance
267,754	258,693	9,061
108,183	113,696	(5,513)
8,763	4,000	4,763
1,893	6,000	(4,107)
170,452	321,717	(151,265)
616,940	670,865	(53,925)
78,878	30,000	48,878
<u>1,252,863</u>	<u>1,404,971</u>	<u>(152,108)</u>
154,871	296,900	142,029
197,614	207,750	10,136
113,321	110,952	(2,369)
8,185	12,500	4,315
92,104	121,200	29,096
78,662	78,662	-
564,024	576,500	12,476
<u>1,208,781</u>	<u>1,404,464</u>	<u>195,683</u>
44,082	507	43,575
<u>1,081,635</u>	<u>1,895,599</u>	<u>(813,964)</u>
<u>1,125,717</u>	<u>1,896,106</u>	<u>(770,389)</u>

City of Villisca

Notes to Other Information – Budgetary Reporting

June 30, 2012

The budgetary comparison is presented as Other 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, the Debt Service Fund, the Permanent Fund 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. The budget was not amended during the year ended June 30, 2012.

During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the culture and recreation function.

**Supplementary Information**

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City of Villisca  
Schedule of Indebtedness  
Year ended June 30, 2012

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Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Sewer improvement	Sep 3, 2008	3.00% *	\$ 1,136,000
Revenue bonds:			
Sewer	Sep 3, 2008	3.00% *	\$ 1,468,485

\* The agreements also require the City to annually pay a .25% servicing fee on outstanding principal.

See accompanying independent auditor's report.



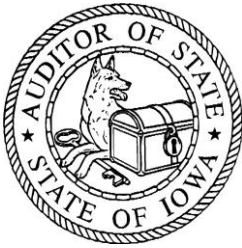
Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,005,000	-	46,000	959,000	30,150
1,294,000	-	58,000	1,236,000	38,820

**Schedule 2**

City of Villisca  
Bond Maturities  
June 30, 2012

Year Ending June 30,	General Obligation Sewer Improvement Bonds		Sewer Revenue Bonds	
	Issued September 3, 2008		Issued September 3, 2008	
	Interest Rates	Amount	Interest Rates	Amount
2013	3.00%	\$ 48,000	3.00%	\$ 60,000
2014	3.00	49,000	3.00	62,000
2015	3.00	50,000	3.00	64,000
2016	3.00	52,000	3.00	66,000
2017	3.00	54,000	3.00	68,000
2018	3.00	55,000	3.00	71,000
2019	3.00	57,000	3.00	73,000
2020	3.00	58,000	3.00	75,000
2021	3.00	60,000	3.00	78,000
2022	3.00	62,000	3.00	80,000
2023	3.00	64,000	3.00	83,000
2024	3.00	66,000	3.00	86,000
2025	3.00	68,000	3.00	88,000
2026	3.00	70,000	3.00	91,000
2027	3.00	72,000	3.00	94,000
2028	3.00	74,000	3.00	97,000
Total		<u>\$ 959,000</u>		<u>\$ 1,236,000</u>

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Mary Mosiman, CPA  
Auditor of State

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 primary government financial statements of the governmental activities, the business type activities, each major fund and the remaining fund information of the City of Villisca, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated June 24, 2013. Our report on the primary government's 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, 2011. 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

The management of the City of Villisca is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Villisca'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 an opinion on the effectiveness of City of Villisca's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Villisca'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Villisca's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (C) and (D) to be significant deficiencies.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City of Villisca'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 which 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, 2012 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 Villisca's responses to the 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 Villisca'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 Villisca and other parties to whom the City of Villisca may report, and 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 Villisca 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.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 24, 2013

City of Villisca  
Schedule of Findings  
Year ended June 30, 2012

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL 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 individual has control over each of the following areas:
- (1) Cash – Reconciling bank accounts, initiating cash receipts and handling and recording cash.
  - (2) Investments – detailed record keeping, custody of investments and reconciling earnings.
  - (3) Receipts – opening mail, collecting, recording, depositing, maintaining receivable records, reconciling and posting.
  - (4) Disbursements – purchasing, check writing, check signing, mailing, reconciling and recording.
  - (5) Payroll – recordkeeping, posting and distribution.
  - (6) Accounting system – performing all general accounting functions and having custody of City assets.
  - (7) Debt – recording, compliance and debt payment processing.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including elected officials. Independent reviews of reconciliations should be performed. Evidence of review of reconciliations should be indicated by the signature or initials of the independent reviewer and the date of the review.

