

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE September 3, 2015

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an audit report on the City of Springville, Iowa.

The City's receipts totaled \$1,261,370 for the year ended June 30, 2014. The receipts included \$428,829 in property tax, \$348,254 from charges for service, \$150,430 from operating grants, contributions and restricted interest, \$154,194 from capital grants, contributions and restricted interest, \$137,262 from local option sales tax, \$18,315 from the sale of capital assets, \$4,926 from unrestricted interest on investments, \$5,000 from note proceeds and \$14,160 from other general receipts.

Disbursements for the year totaled \$1,072,307 and included \$183,999 for community and economic development, \$156,790 for public works and \$135,633 for debt service. Also, disbursements for business type activities totaled \$288,399.

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/1421-0552-B00F.pdf>.

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

JUNE 30, 2014

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City of Springville

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Rick Heeren	Mayor	Jan 2014
Jeff Grimley	Council Member	Jan 2014
Roger Shebetka	Council Member	Jan 2014
Mike Brady	Council Member	Jan 2016
Tom Miller	Council Member	Jan 2016
Maretta Ralston	Council Member	Jan 2016
Karen Bixler	City Clerk	Indefinite
Ann Loomis	Attorney	Indefinite
(After January 2014)		
Roger Shebetka	Mayor	Jan 2018
Mike Brady	Council Member	Jan 2016
Tom Miller	Council Member	(Resigned Oct 2014)
Brad Merritt (Elected Jan 2015)	Council Member	Jan 2016
Maretta Ralston	Council Member	Jan 2016
Patrick Hoyt, Sr.	Council Member	Jan 2018
Penny Sindelar	Council Member	Jan 2018
Karen Bixler	City Clerk	Indefinite
Mark Parmenter	Attorney	Indefinite

City of Springville



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Springville, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

Basis for Adverse Opinion on the Discretely Presented Component Unit

The financial statements do not include financial data for one of the City's legally separate component units, the Friends of the Springville Fire Department. The amounts by which this omission would affect the receipts, disbursements and cash balances of the discretely presented component unit have not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Discretely Presented Component Unit” paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the City of Springville as of June 30, 2014, and the changes in its cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Modified Opinions

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, 2013.

Modified Opinions

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, 2013, 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 Springville as of June 30, 2014, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Springville’s basic financial statements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. 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, 2013, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the budgetary comparison information on pages 22 through 24, 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 13, 2015 on our consideration of the City of Springville's internal control over financial reporting and on 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 in considering the City of Springville's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 13, 2015

City of Springville

Basic Financial Statements

City of Springville

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 67,255	10,265	9,740	-
Public works	156,790	414	107,243	-
Culture and recreation	132,296	24,162	33,447	-
Community and economic development	183,999	-	-	154,194
General government	107,935	5,813	-	-
Debt service	135,633	-	-	-
Total governmental activities	783,908	40,654	150,430	154,194
Business type activities:				
Water	129,129	141,582	-	-
Sewer	122,374	129,828	-	-
Recycle/garbage	36,896	36,190	-	-
Total business type activities	288,399	307,600	-	-
Total	\$ 1,072,307	348,254	150,430	154,194
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Note proceeds				
Sale of capital assets				
Rent				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Streets				
Local option sales tax				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				
See notes to financial statements.				

Net (Disbursements) Receipts and
Changes in Cash Basis Net Position

Governmental Activities	Business Type Activities	Total
(47,250)	-	(47,250)
(49,133)	-	(49,133)
(74,687)	-	(74,687)
(29,805)	-	(29,805)
(102,122)	-	(102,122)
(135,633)	-	(135,633)
(438,630)	-	(438,630)

-	12,453	12,453
-	7,454	7,454
-	(706)	(706)
-	19,201	19,201
(438,630)	19,201	(419,429)

293,249	-	293,249
135,580	-	135,580
137,262	-	137,262
4,712	214	4,926
5,000	-	5,000
18,315	-	18,315
-	5,467	5,467
3,318	5,375	8,693
(5,000)	5,000	-

592,436	16,056	608,492
153,806	35,257	189,063
503,830	175,996	679,826
\$ 657,636	211,253	868,889

\$ 91,386	-	91,386
296,748	-	296,748
11,803	-	11,803
46,092	-	46,092
211,607	211,253	422,860
\$ 657,636	211,253	868,889

