



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

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NEWS RELEASE

FOR RELEASE June 11, 2007

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515/281-5834

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

The City has implemented new reporting standards for the year ended June 30, 2006, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$628,968 for the year ended June 30, 2006. The receipts included \$196,796 in property tax, \$209,340 from charges for service, \$94,035 from operating grants, contributions and restricted interest, \$97,174 from local option sales tax, \$30,146 from unrestricted interest on investments and \$1,477 from other general receipts.

Disbursements for the year totaled \$574,092, and included \$87,432 for public safety, \$85,757 for culture and recreation and \$85,776 for general government. Also, disbursements for business type activities totaled \$233,881.

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/reports.htm>.

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CITY OF GILBERT

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

JUNE 30, 2006

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City of Gilbert

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2006)		
Yvonne Wannemuehler	Mayor	Jan 2006
Lynn Henn	Mayor Pro tem	Jan 2006
Craig Allen	Council Member	Jan 2006
Jon Popp	Council Member	Jan 2008
Bob Jaquis	Council Member	Jan 2008
Chad Cook	Council Member	Jan 2008
(After January 2006)		
Yvonne Wannemuehler	Mayor	Jan 2008
Lynn Henn	Mayor Pro tem	Jan 2010
Jon Popp	Council Member	Jan 2008
Bob Jaquis	Council Member	Jan 2008
Chad Cook	Council Member	Jan 2008
Teri Gallahan	Council Member	Jan 2010
Susan Gens	Clerk	June 2007
Franklin J. Feilmeyer	Attorney	Indefinite

City of Gilbert



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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 Gilbert, Iowa, as of and for the year ended June 30, 2006, 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 Gilbert'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, 2005.

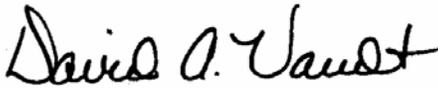
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2005, as discussed in the preceding paragraph, the financial statements referred to above present 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 Gilbert as of June 30, 2006, 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.

As described in Note 10, during the year ended June 30, 2006, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2007 on our consideration of the City of Gilbert'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 internal control over financial reporting or 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 11 and 24 through 26 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 Gilbert'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, 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 8, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Gilbert 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, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, and since 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.

2006 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities increased by 25.3%, or approximately \$71,500, due primarily to an overall decrease in disbursements.
- The cash basis net assets of the City's business type activities decreased by 3.2%, or approximately \$16,600, due primarily to an overall increase in disbursements.

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 to the City's budget for the year.

Other Supplementary Information provides detailed information about the City's outstanding debt.

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 operational results of funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development and general government. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, sewer and storm 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 and 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales Tax and Employee Benefits. 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 three Enterprise Funds to provide separate information for water, sewer and storm sewer operations, considered to be major funds of the City.

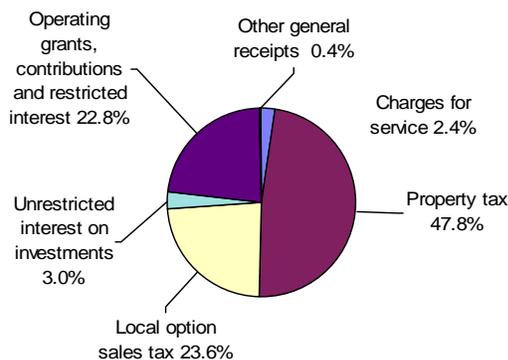
The required financial statement for proprietary funds is a statement of cash receipts, disbursements, and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

