



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

David A. Vaudt, CPA  
Auditor of State

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**NEWS RELEASE**

FOR RELEASE April 22, 2010

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$393,846 for the year ended June 30, 2009. The receipts included \$122,171 in property tax, \$167,174 from charges for service, \$50,434 from operating grants, contributions and restricted interest, \$43,510 from capital grants, contributions and restricted interest, \$6,518 from unrestricted interest on investments and \$4,039 from other general receipts.

Disbursements for the year totaled \$437,439, and included \$120,715 for public works, \$55,690 for culture and recreation and \$54,196 for public safety. Also, disbursements for business type activities totaled \$127,165.

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/index.htm>.

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**CITY OF MINBURN**

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

**JUNE 30, 2009**

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**City of Minburn**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mike Pace	Mayor	Jan 2010
Dave Baccus	Council Member	Jan 2010
Don Peel	Council Member	Jan 2010
Kim St. Pierre	Council Member	Jan 2010
Lucas Asche	Council Member	Jan 2012
Jordan Lint	Council Member	Jan 2012
Richard Buscher	City Clerk	April 2009
Susan Fitch (Appointed June 2009)	City Clerk	Indefinite
Greg Andrews	Attorney	(Resigned Dec 2008)
Beverly Wild (Appointed Feb 2009)	Attorney	Indefinite

**City of Minburn**



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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 and each major fund of the City of Minburn, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Minburn's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

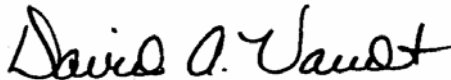
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2008.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2008, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities and each major fund of the City of Minburn as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

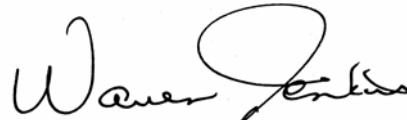
In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2010 on our consideration of the City of Minburn's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Minburn's basic financial statements. Other 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. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2008, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 9, 2010



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

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The City of Minburn provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

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.

### **2009 FINANCIAL HIGHLIGHTS**

- The cash basis net assets of the City's governmental activities decreased 11.1%, or approximately \$28,000, due primarily to increases in disbursements for asphaltting and street repair projects.
- The cash basis net assets of the City's business type activities decreased 9.6%, or approximately \$15,500, due primarily to sewer maintenance costs.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other 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 which helps answer this question.

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

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

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water and sewer systems. 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 Employee Benefits, 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.

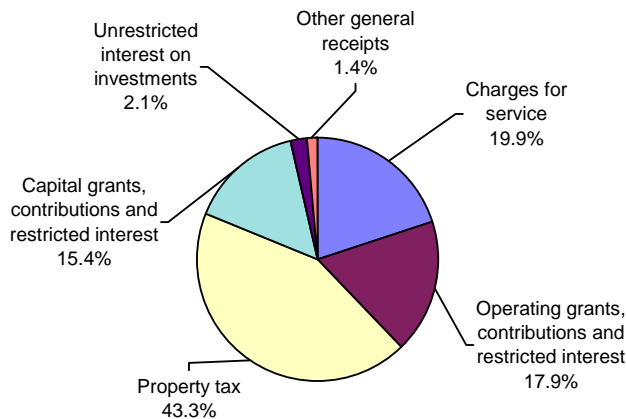
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

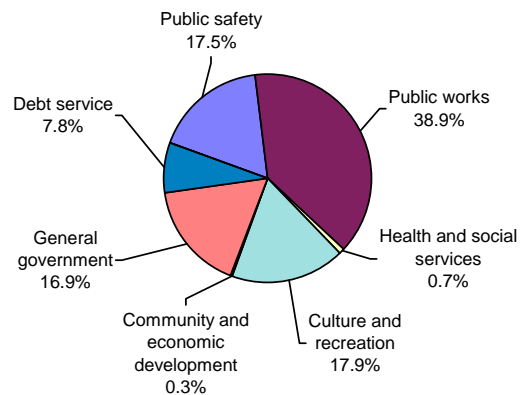
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$253,600 to \$225,508. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2009
Receipts:	
Program receipts:	
Charges for service	\$ 56,166
Operating grants, contributions and restricted interest	50,434
Capital grants, contributions and restricted interest	43,510
General receipts:	
Property tax	122,171
Unrestricted interest on investments	5,862
Other general receipts	4,039
Total receipts	<u>282,182</u>
Disbursements:	
Public safety	54,196
Public works	120,715
Health and social services	2,250
Culture and recreation	55,690
Community and economic development	808
General government	52,467
Debt service	24,148
Total disbursements	<u>310,274</u>
Change in cash basis net assets	(28,092)
Cash basis net assets beginning of year	<u>253,600</u>
Cash basis net assets end of year	<u>\$ 225,508</u>

**Receipts by Source**



**Disbursements by Function**



The cash basis net assets of the City's governmental activities decreased 11.1%, or \$28,092, due primarily to increases in disbursements for asphaltting and street repair projects.

Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2009
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 62,281
Sewer	48,727
General receipts:	
Unrestricted interest on investments	656
Total receipts	<u>111,664</u>
Disbursements:	
Water	67,685
Sewer	59,480
Total disbursements	<u>127,165</u>
Change in cash basis net assets	(15,501)
Cash basis net assets beginning of year	<u>161,709</u>
Cash basis net assets end of year	<u>\$ 146,208</u>

The cash basis net assets of the City's business type activities decreased 9.6%, or \$15,501, due primarily to sewer improvement project costs.

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

As the City of Minburn completed the year, its governmental funds reported a combined fund balance of \$225,508, a decrease of \$28,092 from last year's total of \$253,600. 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 \$7,498 over the prior year to \$200,478. The increase in cash balance was due primarily to an increase in intergovernmental receipts for grants received for the fire department and library and an increase in the garbage collection rate.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$37,805 from the prior year to \$(8,455). The decrease in cash balance is due primarily to increased street repair projects exceeding current and accumulated road use tax receipts.
- The Special Revenue, Employee Benefits Fund cash balance decreased \$278 from the prior year to \$907.
- The Debt Service Fund cash balance increased \$1,877 over the prior year to \$5,500 due to an increase in property tax receipts.
- The Permanent, Cemetery Perpetual Care Fund cash balance increased \$616 over the prior year to \$27,078.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$5,404 to \$92,989 during the fiscal year.
- The Sewer Fund cash balance decreased \$10,097 to \$53,219 during the fiscal year.
- Both the Water Fund and the Sewer Fund cash balance decreases are primarily due to not actively collecting delinquent utilities during fiscal year 2009. The Sewer Fund also incurred increased costs for sewer maintenance.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice. The first amendment, approved on October 13, 2008, resulted in increases in receipts of \$4,000 and other financing sources of \$63,510 and an increase in disbursements of \$112,510, primarily relating to a grant for the fire department and increases for street and sewer improvement project costs. The second amendment, approved on May 11, 2009, resulted in an increase in receipts of \$3,000 and an increase in disbursements of \$14,000, primarily relating to a library grant and additional sewer maintenance costs.

The City's receipts were \$68,147 more than budgeted. This was primarily due to the City receiving more intergovernmental receipts than budgeted.

Total disbursements were \$33,497 less than the amounts budgeted.

The City exceeded the amounts budgeted in the public works and community and economic development functions for the year ended June 30, 2009. This was primarily due to the City not budgeting a sufficient amount for the increased amount of street repair and not adequately monitoring the actual disbursements compared to the budget.

## DEBT ADMINISTRATION

At June 30, 2009, the City had \$217,000 in bonds outstanding, compared to \$255,000 last year, as shown below:

	Outstanding Debt at Year-End	
	June 30,	
	2009	2008
General obligation bonds	\$ 116,000	136,000
Revenue bonds	101,000	119,000
Total	\$ 217,000	255,000

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$116,000 is below its constitutional debt limit of approximately \$386,000.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

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

These indicators were taken into account when adopting the budget for fiscal year 2010. Amounts available for appropriation in the operating budget are \$326,285, a decrease of 30.7% from the final fiscal year 2009 budget. The City has added no major new programs or initiatives to the fiscal year 2010 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$22,000 by the close of fiscal year 2010.

## **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 Susan Fitch, City Clerk, 315 Baker Street, Minburn, Iowa 50167.