Exhibit B

City of Springville

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

As of and for the year ended June 30, 2014

	Special Revenue					Total
	General	Road Use Tax	Local Option Sales Tax	Debt Service	Nonmajor	
Receipts:						
Property tax	\$ 256,786	-	-	133,215	31,147	421,148
Other city tax	4,724	-	137,262	2,365	592	144,943
Licenses and permits	9,965	-	-	-	-	9,965
Use of money and property	11,747	-	-	-	365	12,112
Intergovernmental	191,850	107,243	-	-	-	299,093
Charges for service	4,808	-	-	-	-	4,808
Miscellaneous	22,538	-	-	-	4,792	27,330
Total receipts	502,418	107,243	137,262	135,580	36,896	919,399
Disbursements:						
Operating:						
Public safety	67,255	-	-	-	-	67,255
Public works	33,120	123,670	-	-	-	156,790
Culture and recreation	127,187	-	-	-	5,109	132,296
Community and economic development	183,999	-	-	-	-	183,999
General government	107,935	-	-	-	-	107,935
Debt service	-	-	-	135,633	-	135,633
Total disbursements	519,496	123,670	-	135,633	5,109	783,908
Excess (deficiency) of receipts over (under) disbursements	(17,078)	(16,427)	137,262	(53)	31,787	135,491
Other financing sources (uses):						
Sale of capital assets	18,315	-	-	-	-	18,315
Transfers in	38,121	35,382	-	-	-	73,503
Transfers out	-	-	(25,000)	-	(48,503)	(73,503)
Total other financing sources (uses)	56,436	35,382	(25,000)	-	(48,503)	18,315
Change in cash balances	39,358	18,955	112,262	(53)	(16,716)	153,806
Cash balances beginning of year	172,249	72,431	184,486	11,856	62,808	503,830
Cash balances end of year	\$ 211,607	91,386	296,748	11,803	46,092	657,636
Cash Basis Fund Balances						
Restricted for:						
Streets	\$ -	91,386	-	-	-	91,386
Local option sales tax	-	-	296,748	-	-	296,748
Debt service	-	-	-	11,803	-	11,803
Other purposes	-	-	-	-	46,092	46,092
Assigned for gazebo maintenance	394	-	-	-	-	394
Unassigned	211,213	-	-	-	-	211,213
Total cash basis fund balances	\$ 211,607	91,386	296,748	11,803	46,092	657,636

See notes to financial statements.

City of Springville

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

As of and for the year ended June 30, 2014

	Enterprise			Total
	Water	Sewer	Nonmajor Recycle/ Garbage	
Operating receipts:				
Charges for service	\$141,582	129,828	36,190	307,600
Operating disbursements:				
Business type activities	129,129	94,280	36,896	260,305
Excess (deficiency) of operating receipts over (under) operating disbursements	12,453	35,548	(706)	47,295
Non-operating receipts (disbursements):				
Interest on investments	44	170	-	214
Rent	3,967	1,500	-	5,467
Note proceeds	-	5,000	-	5,000
Miscellaneous	5,225	150	-	5,375
Debt service	-	(28,094)	-	(28,094)
Net non-operating receipts (disbursements)	9,236	(21,274)	-	(12,038)
Change in cash balances	21,689	14,274	(706)	35,257
Cash balances beginning of year	127,161	34,972	13,863	175,996
Cash balances end of year	\$148,850	49,246	13,157	211,253
Cash Basis Fund Balances				
Unrestricted	\$148,850	49,246	13,157	211,253

See notes to financial statements.

City of Springville

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

The City of Springville is a political subdivision of the State of Iowa located in Linn County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and recycle/garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, except as noted, the City of Springville 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 Springville (the primary government) and the Friends of the Springville Memorial Library (a component unit).

Blended Component Unit

The Friends of the Springville Memorial Library is legally separate from the City, but is so intertwined with the City it is, in substance, part of the City. The Friends of the Springville Memorial Library is organized under Chapter 504A of the Code of Iowa as a non-profit corporation and collects donations which are used to purchase items not included in the City's budget. The financial transactions of the Friends of the Springville Memorial Library have been reported as a Special Revenue Fund of the City.

