



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

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Auditor of State

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Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE

October 14, 2011

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$2,929,712 for the year ended June 30, 2011. The receipts included \$165,485 in property tax, \$241,536 from tax increment financing, \$180,962 from charges for service, \$101,765 from operating grants, contributions and restricted interest, \$91,209 from local option sales tax, \$3,171 from unrestricted interest on investments, \$2,129,952 from bond proceeds and \$15,632 from other general receipts.

Disbursements for the year totaled \$2,654,877, and included \$155,928 for public works, \$105,669 for debt service and \$57,620 for public safety. Also, disbursements for business type activities totaled \$2,243,326.

The bond proceeds were used to pay for improvements to the wastewater treatment plant.

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/1121-0489-B00F.pdf>.

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**CITY OF SWISHER**

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

**JUNE 30, 2011**

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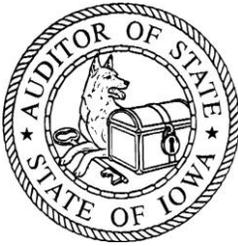
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**City of Swisher**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Scott Grabe	Mayor	Jan 2012
Tim Mason	Mayor Pro Tem	Jan 2012
Mary Gudenkauf	Council Member	Jan 2012
Scott Huston	Council Member	Jan 2012
Angie Hinrichs	Council Member	Jan 2014
Larry Svec	Council Member	Jan 2014
Phyllis Collins	Treasurer	Jan 2012
Connie Meier	Clerk	Jan 2013
Steve Greenleaf	Attorney	Jan 2012

**City of Swisher**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Swisher, Iowa, as of and for the year ended June 30, 2011, 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 Swisher's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2010.

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, 2010, 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 Swisher as of June 30, 2011, 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 September 28, 2011 on our consideration of the City of Swisher'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 28 through 30 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 Swisher'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, 2010, 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

September 28, 2011

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

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The City of Swisher 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, 2011. 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.

### **2011 FINANCIAL HIGHLIGHTS**

- The cash basis net assets of the City's governmental activities increased approximately \$254,000 from fiscal year 2010 to fiscal year 2011. Tax increment financing (TIF) receipts increased approximately \$105,000, local option sales tax receipts increased approximately \$16,000 and disbursements decreased approximately \$77,000 due, in part, to fewer street projects in fiscal year 2011.
- The cash basis net assets of the City's business type activities increased approximately \$21,000, primarily due to receipts exceeding disbursements in the Enterprise, Sewer Fund, including bond proceeds of \$2,129,952 and capital project disbursements for the wastewater treatment plant totaling \$2,129,285.

### **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 nonmajor governmental funds and 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 sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, and 3) the Debt Service 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 Fund. Enterprise Funds are used to report business type activities. The City maintains one Enterprise Fund to provide information for the Sewer Fund, considered to be a major fund of the City.

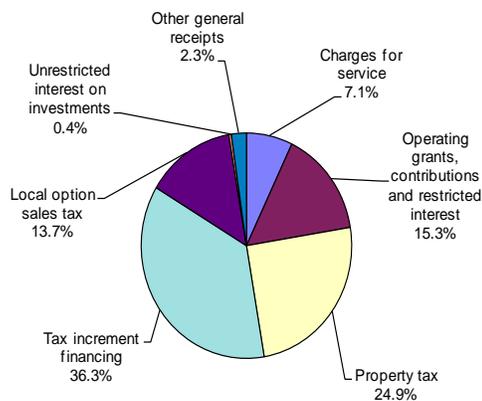
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

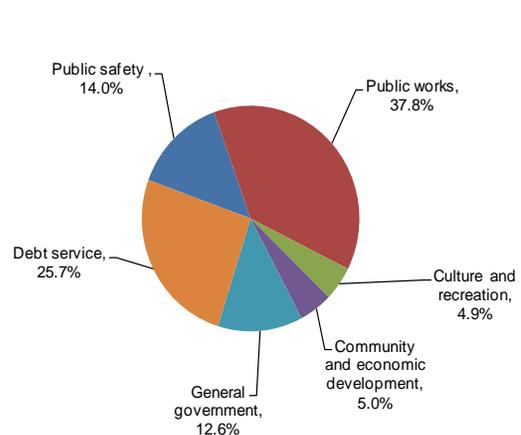
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from \$724,110 at June 30, 2010 to \$977,912 at June 30, 2011. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2011
Receipts:	
Program receipts:	
Charges for service	\$ 46,971
Operating grants, contributions and restricted interest	101,765
General receipts:	
Property tax	165,485
Tax increment financing	241,536
Local option sales tax	91,209
Unrestricted interest on investments	2,755
Other general receipts	15,632
Total receipts	<u>665,353</u>
Disbursements:	
Public safety	57,620
Public works	155,928
Culture and recreation	20,131
Community and economic development	20,430
General government	51,773
Debt service	105,669
Total disbursements	<u>411,551</u>
Change in cash basis net assets	253,802
Cash basis net assets beginning of year	<u>724,110</u>
Cash basis net assets end of year	<u>\$ 977,912</u>