## **Basic Financial Statements**

City of Minburn

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2009

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 54,196	15,360	2,000	43,510
Public works	120,715	36,436	31,099	-
Health and social services	2,250	-	-	-
Culture and recreation	55,690	4,250	17,335	-
Community and economic development	808	-	-	-
General government	52,467	120	-	-
Debt service	24,148	-	-	-
Total governmental activities	310,274	56,166	50,434	43,510
Business type activities:				
Water	67,685	62,281	-	-
Sewer	59,480	48,727	-	-
Total business type activities	127,165	111,008	-	-
Total	\$ 437,439	167,174	50,434	43,510

**General Receipts:**

Property and other city tax levied for:  
 General purposes  
 Employee benefits  
 Debt service  
 Unrestricted interest on investments  
 Miscellaneous

Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:

Nonexpendable:  
 Cemetery care

Expendable:  
 Debt service  
 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
6,674	-	6,674
(53,180)	-	(53,180)
(2,250)	-	(2,250)
(34,105)	-	(34,105)
(808)	-	(808)
(52,347)	-	(52,347)
(24,148)	-	(24,148)
(160,164)	-	(160,164)
-	(5,404)	(5,404)
-	(10,753)	(10,753)
-	(16,157)	(16,157)
(160,164)	(16,157)	(176,321)
75,999	-	75,999
20,147	-	20,147
26,025	-	26,025
5,862	656	6,518
4,039	-	4,039
132,072	656	132,728
(28,092)	(15,501)	(43,593)
253,600	161,709	415,309
\$ 225,508	146,208	371,716
\$ 27,078	-	27,078
5,500	-	5,500
907	9,710	10,617
192,023	136,498	328,521
\$ 225,508	146,208	371,716

City of Minburn

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

As of and for the year ended June 30, 2009

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Debt Service
Receipts:				
Property tax	\$ 75,999	-	20,147	26,025
Licenses and permits	120	-	-	-
Use of money and property	5,246	-	-	-
Intergovernmental	72,085	31,099	-	-
Charges for service	41,686	-	-	-
Miscellaneous	9,159	-	-	-
Total receipts	204,295	31,099	20,147	26,025
Disbursements:				
Operating:				
Public safety	54,013	-	183	-
Public works	43,685	68,904	8,126	-
Health and social services	2,250	-	-	-
Culture and recreation	54,672	-	1,018	-
Community and economic development	808	-	-	-
General government	41,369	-	11,098	-
Debt service	-	-	-	24,148
Total disbursements	196,797	68,904	20,425	24,148
Excess (deficiency) of receipts over (under) disbursements	7,498	(37,805)	(278)	1,877
Cash balances beginning of year	192,980	29,350	1,185	3,623
Cash balances end of year	\$ 200,478	(8,455)	907	5,500
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ -	-	-	5,500
Unreserved:				
General fund	200,478	-	-	-
Special revenue funds	-	(8,455)	907	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 200,478	(8,455)	907	5,500

See notes to financial statements.

Permanent Cemetery Perpetual Care	Total
-	122,171
-	120
616	5,862
-	103,184
-	41,686
-	9,159
616	282,182

-	54,196
-	120,715
-	2,250
-	55,690
-	808
-	52,467
-	24,148
-	310,274
616	(28,092)
26,462	253,600
27,078	225,508

-	5,500
-	200,478
-	(7,548)
27,078	27,078
27,078	225,508

**City of Minburn**

City of Minburn

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

As of and for the year ended June 30, 2009

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 59,438	48,727	108,165
Miscellaneous	2,843	-	2,843
Total operating receipts	62,281	48,727	111,008
Operating disbursements:			
Business type activities	67,685	37,910	105,595
Excess (deficiency) of operating receipts over (under) operating disbursements	(5,404)	10,817	5,413
Non-operating receipts (disbursements):			
Interest on investments	-	656	656
Debt service	-	(21,570)	(21,570)
Total non-operating receipts (disbursements)	-	(20,914)	(20,914)
Deficiency of receipts under disbursements	(5,404)	(10,097)	(15,501)
Cash balances beginning of year	98,393	63,316	161,709
Cash balances end of year	\$ 92,989	53,219	146,208
<b>Cash Basis Fund Balances</b>			
Reserved for utility deposits	\$ 9,710	-	9,710
Unreserved	83,279	53,219	136,498
Total cash basis fund balances	\$ 92,989	53,219	146,208

See notes to financial statements.

City of Minburn

Notes to Financial Statements

June 30, 2009

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

The City of Minburn is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1892 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 and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Minburn has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dallas County Assessor's Conference Board, Dallas County Emergency Management Commission, North Dallas Solid Waste Regional Planning Commission and the Dallas 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 three categories:

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

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

Unrestricted net assets consist of net assets not meeting the definition of the preceding 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.

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 road construction and maintenance.