Excluded Discretely Presented Component Unit

The Friends of the Springville Fire Department was organized as a non-profit corporation in accordance with Chapter 504A of the Code of Iowa to collect donations for the benefit of the Springville Fire Department. These donations would be used to purchase items which are not included in the City's budget. The financial transactions of this component unit have not been displayed because the information was not made available.

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

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position 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 Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonspendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position 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 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 local option sales tax received and its uses.

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 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:

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

Assigned – Amounts the City Council intends to use for specific purposes.

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.

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2014 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 and Notes Payable

Annual debt service requirements to maturity for general obligation corporate purpose and refunding bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation					
	Corporate Purpose and Refunding Bonds		Sewer Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 120,000	13,933	16,000	10,710	136,000	24,643
2016	120,000	12,553	17,000	10,230	137,000	22,783
2017	120,000	10,752	17,000	9,720	137,000	20,472
2018	115,000	8,593	18,000	9,210	133,000	17,803
2019	120,000	6,120	18,000	8,670	138,000	14,790
2020-2024	120,000	3,180	100,000	34,830	220,000	38,010
2025-2029	-	-	118,000	18,780	118,000	18,780
2030-2031	-	-	53,000	2,400	53,000	2,400
Total	\$ 715,000	55,131	357,000	104,550	1,072,000	159,681

General Obligation Corporate Purpose and Refunding Bonds

On September 7, 2011, the City issued general obligation corporate purpose and refunding bonds of \$1,070,000 to acquire equipment for the fire department, the public works department and the current refunding of the outstanding balance of general obligation refunding notes issued June 1, 2010. The bonds bear interest at rates ranging from 0.65% to 2.65% per annum. During the year ended June 30, 2014, the City paid \$120,000 of principal and \$15,133 of interest on the bonds. At June 30, 2014, the outstanding principal balance was \$715,000.

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$403,000 of sewer revenue notes issued in September 2011 with interest at 3% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. Proceeds from the notes provided financing for improvements and extensions to the municipal sanitary sewer system. The notes are payable solely from sewer customer net receipts and are payable through 2031. Annual principal and interest payments on the notes are expected to require approximately 76% of net receipts. The total principal and interest remaining to be paid on the notes is \$461,550. For the current year, principal and interest paid and total customer net receipts were \$27,162 and \$35,548, respectively.

The resolution providing for the issuance of the sewer revenue notes issued under a loan agreement between the City, the Iowa Finance Authority and the Iowa Department of Natural Resources includes the following provisions:

- (a) The notes will only be redeemed for the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue note sinking account within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) The City will establish rates sufficient to meet the operation and maintenance expenses of the sewer system and to produce and maintain net receipts at a level not less than 110% of the amount of principal and interest on the revenue notes falling due in the same year.

(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 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2014 were \$16,767.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 2 active 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 – The contribution requirements of plan members are established and may be amended by the City. 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 \$499 to \$601 for single coverage and \$1,046 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2014, the City contributed \$21,600 and plan members eligible for benefits contributed \$5,013 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation 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 payable to employees at June 30, 2014, primarily relating to the General Fund, was \$9,400. This liability has been computed based on rates of pay in effect at June 30, 2014.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	\$ 21,350
	Fire Trust	16,771
		<u>38,121</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Local Option Sales Tax	25,000
	Employee Benefits	10,382
		<u>35,382</u>
Total		<u>\$ 73,503</u>

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

(8) Related Party Transactions

The City had a business transaction between the City and a City official totaling \$17,315 during the year ended June 30, 2014.

(9) Risk Management

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

(10) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and other information.

