



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

May 22, 2008

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an agreed upon procedures report on the City of Springville, Iowa for the period July 1, 2007 through December 31, 2007. The agreed upon procedures were performed at the request of the City Council.

Vaudt recommended the City reconcile book and bank balances monthly. Vaudt also recommended the City prepare the annual financial report and the road use tax report timely and use its financial accounting software to record receipts and disbursements and track fund balances. The City's responses are included in the report.

A copy of the report is available for review at the City of Springville's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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CITY OF SPRINGVILLE
INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2007 THROUGH DECEMBER 31, 2007

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City of Springville

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|------------------|-------------------------|---------------------|
| William Cooper | Mayor | Jan 2010 |
| Rick Heeren | Mayor Pro tem | Jan 2008 |
| Robin Ballantyne | Council Member | Jan 2008 |
| Jeff Grimley | Council Member | Jan 2008 |
| Jack Clothier | Council Member | Jan 2010 |
| Sean Williams | Council Member | Jan 2010 |
| Sally Vandersee | Interim Clerk/Treasurer | Indefinite |
| Jeff Taylor | Attorney | Indefinite |

City of Springville



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Independent Accountant's Report on Applying Agreed Upon Procedures

To the Honorable Mayor and
Members of the City Council:

We have performed the following procedures, which were agreed to by the City of Springville, solely to assist you in evaluating the operations of the City of Springville for the period July 1, 2007 through December 31, 2007. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed were as follows:

1. Reviewed City records for completeness and proper record keeping.
2. Reviewed reconciliations of financial reports to City records.
3. Developed recommendations to improve record keeping.
4. Performed other procedures, as appropriate.

Based on the performance of the procedures described above, we noted certain instances of non-compliance with the Code of Iowa. We also identified various recommendations for the City which are described in the Detailed Recommendations of this report. Unless reported in the Detailed Recommendations, no other items of non-compliance were noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the operations of the City of Springville, the objective of which would be the expression of an opinion on the financial statements of the City of Springville. Accordingly, we do not express such an opinion. Had we performed additional procedures, or had we performed an audit of financial statements of the City of Springville, other matters might have come to our attention that would have been reported to you.

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 Springville and other parties to whom the City of Springville may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the assistance extended to us by personnel of the City of Springville. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 1, 2008

City of Springville

Detailed Recommendations

City of Springville

Detailed Recommendations

July 1, 2007 through December 31, 2007

- (A) Reconciliations – The City has not reconciled book and bank balances monthly since June 30, 2007.

Recommendation – The City should reconcile book and bank balances each month.

Response – Present office staff had no financial training. The State Auditor's Office was contacted for assistance in bringing accounting functions up to date (thru December 31, 2007). A Clerk has been hired and new software the Clerk is familiar with has been purchased. This should end the problem.

Conclusion – Response accepted.

- (B) Cash Transfers – The City recorded cash transfers from one bank account to another bank account as receipt and disbursement transactions in the City's financial records. Therefore, receipts and disbursements were overstated by the amount of these cash transfers.

Recommendation – The City should not record cash transfers between bank accounts as receipts and disbursements in the City's financial records.

Also, the City should consider reducing the number of bank accounts used to help simplify the City's records.

Response – We will reduce the number of bank accounts used as advised. Also, the City is purchasing a new software system which will record transfers by journal entry rather than receipts and disbursements.

Conclusion – Response accepted.

- (C) Annual Financial Report – The Annual Financial Report was not submitted by December 1st as required by Chapter 384.22 of the Code of Iowa.

Recommendation – The City should submit the annual financial report by December 1st as required by Chapter 384.22 of the Code of Iowa.

Response – The City was without a Clerk since August 2007 and the monthly financial report had not been balanced since May 2007. The State Auditor's Office was contacted for assistance in bringing accounting functions up to date (thru December 31, 2007). Once the financial statements were up to date two council members completed the report. The City has hired an experienced certified municipal clerk who is well aware of state statutes and timelines for filing state reports. A new software package which the new Clerk has worked with for over five years, has been purchased, and will be utilized to keep future accounting practices in line. Additionally the Iowa League of Cities Clerk's calendar will be distributed to council members so they are fully aware of state deadlines to be met.

Conclusion – Response accepted.

City of Springville

Detailed Recommendations

July 1, 2007 through December 31, 2007

- (D) Road Use Tax Report – The City did not submit the Road Use Tax report until November 27, 2007.

Recommendation – The City should complete and submit the Road Use Tax report to the Iowa Department of Transportation by September 30th as required by Chapter 312.14 of the Code of Iowa.

Response – The City recognizes the importance of submitting all reports in a timely manner. The City was without a Clerk since August 2007 and the former Clerk had not balanced the monthly financials since May 2007. A Clerk from a neighboring City completed the report. With the hiring of a new Clerk this should not be a problem in the future.

Conclusion – Response accepted.

- (E) Financial Software – The City is still using hand-written ledger cards to record financial activity for the City. Although the City has financial software, it does not rely on the financial software because personnel do not know how to fully utilize the software to record receipts, disbursements and track fund balances.

Recommendation – The City should begin to utilize its financial software to record receipts, disbursements and track fund balances.

Response – The City is purchasing a new software system which the present Clerk is familiar with and will utilize the software to record receipts, disbursements and track fund balances.

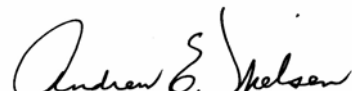
Conclusion – Response accepted.

City of Springville

Staff

This agreed upon procedures engagement was performed by:

K. David Voy, CPA, Manager
Daniel L. Grady, Senior Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State