The Employee Benefits Fund is used to account for the tax levy and disbursements for employee benefits (such as health insurance, pensions, etc.).

The Debt Service Fund is utilized to account 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 the upkeep and maintenance of the cemetery.

The City reports the following major proprietary funds:

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

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

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

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

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the public works and the community and economic development functions.

**(2) Cash and Pooled Investments**

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

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

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



**(3) Bonds Payable**

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

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 22,000	3,480	19,000	3,030	41,000	6,510
2011	22,000	2,820	19,000	2,460	41,000	5,280
2012	23,000	2,160	20,000	1,890	43,000	4,050
2013	24,000	1,470	21,000	1,290	45,000	2,760
2014	25,000	750	22,000	660	47,000	1,410
Total	\$ 116,000	10,680	101,000	9,330	217,000	20,010

General Obligation Sewer Improvement Bonds

The City issued general obligation sewer improvement bonds in June 1994 for \$220,000 and in December 1994 for \$126,000, both for the purpose of constructing improvements to the municipal sanitary sewer system. The bonds bear interest at 3.00% per annum and mature June 1, 2014. The total principal and interest remaining to be paid on the bonds is \$126,680. For the current year, principal and interest paid was \$24,080.

The resolutions providing for the issuance of the general obligation sewer improvement bonds include a continuing disclosure provision which states the City will cause the books and accounts to be audited annually and the report provided not later than 120 days after the end of each fiscal year. The City has not complied with the annual audit requirement.

Sewer Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$311,000 of sewer revenue bonds issued in June 1994. The bonds mature annually on June 1 and bear interest at 3.0% per annum, which is due and payable each June 1 and December 1. Proceeds from the bonds provided financing for the construction of improvements and extensions to the municipal sanitary sewer system. The bonds are payable solely from sewer customer receipts and are payable through 2014. Annual principal and interest payments on the bonds are expected to require more than the net receipts. The total principal and interest remaining to be paid on the bonds is \$110,330. For the current year, principal and interest paid and total customer net receipts were \$21,570 and \$10,817, respectively.

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
- (c) Additional monthly transfers shall be made to a sewer reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying, at maturity, principal or interest on the bonds when insufficient money shall be available in the sinking account.

- (d) The City will cause the books and accounts to be audited annually not later than 120 days after the end of each fiscal year by an independent auditor.

The City has not established the sinking account required by the sewer revenue bond resolution. Also, the City has not established the reserve account in the amount required by the sewer revenue bond resolution. In addition, the City has not complied with the annual audit requirement.

**(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 4.10% of their annual covered salary and the City is required to contribute 6.35% 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, 2009 was \$7,136, equal to the required contribution for the year.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time 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, sick leave and compensatory time hours payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 1,400
Sick leave	5,300
Compensatory time	<u>200</u>
Total	<u>\$ 6,900</u>

These liabilities have been computed based on rates of pay in effect at June 30, 2009.

**(6) 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.

**(7) Deficit Balance**

The Special Revenue, Road Use Tax Fund had a deficit balance of \$8,455 at June 30, 2009. The City is investigating alternatives to eliminate the deficit, which include eliminating the deficit through future cost saving measures and/or anticipated receipts.

**Required Supplementary Information**

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

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 122,171	-
Licenses and permits	120	-
Use of money and property	5,862	656
Intergovernmental	103,184	-
Charges for service	41,686	108,165
Miscellaneous	9,159	2,843
Total receipts	282,182	111,664
Disbursements:		
Public safety	54,196	-
Public works	120,715	-
Health and social services	2,250	-
Culture and recreation	55,690	-
Community and economic development	808	-
General government	52,467	-
Debt service	24,148	-
Business type activities	-	127,165
Total disbursements	310,274	127,165
Excess (deficiency) of receipts over (under) disbursements	(28,092)	(15,501)
Other financing sources, net	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(28,092)	(15,501)
Balances beginning of year	253,600	161,709
Balances end of year	\$ 225,508	146,208

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
122,171	119,762	119,762	2,409
120	367	367	(247)
6,518	10,000	7,000	(482)
103,184	38,610	41,610	61,574
149,851	149,060	156,060	(6,209)
12,002	900	900	11,102
393,846	318,699	325,699	68,147
54,196	19,850	63,360	9,164
120,715	48,925	80,925	(39,790)
2,250	2,275	2,275	25
55,690	39,908	62,908	7,218
808	-	-	(808)
52,467	57,508	57,508	5,041
24,148	24,148	24,148	-
127,165	151,812	179,812	52,647
437,439	344,426	470,936	33,497
(43,593)	(25,727)	(145,237)	101,644
-	-	63,510	(63,510)
(43,593)	(25,727)	(81,727)	38,134
415,309	334,966	334,966	80,343
371,716	309,239	253,239	118,477

City of Minburn

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, 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. During the year, two budget amendments increased budgeted disbursements by \$126,510. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the public works and the community and economic development functions.