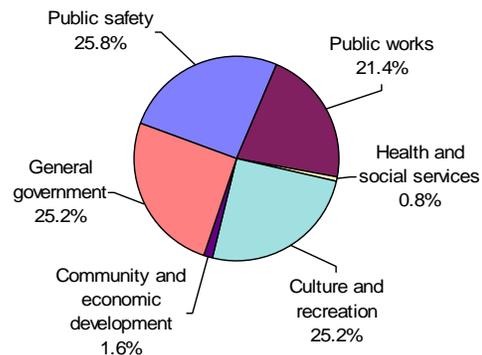
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$282,704 at June 30, 2005 to \$354,156 at June 30, 2006. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		Year ended June 30, 2006
Receipts:		
Program receipts:		
Charges for service		\$ 9,722
Operating grants, contributions and restricted interest		94,035
General receipts:		
Property tax		196,796
Local option sales tax		97,174
Unrestricted interest on investments		12,459
Other general receipts		1,477
Total receipts		<u>411,663</u>
Disbursements:		
Public safety		87,432
Public works		72,914
Health and social services		2,826
Culture and recreation		85,757
Community and economic development		5,506
General government		85,776
Total disbursements		<u>340,211</u>
Increase in cash basis net assets		71,452
Cash basis net assets beginning of year		<u>282,704</u>
Cash basis net assets end of year		<u>\$ 354,156</u>

Receipts by Source



Disbursements by Function



Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2006
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 123,679
Sewer	65,900
Storm sewer	10,039
General receipts:	
Unrestricted interest on investments	17,687
Total receipts	<u>217,305</u>
Disbursements:	
Water	176,444
Sewer	56,028
Storm sewer	1,409
Total disbursements	<u>233,881</u>
Decrease in cash basis net assets	(16,576)
Cash basis net assets beginning of year	<u>510,235</u>
Cash basis net assets end of year	<u><u>\$ 493,659</u></u>

Total business type activities cash balance decreased 3.2%, or \$16,576, decreasing from \$510,235 at June 30, 2005 to \$493,659 at June 30, 2006. The decrease is due to an increase in disbursements.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Gilbert completed the year, its governmental funds reported a combined fund balance of \$354,156, an increase of more than \$71,000 above last year's total of \$282,704 at June 30, 2005. 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 decreased \$45,713 from June 30, 2005 to \$178,412 at June 30, 2006, which is primarily due to an increase in disbursements for building inspections.
- The Road Use Tax Fund cash balance increased \$24,639 from June 30, 2005 to \$83,218 at June 30, 2006. This increase is attributable to a decrease in total operating disbursements, primarily due to a prior year street project.
- The Local Option Sales Tax Fund cash balance increased \$97,174 to \$97,174 at June 30, 2006. The increase was due to the lack of any disbursements from the fund, a result of administrative oversight.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$44,415 to a June 30, 2006 year-end balance of \$51,301. This decrease was due primarily to the payment of the Public Work's Director's salary solely from the Water Fund as opposed to being allocated across the Enterprise Funds and due to the prior year construction of a well.
- The Sewer Fund cash balance increased \$17,692 to a year-end balance of \$296,994 with no significant changes.
- The Storm Sewer Fund cash balance increased \$10,147 to a year-end balance of \$145,364 with no significant changes.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice. The amendments were approved on March 6 and May 31, 2006 and resulted in an increase in budgeted disbursements of \$38,600 related to non-budgeted disbursements for building inspections in public safety.

Even with the two budget amendments, the City exceeded the budget by \$974 for the public safety function for the year ended June 30, 2006. The City had sufficient cash balances to absorb these additional expenditures.

The difference between actual receipts and budgeted receipts was not significant. Budgeted disbursements were less than actual due to less than budgeted payroll and contracted services.

DEBT ADMINISTRATION

At June 30, 2006, the City had \$69,000 in long-term debt outstanding, compared to \$81,000 last year.

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 did not have any outstanding general obligation debt. The City's constitutional debt limit is approximately \$2,069,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Gilbert's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates and fees charged for various City activities. The City's FY2007 taxable valuation has increased approximately 5.2%, or \$1,151,102, over the FY2006 level.

The FY2007 budget contains total receipts of \$609,061 and disbursements of \$631,312. This budget is not a significant change from the original FY2006 budget which contained total receipts of \$612,578 and disbursements of \$607,311. The FY2007 budget includes approximately \$201,000 in receipts for proprietary fund charges for service.

The FY2007 levy is \$8.87283 per \$1,000 of taxable valuation, a decrease from \$9.13694 per \$1,000 of taxable valuation for FY2006.

These parameters were taken into account when adopting the budget for FY2007.