Response – The City currently has a book which the Mayor and Deputy Clerk sign after all accounts have been reconciled, balanced and have been approved by the City Council. This procedure is done after receiving each monthly bank statement.

Conclusion – Response acknowledged. The City should also utilize current personnel, including elected officials, to provide additional control through review of financial transactions and reports.

- (B) Computer System – The following weaknesses in the City’s computer system were noted:

The City does not have written policies over its computer system for:

- password privacy and confidentiality.
- requiring password changes because the software does not require the user to change log-ins/passwords periodically.

City of Villisca

Schedule of Findings

Year ended June 30, 2012

- a password policy.
- requiring backups be performed and stored at an offsite location.
- use of software not licensed to the City.
- running an anti-virus program on computers.
- usage of the internet.
- personal usage of City equipment and software.

Also, the City does not have a disaster recovery plan for its information system.

Recommendation – The City should develop written polices addressing the above items in order to improve controls over its computer system. Also, a written disaster recovery plan should be developed and tested periodically.

Response – There are passwords for each computer you have to enter before the computer will operate. The only people aware of passwords are the City Clerk, Deputy Clerk and Public Works Director. Each day, 2 computers are backed-up, one at night and then one at noon. When computers were purchased this last fall, they included an anti-virus program on each computer.

Conclusion – Response acknowledged. The City should develop written policies to address the above items. The City should also develop and test a written disaster recovery plan.

- (C) Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

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

- (a) Aid in training additional or replacement staff.
- (b) Help achieve uniformity in accounting and in the application of policies and procedures.
- (c) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

Response – A procedures manual was started September 2012. We keep all of our notes and any updates to all of the procedures done at City Hall. We are always adding and taking things out of the manual as methods change and updates have been made. This has helped segregate duties.

Conclusion – Response accepted.

City of Villisca

Schedule of Findings

Year ended June 30, 2012

- (D) Petty Cash – Several City departments maintain a petty cash fund. However, the City does not have a formal policy regarding proper usage, including allowable and unallowable expenses, approvals and a maximum dollar amount. In addition, amounts in the petty cash funds are not verified by surprise counts.

Recommendation – The City should formalize a policy regarding petty cash which establishes proper usage, amounts and procedures for all City departments. The amounts maintained in the petty cash funds should be periodically verified by an independent person performing surprise counts.

Response – The City has adopted Resolution 99-03-03 which addresses petty cash policies and procedures.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Villisca  
Schedule of Findings  
Year ended June 30, 2012

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amount budgeted in the culture and recreation function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – It must have been an oversight and in the future we will monitor the budget more closely to make sure amendments are made.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

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

Response – The City has adopted an investment policy.

Conclusion – Response accepted.

- (8) Sewer Revenue Bonds – The City has not established and made the required transfers to a sewer revenue sinking account within the Enterprise, Sewer Fund as required by the sewer revenue bond resolution.

Also, the City has not established sewer rates to produce net receipts equal to at least 110% of the principal and interest coming due in each year as required by the bond resolution.



City of Villisca

Schedule of Findings

Year ended June 30, 2012

Recommendation – The City should review the sewer revenue bond resolution and comply with its provisions.

Response – The City will review the bond resolution and make changes, as necessary.

Conclusion – Response accepted.

City of Villisca

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager  
Ryan T. Jelsma, Staff Auditor  
Tyler J. Guffy, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State