Receipts by Source



Disbursements by Function



The cash basis net assets increase of \$253,802 is primarily due to an increase in TIF receipts of approximately \$105,000, an increase in local option sales tax receipts of approximately \$16,000 and a decrease in disbursements of approximately \$77,000 due, in part, to fewer street projects in fiscal year 2011.

Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2011
Receipts:	
Program receipts:	
Charges for service:	
Sewer	\$ 133,991
General receipts:	
Unrestricted interest on investments	416
Bond proceeds	2,129,952
Total receipts	<u>2,264,359</u>
Disbursements:	
Sewer	<u>2,243,326</u>
Change in cash basis net assets	21,033
Cash basis net assets beginning of year	<u>371,366</u>
Cash basis net assets end of year	<u><u>\$ 392,399</u></u>

Total business type activities cash basis net assets increased from a year ago, increasing from \$371,366 at June 30, 2010 to \$392,399 at June 30, 2011. The increase is primarily due to a reduction in sewer disbursements from fiscal year 2010 to fiscal year 2011 due, in part, to sludge removal at the wastewater treatment plant in fiscal year 2010. Additionally, the Enterprise, Sewer Fund received bond proceeds of \$2,129,952 and had capital project disbursements for the wastewater treatment plant totaling \$2,129,285.

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

As the City of Swisher completed the year, its governmental funds reported a combined fund balance of \$977,912, an increase of \$253,802 above last year's total of \$724,110. 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 \$18,246 from the prior year to \$394,367. The increase is primarily due to a reduction in General Fund disbursements in fiscal year 2011 due to City park improvements completed during fiscal year 2010.
- The Special Revenue, Road Use Tax Fund cash balance increased \$7,153 to \$109,754 during the fiscal year. This increase was attributable to receiving about \$4,500 more of road use tax and I-Jobs receipts this fiscal year.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$91,329 to \$166,606 during the year since there were no disbursements in fiscal year 2011.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$130,377 from \$169,749 at June 30, 2010 to \$300,126 at June 30, 2011. The increase is primarily due to collecting \$105,144 more in tax increment financing during fiscal year 2011. The City plans to use the tax increment financing receipts to pay the general obligation sewer improvement bond debt as it comes due.

- The Debt Service Fund cash balance at June 30, 2011 was zero. The City transferred from the Special Revenue, Urban Renewal Tax Increment Fund only the amount needed to pay the debt for the general obligation sewer improvement bonds during the year.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Enterprise, Sewer Fund cash balance increased \$21,033 to \$392,399, primarily due to the reduction of disbursements from fiscal year 2010 to fiscal year 2011. During fiscal year 2010, the City removed sludge from the wastewater treatment plant at a cost of approximately \$23,000. Additionally, the Enterprise, Sewer Fund received bond proceeds of \$2,129,952 and had capital project disbursements for the wastewater treatment plant totaling \$2,129,285 during the current year.

**BUDGETARY HIGHLIGHTS**

The City did not amend its budget in fiscal year 2011.

The City’s receipts were \$2,798,602 less than budgeted. This was primarily due to the City budgeting to receive the entire \$2,800,000 of bond proceeds from the State Revolving Fund loans, which are reported as an other financing source.

Total disbursements were \$813,977 less than budgeted. This was primarily due to the City budgeting for and expecting the completion of the wastewater treatment plant during fiscal year 2011. The City had budgeted \$2,800,000 for the project, but actual disbursements, were \$2,129,285. Additionally, the City had budgeted \$100,500 for street repairs during fiscal year 2011. However, those repairs never took place.

**DEBT ADMINISTRATION**

At June 30, 2011, the City had \$2,485,417 of bonds outstanding, compared to \$461,465 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2011	2010
General obligation bonds	\$1,538,000	461,465
Revenue bonds	947,417	-
Total	\$2,485,417	461,465

Debt increased as a result of drawing down funds from the state revolving fund loans during fiscal year 2011 for improvements to the City’s wastewater treatment plant.