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 Gens, City Clerk, 119 Main Street, Gilbert, Iowa 50105.

City of Gilbert

Basic Financial Statements

City of Gilbert

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2006

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 87,432	1,950	-
Public works	72,914	1,622	83,299
Health and social services	2,826	-	-
Culture and recreation	85,757	5,760	10,736
Community and economic development	5,506	-	-
General government	85,776	390	-
Total governmental activities	340,211 -	9,722	94,035
Business type activities:			
Water	176,444	123,679	-
Sewer	56,028	65,900	-
Storm sewer	1,409	10,039	-
Total business type activities	233,881 -	199,618	-
Total	\$ 574,092 -	209,340	94,035

General Receipts:

Property and other city tax levied for general purposes
 Local option sales tax
 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:

Streets
 Local option sales tax
 Debt service

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
(85,482)	-	(85,482)
12,007	-	12,007
(2,826)	-	(2,826)
(69,261)	-	(69,261)
(5,506)	-	(5,506)
(85,386)	-	(85,386)
(236,454)	-	(236,454)
-	(52,765)	(52,765)
-	9,872	9,872
-	8,630	8,630
-	(34,263)	(34,263)
(236,454)	(34,263)	(270,717)
196,796	-	196,796
97,174	-	97,174
12,459	17,687	30,146
1,477	-	1,477
307,906	17,687	325,593
71,452	(16,576)	54,876
282,704	510,235	792,939
\$ 354,156	493,659	847,815
\$ 83,218	-	83,218
97,174	-	97,174
-	25,670	25,670
173,764	467,989	641,753
\$ 354,156	493,659	847,815

Exhibit B

City of Gilbert

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

As of and for the year ended June 30, 2006

	Special Revenue				Total
	General	Road Use Tax	Local Option Sales Tax	Nonmajor Employee Benefits	
Receipts:					
Property tax	\$ 189,586	-	-	7,210	196,796
Other city tax	1,477	-	97,174	-	98,651
Licenses and permits	2,340	-	-	-	2,340
Use of money and property	12,459	482	-	-	12,941
Intergovernmental	-	82,637	-	-	82,637
Charges for service	15,871	1,140	-	-	17,011
Miscellaneous	625	662	-	-	1,287
Total receipts	222,358	84,921	97,174	7,210	411,663
Disbursements:					
Operating:					
Public safety	85,723	-	-	1,709	87,432
Public works	10,364	60,282	-	2,268	72,914
Health and social services	2,826	-	-	-	2,826
Culture and recreation	84,583	-	-	1,174	85,757
Community and economic development	5,506	-	-	-	5,506
General government	79,069	-	-	6,707	85,776
Total disbursements	268,071	60,282	-	11,858	340,211
Excess (deficiency) of receipts over (under) disbursements	(45,713)	24,639	97,174	(4,648)	71,452
Cash balances beginning of year	224,125	58,579	-	-	282,704
Cash balances end of year	\$ 178,412	83,218	97,174	(4,648)	354,156
Cash Basis Fund Balances					
Unreserved:					
General fund	\$ 178,412	-	-	-	178,412
Special revenue funds	-	83,218	97,174	(4,648)	175,744
Total cash basis fund balances	\$ 178,412	83,218	97,174	(4,648)	354,156

See notes to financial statements.

City of Gilbert

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

As of and for the year ended June 30, 2006

	Enterprise			
	Water	Sewer	Storm Sewer	Total
Operating receipts:				
Charges for service	\$ 123,679	65,900	10,039	199,618
Operating disbursements:				
Business type activities	160,394	56,028	1,409	217,831
Excess of operating receipts over operating disbursements	(36,715)	9,872	8,630	(18,213)
Non-operating receipts (disbursements):				
Interest on investments	8,350	7,820	1,517	17,687
Debt service	(16,050)	-	-	(16,050)
Total non-operating receipts	(7,700)	7,820	1,517	1,637
Net change in cash balances	(44,415)	17,692	10,147	(16,576)
Cash balances beginning of year	95,716	279,302	135,217	510,235
Cash balances end of year	\$ 51,301	296,994	145,364	493,659
Cash Basis Fund Balances				
Reserved for debt service	\$ 25,670	-	-	25,670
Unreserved	25,631	296,994	145,364	467,989
Total cash basis fund balances	\$ 51,301	296,994	145,364	493,659

See notes to financial statements.