**Other Supplementary Information**

**Schedule 1**

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City of Minburn  
Schedule of Indebtedness  
Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Sewer improvement	Jun 21, 1994	3.00%	\$ 220,000
Sewer improvement	Dec 16, 1994	3.00%	126,000
Total			
Revenue bonds:			
Sewer	Jun 21, 1994	3.00%	\$ 311,000

See accompanying independent auditor's report.



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Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid
87,000	13,000	74,000	2,610
49,000	7,000	42,000	1,470
<u>\$ 136,000</u>	<u>20,000</u>	<u>116,000</u>	<u>4,080</u>
<u>\$ 119,000</u>	<u>18,000</u>	<u>101,000</u>	<u>3,570</u>

**Schedule 2**

## City of Minburn

## Bond Maturities

June 30, 2009

Year Ending June 30,	General Obligation Bonds					Revenue Bonds	
	Sewer Improvement Series 1994B		Sewer Improvement Series 1994C		Total	Sewer 1994A	
	Issued June 21, 1994		Issued December 16, 1994			Issued June 21, 1994	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2010	3.00%	\$ 14,000	3.00%	\$ 8,000	22,000	3.00%	\$ 19,000
2011	3.00	14,000	3.00	8,000	22,000	3.00	19,000
2012	3.00	15,000	3.00	8,000	23,000	3.00	20,000
2013	3.00	15,000	3.00	9,000	24,000	3.00	21,000
2014	3.00	16,000	3.00	9,000	25,000	3.00	22,000
Total		<u>\$ 74,000</u>		<u>\$ 42,000</u>	<u>116,000</u>		<u>\$ 101,000</u>

See accompanying independent auditor's report.



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

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of the City of Minburn, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 9, 2010. Our report expressed qualified opinions on the financial statements, which were prepared in accordance with an other comprehensive basis of accounting, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2008. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Minburn's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Minburn's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Minburn's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Minburn's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Minburn's financial statements that is more than inconsequential will not be prevented or detected by the City of Minburn's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Minburn's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A), (B), (H) and (J) are material weaknesses.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

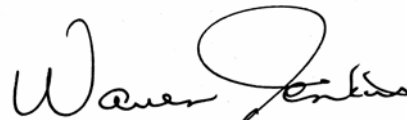
The City of Minburn's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Minburn's responses and, accordingly, we express no opinion on them.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Minburn during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 9, 2010

City of Minburn

Schedule of Findings

Year ended June 30, 2009

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. During our review, we noted one individual has control over each of the following areas:
- (1) Accounting system – performing all general accounting functions and having custody of City assets.
  - (2) Cash – handling, reconciling and recording.
  - (3) Investing – record keeping and investing.
  - (4) Receipts - collecting, depositing, posting and reconciling.
  - (5) Disbursements – invoice processing, check writing, signing, recording and mailing.
  - (6) Payroll - preparing, record keeping, signing and distributing. In addition, an independent person does not review and approve payroll rates.
  - (7) Utilities - billing, collecting, depositing, posting and reconciling.
  - (8) Debt – record keeping, 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 procedures to obtain the maximum internal control possible under the circumstances. Evidence of various reviews should be indicated by initials of the independent reviewer and the date of the review.

Response – Updated software programs, including accounts payable, general ledger and bank reconciliation have been installed and tie into the utility accounts. A payroll program has been purchased and will be installed by the end of the year. All of the above areas will be reconciled each month with the bank statements.

Each month, the Mayor and Council Members will be provided copies of the reports generated, which will show all receipts and disbursements in each of the areas listed in [1] – [8] above.

Each month the Council reviews a listing of all checks written, showing the amount and distribution. All checks are signed by two authorized persons. Employee timesheets are attached to the payroll record and drafted check. These are reviewed and initialed by the Mayor or Council Member before the payroll checks are signed.

Conclusion – Response accepted.