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 \$1,538,000 is below its constitutional debt limit of \$2,769,559.

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

The City of Swisher’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees charged for various City activities. The City’s fiscal year 2012 assessed value has increased \$127,776 from the fiscal year 2011 level.

The fiscal year 2012 budget contains total receipts of \$815,554 and disbursements of \$683,501. This budget is lower than the fiscal year 2011 budget which contained receipts of \$3,598,392 and disbursements of \$3,468,854. The fiscal year 2011 budget was significantly more due to the expectation of \$2,800,000 of bond proceeds from the State Revolving Fund loans and capital project disbursements for the improvements to the wastewater treatment plant. The fiscal year 2012 budget includes additional funds to cover the increased costs of running the new wastewater treatment plant, additional road repairs for Oak Avenue in need of repair prior to the wastewater treatment plant project and severely damaged with the heavy truck traffic during the construction of the project, as well as repairs to the railroad crossings which will be a dual project with the railroad.

The fiscal year 2012 levy is \$8.10000 per \$1,000 of taxable valuation, unchanged from fiscal year 2011.

These parameters were taken into account when adopting the budget for fiscal year 2012.

### **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 Connie Meier, City Clerk, 66 2<sup>nd</sup> St. SW, PO Box 279, Swisher, Iowa 52338-0279.

## **Basic Financial Statements**

City of Swisher

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2011

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 57,620	235	-
Public works	155,928	45,391	101,275
Culture and recreation	20,131	1,345	490
Community and economic development	20,430	-	-
General government	51,773	-	-
Debt service	105,669	-	-
Total governmental activities	411,551	46,971	101,765
Business type activities:			
Sewer	2,243,326	133,991	-
Total	\$ 2,654,877	180,962	101,765
<b>General Receipts:</b>			
Property and other city tax levied for general purposes			
Tax increment financing			
Local option sales tax			
Unrestricted interest on investments			
Bond proceeds			
Miscellaneous			
Total general receipts			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
<b>Cash Basis Net Assets</b>			
Restricted:			
Expendable:			
Streets			
Urban renewal purposes			
Local option sales tax			
Other purposes			
Unrestricted			
<b>Total cash basis net assets</b>			

See notes to financial statements.

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

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Governmental Activities	Business Type Activities	Total
(57,385)	-	(57,385)
(9,262)	-	(9,262)
(18,296)	-	(18,296)
(20,430)	-	(20,430)
(51,773)	-	(51,773)
(105,669)	-	(105,669)
(262,815)	-	(262,815)
-	(2,109,335)	(2,109,335)
(262,815)	(2,109,335)	(2,372,150)
165,485	-	165,485
241,536	-	241,536
91,209	-	91,209
2,755	416	3,171
-	2,129,952	2,129,952
15,632	-	15,632
516,617	2,130,368	2,646,985
253,802	21,033	274,835
724,110	371,366	1,095,476
\$ 977,912	392,399	1,370,311

\$ 74,754	-	74,754
300,126	-	300,126
166,606	-	166,606
7,059	-	7,059
429,367	392,399	821,766
\$ 977,912	392,399	1,370,311

City of Swisher

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

As of and for the year ended June 30, 2011

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 164,004	-	-
Tax increment financing	-	-	-
Other city tax	1,481	-	91,209
Licenses and permits	15,331	-	-
Use of money and property	2,348	-	120
Intergovernmental	21,209	80,066	-
Charges for service	39,181	-	-
Miscellaneous	7,841	-	-
Total receipts	251,395	80,066	91,329
Disbursements:			
Operating:			
Public safety	57,620	-	-
Public works	83,015	72,913	-
Culture and recreation	20,131	-	-
Community and economic development	20,430	-	-
General government	51,773	-	-
Debt service	-	-	-
Total disbursements	232,969	72,913	-
Excess (deficiency) of receipts over (under) disbursements	18,426	7,153	91,329
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in cash balances	18,426	7,153	91,329
Cash balances beginning of year	375,941	102,601	75,277
Cash balances end of year	\$ 394,367	109,754	166,606
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Urban renewal purposes	\$ -	-	-
Streets	-	74,754	-
Local option sales tax	-	-	166,606
Other purposes	-	-	-
Assigned for purchase of vehicles	43,000	35,000	-
Unassigned	351,367	-	-
Total cash basis fund balances	\$ 394,367	109,754	166,606

See notes to financial statements.