City of Gilbert

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

The City of Gilbert is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1904 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and storm sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Gilbert 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 of Gilbert has no component units which meet the Governmental Accounting Standards Boards 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: Story County Assessor's Conference Board, Story County Emergency Management Commission, Story County Joint E911 Service Board and the Westory Fire Agency.

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 two categories:

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 are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

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

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 waste water treatment and sanitary sewer system.

The Storm Sewer Fund accounts for the operation and maintenance of the City's storm sewer system.

C. Measurement Focus and Basis of Accounting

The City of Gilbert 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 of 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, 2006, disbursements exceeded the amount budgeted in the public safety function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2006 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 revenue bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 12,000	3,450	15,450
2008	13,000	2,850	15,850
2009	14,000	2,200	16,200
2010	15,000	1,500	16,500
2011	15,000	750	15,750
Total	\$ 69,000	10,750	79,750

The resolution providing for the issuance of the water 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 water revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) Additional monthly transfers of \$134 shall be made to a water revenue reserve account within the Enterprise Funds until a balance \$16,200 has been accumulated. This account is restricted for the purpose of paying for any additional improvements, extensions or repairs to the system or improving the systems or to prevent any default in the revenue bond sinking account.
- (d) The City shall pay \$9,000 annually for the use and service provided by the municipal waterworks system.

During the year ended June 30, 2006, the City did not pay any of the \$9,000 required by the bond resolution for the use and service provided by the municipal waterworks system.

(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 3.70% of their annual covered salary and the City is required to contribute 5.75% 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, 2006 was \$6,590, equal to the required contribution for the year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation 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 and compensatory time payments payable to employees at June 30, 2006, primarily relating to the General Fund, was \$6,300. This liability has been computed based on rates of pay in effect at June 30, 2006.

(6) Industrial Development Revenue Bonds

The City has issued a total of \$3,100,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$2,310,789 is outstanding at June 30, 2006. The bonds and related interest are payable solely from the rents payable by the tenants of the properties constructed and the bond and interest do not constitute liabilities of the City.

(7) 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 for the year ended June 30, 2006.

(8) Resource Recovery Plant

The City has contracted with the City of Ames for the use and support of the Ames Solid Waste Reclamation, Recycling and Disposal System (Ames System). Under the contract terms, the City of Gilbert is responsible for a proportionate share, based on the City of Gilbert's population to the total population of all participating jurisdictions, of the Ames System's annual operating and debt service costs until June 30, 2014.

Payments under the contract are due on July 15th and December 15th of each year in equal amounts. During the year ended June 30, 2006, the City paid the Ames System \$10,364.

(9) Deficit Balance

The Special Revenue, Employee Benefits Fund had a deficit balance of \$4,648 at June 30, 2006. The deficit balance was a result of not levying enough funds to cover the employee benefit disbursements. The deficit will be eliminated by levying more funds in the upcoming year and using the property tax relief portion of the Local Option Sales Tax funds to offset any remaining deficit.

(10) Accounting Change

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented for the year ended June 30, 2006. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Implementation of these standards had no effect on the beginning balances of the City.

City of Gilbert

City of Gilbert
 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, 2006

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 196,796	-
Other city tax	98,651	-
Licenses and permits	2,340	-
Use of money and property	12,941	17,687
Intergovernmental	82,637	-
Charges for service	17,011	199,618
Miscellaneous	1,287	-
Total receipts	411,663	217,305
Disbursements:		
Public safety	87,432	-
Public works	72,914	-
Health and social services	2,826	-
Culture and recreation	85,757	-
Community and economic development	5,506	-
General government	85,776	-
Business type activities	-	233,881
Total disbursements	340,211	233,881
Excess (deficiency) of receipts over (under) disbursements	71,452	(16,576)
Balances beginning of year	282,704	510,235
Balances end of year	\$ 354,156	493,659