City of Minburn

Schedule of Findings

Year ended June 30, 2009

- (B) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year. Delinquent account listings were not maintained and the number and balance of delinquent accounts appears to be excessive. Also, the penalty and shut-off policies and procedures were not enforced.

Recommendation – Utility billings, collections and delinquent accounts should be reconciled for each billing period. The Council should review the reconciliation. Also, delinquent account listings should be maintained and monitored by the Council. Policies and procedures established by City ordinance for penalty and shut-off procedures should be followed, or the ordinance should be amended.

Response – All of the utility accounts will be reconciled each month and the Mayor and Council Members will be given copies of the reports for their review.

The Council held special meetings addressing delinquent accounts, all policies and procedures were reviewed and penalty and shut-off procedures are now being followed as stated in the City ordinances.

Conclusion – Response accepted.

- (C) Accounting Procedures Manual – The City does not maintain either an employee policies handbook or a written accounting procedures manual. A manual would 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 time by recording decisions so items will not have to be addressed each time the same, or a similar, situation arises.

Recommendation – An accounting and procedures manual should be prepared for the City.

Response – The City is developing an employee policies handbook and an accounting policies and procedures manual.

Conclusion – Response accepted.

- (D) Record of Investments – A detailed record of investment transactions was not maintained.

Recommendation – A detailed record of investment transactions by fund should be maintained. This record should include investment number, purchase date, redemption date, interest rate and amount of principal and interest received.

Response – A detailed record of investment transactions by fund is being developed, including investment number, purchase date, redemption date, interest rate and amount of principal and interest received. This record will be maintained by the Clerk and reviewed periodically by the Council.

Conclusion – Response accepted.

City of Minburn

Schedule of Findings

Year ended June 30, 2009

- (E) Timely Deposits – Monies collected were not always deposited timely.

Recommendation – To safeguard cash, receipts should be deposited intact and timely.

Response – Receipts are now being deposited timely.

Conclusion – Response accepted.

- (F) Payroll – City employees paid on a hourly basis complete timesheets. However, the time sheets are not reviewed and approved by a supervisor. Also, not all hourly wage rates were approved by the Council and documented in the minutes record.

Recommendation – Time sheets should be retained to support time worked for all employees and should be reviewed and approved by a responsible official. Additionally, all hourly wage rates should be approved by the Council and documented in the minutes record.

Response – Employee timesheets are attached to the payroll record and drafted check. These are reviewed and initialed by the Mayor or Council Member before the payroll checks are signed.

All hourly wage raises are approved by the Council and documented in the minutes records.

Conclusion – Response accepted.

- (G) Credit Cards – The City has numerous credit cards for use by City employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting for credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls the cards, who is authorized to use the cards and for what purpose, as well as the types of supporting documentation required to substantiate charges.

Response – The City will adopt a formal written policy regulating the use of City charge cards, addressing who controls the cards, who is authorized to use the cards and for what purpose, a maximum amount that can be charged as well as the types of supporting documentation required to substantiate charges.

Conclusion – Response accepted.

- (H) Bank Reconciliations – Monthly reconciliations of the Clerk's balances to the bank balances were not prepared. A list of outstanding checks was not prepared each month. Also, checks were not always written in numerical sequence. Voided checks were not consistently retained.

Recommendation – To improve financial accountability and control, a monthly reconciliation of the book and bank balances should be prepared, reviewed and retained. Any variances should be investigated and resolved in a timely manner. A listing of outstanding checks should be prepared each month and retained. In addition, checks should be issued in numerical sequence and all voided checks should be retained to properly account for all checks.

City of Minburn

Schedule of Findings

Year ended June 30, 2009

Response – Checks are being written in numerical sequence and all voided checks are being retained to ensure all checks are being accounted for. Reports generated by the updated bank reconciliation program will be reviewed monthly and any variances will be investigated and resolved.

Conclusion – Response accepted.

- (I) Monthly Financial Reports – Monthly financial reports detailing receipts, disbursements and budget comparisons were not provided to the City Council.

Recommendation – Monthly financial reports should be prepared and submitted to the City Council for review and approval. All reports should be maintained on file. Comparisons to budget should be included in the financial reports to provide better control over budgeted disbursements and provide the opportunity for timely amendments to the budget.

Response – Monthly financial reports will be prepared and submitted to the City Council for review and approval. All reports will be maintained on file. Comparisons to the budget will be included in the financial reports to provide better control over budgeted disbursements and provide the opportunity for timely amendments to the budget.