Urban Renewal Tax Increment	Debt Service	Nonmajor	Total
-	-	-	164,004
241,536	-	-	241,536
-	-	-	92,690
-	-	-	15,331
285	-	2	2,755
-	-	-	101,275
-	-	-	39,181
-	-	740	8,581
241,821	-	742	665,353
-	-	-	57,620
-	-	-	155,928
-	-	-	20,131
-	-	-	20,430
-	-	-	51,773
-	105,669	-	105,669
-	105,669	-	411,551
241,821	(105,669)	742	253,802
-	111,444	-	111,444
(111,444)	-	-	(111,444)
(111,444)	111,444	-	-
130,377	5,775	742	253,802
169,749	(5,775)	6,317	724,110
300,126	-	7,059	977,912
300,126	-	-	300,126
-	-	-	74,754
-	-	-	166,606
-	-	7,059	7,059
-	-	-	78,000
-	-	-	351,367
300,126	-	7,059	977,912

**City of Swisher**

City of Swisher

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

As of and for the year ended June 30, 2011

	<u>Enterprise</u> <u>Sewer</u>
Operating receipts:	
Charges for service	\$ 133,991
Operating disbursements:	
Business type activities	<u>56,512</u>
Excess of operating receipts over operating disbursements	<u>77,479</u>
Non-operating receipts (disbursements):	
Interest on investments	416
Bond proceeds	2,129,952
Debt service	(57,529)
Capital projects	<u>(2,129,285)</u>
Net non-operating receipts (disbursements)	<u>(56,446)</u>
Excess of receipts over disbursements	21,033
Cash balances beginning of year	<u>371,366</u>
Cash balances end of year	<u>\$ 392,399</u>
<b>Cash Basis Fund Balances</b>	
Unreserved	<u>\$ 392,399</u>

See notes to financial statements.

City of Swisher

Notes to Financial Statements

June 30, 2011

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

The City of Swisher is a political subdivision of the State of Iowa located in Johnson County. It was first incorporated in 1903 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Swisher 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 which 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: Johnson County Assessor's Conference Board, Johnson County Emergency Management Commission and Johnson County Joint E911 Service Board.

B. Basis of Presentation

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

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

Restricted net assets result when constraints placed on net asset 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 category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for local option sales tax received and its uses.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

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

The City reports the following major proprietary fund:

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 creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

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

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2011 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**

General Obligation Sewer Improvement Bonds

On November 12, 2009, the City entered into a State Revolving Fund (SRF) loan and disbursement agreement with the Iowa Finance Authority for the issuance of \$1,600,000 of general obligation sewer improvement bonds with interest at 3.00% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 455B of the Code of Iowa to pay the cost of construction of certain wastewater treatment facilities. The City drew down funds from the Iowa Finance Authority upon request to reimburse the City for costs as they are incurred. At June 30, 2011, the City had drawn \$1,600,000 of the \$1,600,000 authorized. An initiation fee of 1% of the authorized borrowing for the sewer revenue bonds was charged by the Iowa Finance Authority. The total initiation fee of \$16,000 was withheld by the Iowa Finance Authority from the first proceeds of the sewer improvement bonds. Since the City has not fully completed the project, a final repayment schedule has not yet been adopted for the debt. During the year ended June 30, 2011, the City paid principal of \$62,000 and interest of \$43,669 on the debt.

Sewer Revenue Bonds

On November 12, 2009, the City entered into a SRF loan and disbursement agreement with the Iowa Finance Authority for the issuance of \$1,200,000 of sewer revenue bonds with interest at 3.00% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 455B of the Code of Iowa to pay the cost of construction of certain wastewater treatment facilities. The City will draw down funds from the Iowa Finance Authority upon request to reimburse the City for costs as they are incurred. At June 30, 2011, the City had drawn \$991,417 of the \$1,200,000 authorized. An initiation fee of 1% of the authorized borrowing for the sewer revenue bonds was charged by the Iowa Finance Authority. The total initiation fee of \$12,000 was withheld by the Iowa Finance Authority from the first proceeds of the sewer revenue bonds. Since the City has not fully drawn funds on the sewer revenue bonds, a final repayment schedule has not yet been adopted for the debt. The City drew \$62,352 of the bond proceeds after June 30, 2011 for disbursements and the remaining amount of bond proceeds available is equal to the 5% retainage on the construction contract.