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
196,796	195,582	195,582	1,214
98,651	98,718	98,718	(67)
2,340	5,690	5,690	(3,350)
30,628	9,250	9,250	21,378
82,637	84,388	84,388	(1,751)
216,629	216,200	216,200	429
1,287	2,750	2,750	(1,463)
628,968	612,578	612,578	16,390
87,432	64,458	86,458	(974)
72,914	95,105	95,105	22,191
2,826	5,325	5,325	2,499
85,757	71,404	86,404	647
5,506	4,000	5,600	94
85,776	117,002	117,002	31,226
233,881	250,017	250,017	16,136
574,092	607,311	645,911	71,819
54,876	5,267	(33,333)	88,209
792,939	797,322	797,322	(4,383)
847,815	802,589	763,989	83,826

City of Gilbert

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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 ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Proprietary 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 approximately \$38,600. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the public safety function.

Other Supplementary Information

City of Gilbert
Schedule of Indebtedness
Year ended June 30, 2006

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Revenue bonds: Water	Mar 14, 1972	5.00%	\$ 270,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 81,000	-	12,000	69,000	4,050

Schedule 2

City of Gilbert
Bond Maturities
June 30, 2006

Year Ending June 30,	Revenue Bonds	
	Water	
	Issued Mar 14, 1972	
	Interest Rates	Amount
2007	5.00%	\$ 12,000
2008	5.00	13,000
2009	5.00	14,000
2010	5.00	15,000
2011	5.00	15,000
Total		<u>\$ 69,000</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, each major fund and the aggregate remaining fund information of the City of Gilbert, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 8, 2007. 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 by fund of the total fund balance at July 1, 2005. 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 Gilbert's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Gilbert's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items (A) and (C) are material weaknesses.

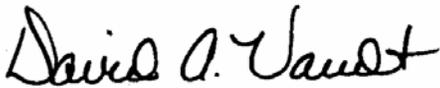
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Gilbert'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, 2006 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.

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 Gilbert and other parties to whom the City of Gilbert 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 Gilbert 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 8, 2007

City of Gilbert
Schedule of Findings
Year ended June 30, 2006

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – One important element in designing internal control to safeguard assets and reasonably ensure the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check on those of another. One person has control over each of the following areas:
- (1) Accounting system – performing all general accounting functions and having custody of assets.
 - (2) Cash – initiating cash receipts and disbursement transactions, handling petty cash and reconciling, posting/recording and depositing.
 - (3) Investments – investing, recording and custody.
 - (4) Long-term debt – recording, reconciling and performing cash functions.
 - (5) Receipts – receiving, recording and custody.
 - (6) Utility receipts – billing, collecting, depositing, reconciling and posting.
 - (7) Disbursements – purchasing, preparing checks and recording.
 - (8) Payroll – preparing, approving and distributing.
 - (9) Information system (computer usage) – performing all general accounting functions and controlling all data input and output.

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

Response – As noted in some of the additional reportable findings, the City of Gilbert is sensitive to the fact that there is just one office employee which creates an issue of segregation of duties. We will put into place immediately additional finance reports, fund and bank reconciliation, payroll time sheet approval is already in place, however, we will begin requiring initials of approval on the time sheets, reconciliation of utility billings/receivables, as well as additional areas as we see potential issues. All of the above will be required to have initials of approval.

Conclusion – Response accepted.

City of Gilbert

Schedule of Findings

Year ended June 30, 2006

- (B) Financial Accounting and Reporting – Due to the change in the accounting system in November 2005, the monthly Clerk’s Report was not provided to the City Council for review and approval for eight months during fiscal year 2006. The report provides summary data on the beginning balance, receipts, disbursements, transfers in, transfers out, investments and ending balance for each fund.

Recommendation – The monthly Clerk’s report of individual funds, providing summary data on the beginning balance, receipts, disbursements, transfers in, transfers out, investments and ending balance for each fund, should be provided to the City Council for review and approval.