Other Information

City of Springville
 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, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 421,148	-	-
Other city tax	144,943	-	-
Licenses and permits	9,965	-	-
Use of money and property	12,112	5,681	12
Intergovernmental	299,093	-	-
Charges for service	4,808	307,600	-
Miscellaneous	27,330	5,375	1,965
Total receipts	<u>919,399</u>	<u>318,656</u>	<u>1,977</u>
Disbursements:			
Public safety	67,255	-	-
Public works	156,790	-	-
Culture and recreation	132,296	-	3,361
Community and economic development	183,999	-	-
General government	107,935	-	-
Debt service	135,633	-	-
Business type activities	-	288,399	-
Total disbursements	<u>783,908</u>	<u>288,399</u>	<u>3,361</u>
Excess (deficiency) of receipts over (under) disbursements	135,491	30,257	(1,384)
Other financing sources, net	<u>18,315</u>	<u>5,000</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	153,806	35,257	(1,384)
Balances beginning of year	<u>503,830</u>	<u>175,996</u>	<u>5,837</u>
Balances end of year	<u>\$ 657,636</u>	<u>211,253</u>	<u>4,453</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
421,148	422,453	425,599	(4,451)
144,943	148,602	142,680	2,263
9,965	4,905	10,005	(40)
17,781	12,473	17,042	739
299,093	133,978	299,646	(553)
312,408	321,995	314,335	(1,927)
30,740	17,175	24,987	5,753
1,236,078	1,061,581	1,234,294	1,784
67,255	72,930	75,248	7,993
156,790	148,243	161,906	5,116
128,935	145,890	143,373	14,438
183,999	3,300	201,764	17,765
107,935	96,013	110,915	2,980
135,633	135,633	135,633	-
288,399	291,673	304,483	16,084
1,068,946	893,682	1,133,322	64,376
167,132	167,899	100,972	66,160
23,315	-	18,315	5,000
190,447	167,899	119,287	71,160
673,989	760,749	1,546,569	(872,580)
864,436	928,648	1,665,856	(801,420)

City of Springville

Notes to Other Information – Budgetary Reporting

June 30, 2014

The budgetary comparison is presented 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 except the blended component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten 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 and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$239,640. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted.

Supplementary Information

City of Springville

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2014

	Special Revenue		
	Employee Benefits	Fire Trust	Library Trust
Receipts:			
Property tax	\$ 31,147	-	-
Other city tax	592	-	-
Use of money and property	-	-	353
Miscellaneous	-	-	2,827
Total receipts	31,739	-	3,180
Disbursements:			
Operating:			
Culture and recreation	-	-	1,748
Excess (deficiency) of receipts over (under) disbursements	31,739	-	1,432
Other financing uses:			
Transfers out	(31,732)	(16,771)	-
Change in cash balances	7	(16,771)	1,432
Cash balances beginning of year	388	17,456	39,127
Cash balances end of year	\$ 395	685	40,559
Cash Basis Fund Balances			
Restricted for other purposes	\$ 395	685	40,559

See accompanying independent auditor's report.

<u>Friends of the Springville Memorial Library</u>	<u>Total</u>
-	31,147
-	592
12	365
1,965	4,792
<u>1,977</u>	<u>36,896</u>
<u>3,361</u>	<u>5,109</u>
(1,384)	31,787
-	(48,503)
<u>(1,384)</u>	<u>(16,716)</u>
<u>5,837</u>	<u>62,808</u>
<u>4,453</u>	<u>46,092</u>
<u>4,453</u>	<u>46,092</u>

City of Springville
Schedule of Indebtedness
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation corporate purpose and refunding bonds	Sep 7, 2011	0.65 - 2.65%	\$ 1,070,000
Revenue notes:			
Sewer	Sep 9, 2011	3.00% *	\$ 403,000

* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

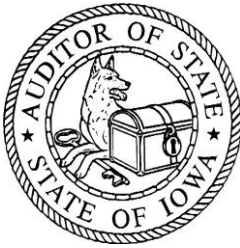
Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
835,000	-	120,000	715,000	15,133
368,000	5,000	16,000	357,000	11,162

Schedule 3

City of Springville
Bond and Note Maturities
June 30, 2014

Year Ending June 30,	General Obligation Corporate Purpose and Refunding Bonds		Sewer Revenue Notes	
	Issued September 7, 2011		Issued September 9, 2011	
	Interest Rates	Amount	Interest Rates	Amount
2015	1.15%	\$ 120,000	3.00%	\$ 16,000
2016	1.50	120,000	3.00	17,000
2017	1.80	115,000	3.00	17,000
2018	2.15	120,000	3.00	18,000
2019	2.45	120,000	3.00	18,000
2020	2.65	120,000	3.00	19,000
2021		-	3.00	19,000
2022		-	3.00	20,000
2023		-	3.00	21,000
2024		-	3.00	21,000
2025		-	3.00	22,000
2026		-	3.00	23,000
2027		-	3.00	24,000
2028		-	3.00	24,000
2029		-	3.00	25,000
2030		-	3.00	26,000
2031		-	3.00	27,000
Total		<u>\$ 715,000</u>		<u>\$ 357,000</u>