Annual principal and interest payments on the bonds are expected to require less than 75% of net receipts. For the current year, principal and interest paid and total customer net receipts were \$57,529 and \$77,479, respectively.

The resolution providing for the issuance of the revenue bonds requires the City:

To maintain Net Revenues at a level not less than 110% of the amount of principal and interest on the Revenue Bond and any other obligations secured by a pledge of the Net Revenues 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 4.50% of their annual covered salary and the City is required to contribute 6.95% 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, 2011 was \$6,796, equal to the required contribution for the year.

**(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 is 1 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark Blue Cross/Blue Shield of Iowa. 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 \$347 for personal coverage. Family coverage is not offered. For the year ended June 30, 2011, the City contributed \$3,593 to the plan. Plan members eligible for benefits are not required to make a contribution.

**(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, 2011, primarily relating to the General Fund, was \$3,000. This liability has been computed based on rates of pay in effect at June 30, 2011.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue: Urban Renewal Tax Increment	<u>\$ 111,444</u>

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

**(8) Construction Contracts**

During the year ended June 30, 2011, the City entered into a construction contract for improvements to the wastewater treatment plant. Unpaid contract commitments as of June 30, 2011 totaled \$189,235 and will be paid as work on the project progresses. The project was funded through a State Revolving Fund Loan and Disbursement Agreement.

**(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.

**City of Swisher**

**Required Supplementary Information**

City of Swisher  
 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, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts Original/Final
Receipts:				
Property tax	\$ 164,004	-	164,004	163,102
Tax increment financing	241,536	-	241,536	236,270
Other city tax	92,690	-	92,690	111,189
Licenses and permits	15,331	-	15,331	1,770
Use of money and property	2,755	416	3,171	6,902
Intergovernmental	101,275	-	101,275	2,897,702
Charges for service	39,181	133,991	173,172	175,877
Miscellaneous	8,581	-	8,581	5,550
Total receipts	<u>665,353</u>	<u>134,407</u>	<u>799,760</u>	<u>3,598,362</u>
Disbursements:				
Public safety	57,620	-	57,620	58,000
Public works	155,928	-	155,928	164,554
Culture and recreation	20,131	-	20,131	20,654
Community and economic development	20,430	-	20,430	22,796
General government	51,773	-	51,773	56,661
Debt service	105,669	-	105,669	189,160
Capital projects	-	-	-	100,500
Business type activities	-	2,243,326	2,243,326	2,856,529
Total disbursements	<u>411,551</u>	<u>2,243,326</u>	<u>2,654,877</u>	<u>3,468,854</u>
Excess (deficiency) of receipts over (under) disbursements	253,802	(2,108,919)	(1,855,117)	129,508
Other financing sources, net	-	2,129,952	2,129,952	-
Excess of receipts and other financing sources over disbursements and other financing uses	253,802	21,033	274,835	129,508
Balances beginning of year	724,110	371,366	1,095,476	956,679
Balances end of year	<u>\$ 977,912</u>	<u>392,399</u>	<u>1,370,311</u>	<u>1,086,187</u>

See accompanying independent auditor's report.

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<u>Final to</u>
<u>Total</u>
<u>Variance</u>
902
5,266
(18,499)
13,561
(3,731)
(2,796,427)
(2,705)
3,031
<u>(2,798,602)</u>

380
8,626
523
2,366
4,888
83,491
100,500
613,203
<u>813,977</u>

(1,984,625)
<u>2,129,952</u>

145,327
<u>138,797</u>
<u><u>284,124</u></u>

City of Swisher

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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 and the Enterprise Fund. 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 ended June 30, 2011, the City did not amend the budget.

During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted by function.

**Other Supplementary Information**

**City of Swisher**

City of Swisher

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

As of and for the year ended June 30, 2011

	Special Revenue		
	Parks	Swisher Community	Total
Receipts:			
Use of money and property	\$ 2	-	2
Miscellaneous	490	250	740
Total receipts	492	250	742
Disbursements:			
None	-	-	-
Excess of receipts over disbursements	492	250	742
Cash balances beginning of year	1,592	4,725	6,317
Cash balances end of year	\$ 2,084	4,975	7,059
<b>Cash Basis Fund Balances</b>			
Restricted for other purposes	\$ 2,084	4,975	7,059

See accompanying independent auditor's report.