Conclusion – Response accepted.

- (J) Financial Records – Certain transactions were not properly recorded in the City's financial records. Adjustments to the City's records were necessary to record grant receipts of \$43,510 and donations of \$3,612, to reclassify four road use tax receipts totaling \$7,738 from the General Fund to the Special Revenue, Road Use Tax Fund, to reclassify a \$2,000 General Fund grant from the Special Revenue, Road Use Tax Fund and to record interest of \$3,535. Procedures are lacking to help ensure financial reports are complete, accurate, approved and submitted timely, if required.

Recommendation – The City should implement procedures to review financial activity each month to determine receipts and disbursements are posted properly.

Response – The City has implemented procedures to ensure all transactions are properly recorded in the City's financial system and financial reports are complete, accurate, approved and submitted timely, if required.

Conclusion – Response accepted.

- (K) Information Systems – The City's financial information for fiscal year 2009 was compiled using various spreadsheets. Since complete and accurate financial information was not available, the City staff re-created all fiscal year 2009 financial information by entering the activity on to a newly acquired computer system.



City of Minburn

Schedule of Findings

Year ended June 30, 2009

During our review of internal control, the existing control activities in the City's computer based financial system was 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 based financial system were noted:

The City does not have written policies over the computer based financial system for:

- Password privacy and confidentiality.
- Requiring password changes because software does not require the user to change log-ins/passwords periodically.
- Requiring preparation and storage of backup tapes/disks.
- Addressing alternative power source(s).
- Usage of the internet.
- Procedures to ensure financial information entered is approved, accurate and complete.

Also, 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 the computer based financial system. A written disaster recovery plan should be developed.

Response – The City is using a computer system to compile and report all financial information, and will develop procedures to ensure all information is approved, accurate and complete. The City will develop policies regarding password privacy and confidentiality, requirements to change passwords, identify alternative power source(s), usage of the internet and a disaster recovery plan. The City has purchased a daily back-up system which will store the data off site.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Minburn

Schedule of Findings

Year ended June 30, 2009

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the public works and the community and economic development functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Disbursements during the year ended June 30, 2009 also exceeded the amount budgeted in the public works function before the budget was amended on October 13, 2008.

In addition, we were unable to determine if the adopted budget or budget amendments were properly published because proof of publication, if any, was not retained. The notice of public hearing for the budget was not posted in accordance with Chapter 384.16 of the Code of Iowa.

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. The adopted budget and budget amendment should have been published and notice of the public hearing should have been given not less than ten days or more than 20 days prior to the hearing as provided in Chapter 384.16 of the Code of Iowa.

Response – The budget will be amended before disbursements are allowed to exceed the budget. The adopted budget and budget amendments will be published and notice of the public hearing will be given not less than ten days or more than 20 days prior to the hearing as provided in Chapter 384.16 of the Code of Iowa.

Conclusion – Response accepted.

- (2) Questionable Disbursements – The following disbursement 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.

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Raccoon Valley Bank	Purchase of gift cards for employees	\$ 156

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

City of Minburn

Schedule of Findings

Year ended June 30, 2009

Response – This was a one time disbursement, as a way to thank persons who donated a lot of time to keeping utility billing and payroll functioning during the transition between clerks. The gift certificate and amounts were discussed by the Council, voted on and the approval is reflected in the minutes. The purchase was again approved by the Council with all the other checks when it was on the list of disbursements presented at the Council meeting before the checks were signed by the Mayor. However, in case a similar situation may arise in the future the City will establish a written policy and procedure for handling this type of disbursement.

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

Minutes of the Council, Library Board and Fire & Rescue Board meetings were not signed to authenticate actions taken in accordance with Chapter 380.7 of the Code of Iowa.

Council minutes were not published in a newspaper of general circulation and did not include a listing of claims allowed.

Recommendation – Council, Library Board and Fire & Rescue Board minutes should be signed to authenticate actions taken.

As required by Chapter 372.13(6) of the Code of Iowa, a city with a population of over 200 should publish its minutes in a newspaper of general circulation which meets the qualification of a newspaper for official publication as defined in Chapter 618.3 of the Code of Iowa.

Also, a listing of claims allowed shall show the name of the person or firm making the claim, the reason for the claim and the amount of the claim as required by Chapter 372.13(6) of the Code of Iowa and an Attorney's General opinion dated April 12, 1978.