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Auditor of State

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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 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, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Springville, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 13, 2015. Our report expressed an adverse opinion on the financial statements of the discretely presented component unit due to the omission of the Friends of the Springville Fire Department. Our report expressed modified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balances at July 1, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Springville's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Springville's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Springville's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and 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 Springville's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) through (D) 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 (E) through (H) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Springville'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, 2014 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 Springville's Responses to the Findings

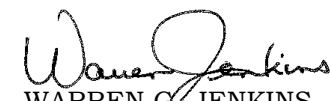
The City of Springville's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Springville's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Springville 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

August 13, 2015

City of Springville

Schedule of Findings

Year ended June 30, 2014

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 person has control over each of the following areas for the City:

- (1) Accounting system – performing all general accounting functions and having custody of assets.
- (2) Cash – reconciling bank accounts, initiating cash receipt and disbursement transactions and handling and recording cash.
- (3) Investments – recordkeeping, custody of investments and reconciling earnings.
- (4) Receipts – collecting, depositing, journalizing and posting.
- (5) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (6) Disbursements – invoice processing, check writing, mailing, reconciling and recording.
- (7) Payroll – recordkeeping, preparing and distributing.
- (8) Long-term debt – recording, reconciling and performing cash functions.
- (9) Information system (computer usage) – performing all general accounting functions and controlling all data input and output.
- (10) Journal entries – preparing and journalizing with no independent review.

For the Friends of the Springville Memorial Library (Friends), there is no segregation of duties over cash collections, recording receipts and depositing receipts. Initial receipt listings and bank reconciliations are not prepared.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City and the Friends should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Initial receipt listings and bank reconciliations should be prepared. Evidence of review of reconciliations should be documented by the signature or initials of the independent reviewer and the date of the review.

Responses –

City – The City Clerk is aware of the standards for segregation of duties. The Clerk's office has adopted segregation of duties standards which include City Council review and as best as can be accomplished in a two person office.

Friends of the Springville Memorial Library – The Friends have nothing to do with the City. It is a separate support group for the Springville Memorial Library. Their funds are separate from any City funds and they have control over their funds. They do give funds to the Library for items purchased, etc.,

City of Springville

Schedule of Findings

Year ended June 30, 2014

but that is their purpose. They usually pay the bill directly and no funds are transferred through City accounts. They have their own Treasurer who is responsible for deposits and check writing and they have the books reviewed by an outside person yearly.

Conclusions –

City – Response accepted.

Friends of the Springville Memorial Library – Response acknowledged. The Friends should review its control procedures to obtain the maximum internal control possible. Initial receipt listings and bank reconciliations should be prepared.

- (B) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared.

Water meters are read by utility customers who record the readings, calculate the usage, compute the bills and then remit payments to the City. The City does not have a policy to periodically read meters.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or a Council designated independent person should review the reconciliations and monitor delinquencies. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review. A listing of delinquent accounts should be prepared on a monthly basis.

In addition, the City should develop a policy to periodically read meters.

Response – We have begun a reconciliation report. This report includes delinquent accounts, bills submitted and the collection of those bills. This report is presented to our City Council at its first bi-weekly meeting of the month. We will be installing remote read meters in the next fiscal year to remedy this situation.

Conclusion – Response accepted.

- (C) Bank Reconciliations – Although monthly bank reconciliations were prepared, variances existed between the bank balance and the City Clerk's general ledger balance. Additionally, the reconciliation was not reviewed by an independent person. The variances were resolved for audit purposes.

Recommendation – To improve financial accountability and control, monthly bank reconciliations should be performed and variances between book and bank balances should be investigated and resolved timely. In addition, the reconciliation should be reviewed by an independent person and the review should be documented by the signature or initials of the reviewer and the date of the review.

Response – Variances were due to errors in recording interest on certificates of deposit. The City does not receive quarterly interest statements from the bank(s) and was incorrectly recording interest payments. We have been notified our banks of the need for quarterly interest statements.

Conclusion – Response accepted.

City of Springville

Schedule of Findings

Year ended June 30, 2014

- (D) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures....”. The expenditures reported for the community and economic development and business-type activities functions did not agree with the City’s records. Also, the ending fund balances reported did not materially agree with the City’s records. These were corrected for financial reporting purposes.