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City of Swisher  
Schedule of Indebtedness  
Year ended June 30, 2011

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Obligation	Date of Issue		Interest Rates	Amount Originally Issued
General obligation bonds:				
Sewer improvement	Nov 12, 2009	*	3.00%	\$ 1,600,000
Revenue bonds:				
Sewer	Nov 12, 2009	*	3.00%	\$ 1,200,000

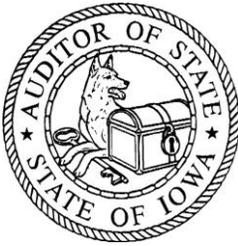
\* - The agreement requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

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Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year
\$ 1,600,000	461,465	1,138,535	62,000	1,538,000
\$ 1,200,000	-	991,417	44,000	947,417

**City of Swisher**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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, each major fund and the aggregate remaining fund information of the City of Swisher, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated September 28, 2011. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution of fund of the total fund balance at July 1, 2010. 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 Swisher's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Swisher's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Swisher's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Swisher's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

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 of the accompanying Schedule of Findings as items (B) and (C) to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Swisher'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 of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 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 Swisher'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 Swisher'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 Swisher and other parties to whom the City of Swisher may report and is not intended to be and should not be used by anyone other than these specified parties.

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

September 28, 2011

City of Swisher

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties – One important aspect of internal accounting 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, including journal entries, and having custody of assets.
  - (2) Cash – custodian, reconciliation and cash receipts.
  - (3) Investments – investing, recording and custody.
  - (4) Long-term debt – recording and reconciling.
  - (5) Receipts – collecting, depositing, journalizing and posting.
  - (6) Utility receipts – billing, collecting and reconciling.
  - (7) Disbursements – mailing, posting and reconciling.
  - (8) Payroll – preparation and distribution.
  - (9) Financial reporting – preparing, reconciling and distributing.
  - (10) Information systems (computer usage) – performing all general accounting functions and controlling all data input and output.

In addition, the City does not have a disaster recovery plan.

For the Swisher Community Fund, one individual has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements – preparing, recording and reconciling.
- (3) Cash – handling, reconciling and recording.

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 utilizing current staff, including elected officials. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and the date of the review. Additionally, the City should develop a disaster recovery plan.

Response – We will continue to use the City Treasurer for review and reconciliation of financial reports and have them reviewed by the Council. Accounting procedures for the Swisher Community Fund will be reviewed and evaluated for the future. A disaster recovery plan will be developed for Council review and approval. Council and employees have all recently taken NIMS Training ICS-100.

Conclusion – Response accepted.

City of Swisher

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- (B) Countersignature of Checks – The City required only one signature for a check to be issued.

Recommendation – To strengthen internal control, each check should be prepared and signed by one person and then the supporting vouchers and invoices should be made available along with the check to the second or independent person for review and countersignature.

Response – The mayor has been added to the City’s signature card at the bank and he will be signing checks along with the City Clerk.

Conclusion – Response accepted.

- (C) Records of Accounts – The Swisher Community Fund maintains bank accounts separate from the City Clerk’s accounting records. The transactions and resulting balances of these accounts were not reported to the City Council each month and were not recorded in the City Clerk’s accounting records.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.” For better accountability, financial and budgetary control, the financial activity and balance of all City accounts should be included in the City’s accounting records, including budget reports, and should be reported to the Council on a monthly basis.

Response – We will work with the Swisher Community Fund to have all accounting records run through the City.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Swisher

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

- (1) Certified Budget - Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.
- (2) Questionable Disbursements - No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions - No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments - No instances of noncompliance with the deposit and investments provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Bonds - No instances of non-compliance with the revenue bond resolution were noted.
- (9) Tax Increment Financing - The City's sewer revenue bonds of \$1,200,000, which are payable solely from sewer net receipts, were certified to the County Auditor as tax increment financing (TIF) debt.

Also, City did not certify TIF debt to the County Auditor for the interest on the general obligation sewer improvement bonds.

Recommendation - The City should consult bond counsel to determine the disposition of this issue.

Also, the City should complete and provide TIF Certification Form 3 to the County Auditor to reduce the TIF indebtedness outstanding for the sewer revenue bonds of \$1,200,000.

In addition, the City should certify TIF debt to the County Auditor for the interest on the general obligation sewer improvement bonds.

Response - We will make the necessary changes on the next TIF Certification to the County Auditor and will consult with legal counsel.

Conclusion - Response accepted.

City of Swisher

Staff

This audit was performed by:

K. David Voy, CPA, Manager  
Daniel L. Grady, Senior Auditor  
James H. Pitcher, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State