Response – Council, Library Board and Fire & Rescue Board minutes will be signed to authenticate actions taken. The City will comply with Chapter 372.13(6) of the Code of Iowa.

Conclusion – Response accepted.

City of Minburn

Schedule of Findings

Year ended June 30, 2009

- (7) Deposits and Investments – The City could not locate an adopted written investment policy 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 will adopt a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Conclusion – Response accepted.

- (8) General Obligation and Revenue Bonds – Except as noted below, no instances of non-compliance with the general obligation and sewer revenue bond requirements were noted:

The City has not established the sewer revenue bond sinking and sewer revenue bond reserve accounts required by the sewer revenue bond provisions.

In addition, the City has not complied with the sewer revenue bond or the general obligation sewer improvement bond provisions which state the City will cause the books and accounts to be audited annually.

Recommendation – The City should review the bond provisions and comply with the audit requirement. The City should establish the required sewer revenue bond sinking account and the sewer revenue bond reserve account.

Response – We will review the revenue bond requirements and take steps to ensure compliance. The City will establish the required sewer revenue bond sinking and reserve accounts.

Conclusion – Response accepted.

- (9) Financial Condition – The Special Revenue, Road Use Tax Fund had a deficit balance at June 30, 2009 of \$8,455.

Recommendation – The City should investigate alternatives to eliminate this deficit to return this fund to a sound financial position.

Response – The City will investigate alternatives to eliminate this deficit to return this fund to a sound financial position.

Conclusion – Response accepted.

City of Minburn

Schedule of Findings

Year ended June 30, 2009

- (10) Official Depositories – A resolution naming official depositories has not been adopted by the City Council.

Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Response – A resolution in amounts sufficient to cover anticipated balances at all approved depositories will be adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Conclusion – Response accepted.

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

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

Response – The City will obtain and retain an image of both the front and back of each cancelled check.

Conclusion – Response accepted.

- (12) City Code of Ordinances – A compilation of City ordinances has not been completed within the past five years.

Recommendation - Chapter 380.8 of the Code of Iowa states, in part, “A city shall compile a code of ordinances containing all city ordinances in effect, except grade ordinances, bond ordinances, zoning map ordinances, ordinances vacating streets and alleys, and ordinances containing legal descriptions of urban revitalization areas and urban renewal areas.” The City should complete a new City Code as required.

Response – The City will review Chapter 380.8 of the Code of Iowa and comply with the codification requirements.

Conclusion – Response accepted.

- (13) Annual Financial Report – The City did not complete or file the Annual Financial Report (AFR) with the Auditor of State by December 1 for the fiscal year ended June 30, 2008 as required by Chapter 384.22 of the Code of Iowa.

Recommendation – The City should complete and file annual financial reports as required by Chapter 384.22 of the Code of Iowa.

Response – We filed the report for the fiscal year ended June 30, 2008 with your office on April 21, 2009. The report for the fiscal year ended June 30, 2009 was filed on November 19, 2009.

Conclusion – Response accepted.

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

(14) Other Information Required by the Sewer Revenue Bond Resolution –

Insurer	Description	Amount	Expiration Date
Employers Mutual Casualty Company	Property coverage: Blanket on buildings	\$ 535,297	Apr 1, 2010
Employers Mutual Casualty Company	Comprehensive general liability: Each occurrence Aggregate Damage to premises rented to City Medical expense Personal and advertising injury	1,000,000 2,000,000 100,000 5,000 1,000,000	Apr 1, 2010
Employers Mutual Casualty Company	Inland Marine: Contractors' equipment	33,700	Apr 1, 2010
Employers Mutual Casualty Company	Linebacker: Each loss and in aggregate	1,000,000	Apr 1, 2010
Employers Mutual Casualty Company	Workers' compensation Each accident Policy limit	500,000 500,000	Apr 1, 2010
Nationwide Mutual Insurance Company	City Clerk/Treasurer surety bond	25,000	Feb 26, 2010
<hr/>			
<u>Description</u>		<u>Amount</u>	
Customers served at June 30, 2009		158	
Sewer rates in effect at June 30, 2009:			
Monthly service charge		\$ 12.00	
Additional 45% of water and water service, minimum rate		5.95	


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City of Minburn

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager  
Tammy A. Hollingsworth, Senior Auditor II  
Jessica P. Green, Assistant Auditor

  
Andrew E. Nielsen, CPA  
Deputy Auditor of State