Recommendation – The City should ensure the Annual Financial Report agrees with the City’s records.

Response – At this time, reconciliations need to be completed for prior months and then hopefully moving forward everything will balance out.

Conclusion – Response accepted.

- (E) Computer Systems – During our review of internal control, the existing control activities in the City’s computer systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City’s computer systems were noted.

The City does not have written policies for:

- Requiring password changes every 60 to 90 days to maintain password privacy and confidentiality.
- Requiring password history to be maintained to prevent employees from reusing the same password.
- Restricting access to computer systems through the use of unique user IDs.
- Requiring password length to be at least 8 characters.
- Requiring computers to have a log-off function when not in use.
- Requiring a computer lockout function if passwords are incorrectly entered more than three times.
- Personal use of computer equipment.
- Use of the internet.

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

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over its computer systems. A written disaster recovery plan should also be developed.

Response – We will develop a written policy for these matters.

Conclusion – Response accepted.

City of Springville

Schedule of Findings

Year ended June 30, 2014

- (F) 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:

- (1) Aid in training additional or replacement personnel.
- (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) Improve the efficiency and understanding of steps to perform for running monthly financial reports and retrieving management information.

Response – We will focus on the daily accounting functions and place into a formal procedures manual.

Conclusion – Response accepted.

- (G) Payroll – There is no indication timesheets are reviewed by supervisory personnel prior to preparation of payroll.

Recommendation – Procedures should be established to ensure timesheets are reviewed by supervisory personnel prior to preparation of payroll and the approval of the timesheets is documented.

Response – We have developed procedures for review and approval of timesheets.

Conclusion – Response accepted.

- (H) Disbursements – Invoices and other supporting documentation were not always available to support disbursements and invoices were not always canceled to prevent reuse.

Recommendation – All disbursements should be supported by invoices or other supporting documentation and invoices should be canceled to prevent reuse.

Response – We will adopt a policy of supporting invoices for each check written. We will be diligent in making sure all invoices are stamped paid.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Springville

Schedule of Findings

Year ended June 30, 2014

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted.
- (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 For</u>	<u>Purpose</u>	<u>Amount</u>
Coffee	Coffee for City Hall	\$ 73
Trophies	Pedal pull trophies	35

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 a deserved close 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 should establish written policies and procedures, including the requirement for proper documentation.

Response – The Clerk will research a “resolution of public purpose” so future guidelines are in written form. This shall be reviewed for possible passage by the City Council to avoid any question of improper purchases in the future.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jeff Grimley, City Council Member	Purchased City building	\$ 17,315

In accordance with Chapter 362.5(3)(d) of the Code of Iowa, the transaction with the Council Member does not appear to represent a conflict of interest since it was entered into through competitive bidding.

- (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.

City of Springville

Schedule of Findings

Year ended June 30, 2014

- (6) City Council Meeting Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not. Although minutes of the City Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13 (6) of the Code of Iowa.

Recommendation – The City should publish minutes within fifteen days as required by Chapter 372.13 (6) of the Code of Iowa.

Response – The Deputy Clerk began handling the Council meetings on June 15th and it is the Deputy's Clerk's goal to have everything published timely, including the claims. All non-published minutes and the claims for the month of June have been sent to the Cedar Rapids Gazette.

Conclusion – Response accepted.

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

- (8) Clothing allowance – Public works employees may receive up to \$200 in clothing allowances which are currently not taxed. Reimbursements for clothing appropriate for general wear are taxable under Internal Revenue Service (IRS) regulations.

Recommendation – The City should review and modify its policies to address compliance with IRS regulations governing clothing allowances.

Response – We will review the clothing allowance policy.

Conclusion – Response accepted.

- (9) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than two years to the Office of Treasurer of State annually. The City did not remit these obligations as required.

Recommendation – The outstanding checks should be reviewed annually and items over two years old should be remitted to the Office of Treasurer of State as required.

Response – We will send the applicable outstanding checks to the Office of Treasurer of State, as required.

Conclusion – Response accepted.

City of Springville

Staff

This audit was performed by:

Tammy A. Hollingsworth, CIA, Manager
Gwen D. Fangman, CPA, Senior Auditor II
Zack D. Kubik, CPA, Staff Auditor
Joseph B. Sparks, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State