Response – At the first regular council meeting in the month of April 2007, the City Clerk will provide financial reports to the council for the months of January 2007 and February 2007. At the second regular council meeting in the month of April 2007, the City Clerk will provide financial reports to the council for the month of March 2007. Each month’s financial reports will include, by line item, the beginning balance, receipts and disbursements, transfers in, transfers out, investments and ending balance for each fund. As the City of Gilbert realizes concern relating to the lack of segregation of duties with just one office employee, each month one set of financial reports will be passed to each council member for their initials of approval. An “Approval” stamp will be purchased for this purpose that can be utilized for any document requiring council approval. Each member will initial after reviewing and approving the document.

Conclusion – Response accepted.

- (C) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – The City Clerk has developed a Utility Billing Reconciliation report that will be started as of January 1, 2007. January 1, 2007 through March 31, 2007 will be provided to the council at the second regular council meeting held in April 2007, stamped for each member’s initials of approval. This report, for the prior month, will be provided each second regular council meeting of the month stamped for each member’s initials of approval.

Conclusion – Response accepted.

City of Gilbert

Schedule of Findings

Year ended June 30, 2006

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

The City does not have written policies for:

- A disaster recovery plan to include all operations of the City.
- Requiring frequent backup of computer data be stored off-site. The City has not maintained adequate backups of critical City financial information.
- Ensuring only software licensed to the City is installed on computers.
- Usage of the Internet.
- Personal use of City computer equipment and software.
- Password privacy and usage
- Requiring the use of anti-virus programs on computers.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s internal control over computer based systems. The financial information should be backed-up often and stored off-site. Also, anti-virus software and security awareness programs should be installed and virus definitions should be updated.

Response – (1) The City of Gilbert will begin working on a disaster recovery plan policy to cover all operations of the City. Anticipated completion date of policy is July 1, 2007. (2) Two portable hard drives have been purchased which will be put into use immediately. Two backups will be done at the end of each day of the accounting software/data, and any other pertinent files on the computer. The City Clerk will take one backup off-site, and one will be locked in the safe. In addition, a CD backup will be done on the last day of each month, quarter and fiscal year. (3, 4, 5) The City will develop written policies as it relates to all aspects of the utilization of office computers, equipment and Internet usage. (6) The City of Gilbert will also develop a written policy regarding password security. The City will arrange for computer technical support assistance, on an as needed basis, to assist with setup of enhanced password security. (7) An anti-virus security software program was installed on the Clerk’s computer on March 9, 2007.

Conclusion – Response accepted.

City of Gilbert

Schedule of Findings

Year ended June 30, 2006

- (E) Bank Reconciliations – The City utilizes accounting software for bank reconciliations. However, the City did not retain documentation of the reconciliation of the fund balances to monthly bank reconciliations for eight months of fiscal year 2006. This matter was resolved for audit purposes. Also, the City did not document an independent person reviewed the reconciliation.

Recommendation – The City should document the reconciliation of fund balances to the monthly bank reconciliations. These reconciliations should be reviewed monthly, initialed and dated by an independent person.

Response – Effective January 1, 2007 the City Clerk will document the reconciliation of fund balances to the monthly bank reconciliations. The reconciliation will then be provided, along with the financial reports, at the second regular council meeting of the month (for the prior month) stamped for each member’s initials of approval.

Conclusion – Response accepted.

- (F) Disbursements – Invoices and other supporting documentation are not cancelled to help prevent duplicate payments.

Recommendation – Procedures should be developed to insure proper cancellation of invoices and supporting documentation to help prevent duplicate payments.

Response – Effective as soon as the “stamp” arrives which was ordered on March 14, 2007, each invoice/supporting documents will be stamped as mail is opened. The stamp will require the following items filled in: Date Received; Approved By (requires two signatures); G/L Account(s) to be recorded in; Date Paid; Check No. When the disbursements are given to the Mayor for check signature, the Mayor will verify this procedure is complete.

Conclusion – Response accepted.

- (G) Lack of Written Policies and Procedures – The City currently does not have written policies for certain areas of operation. These areas include:

- Accounting policies and procedures manual to cover all areas of operations. This manual should help achieve uniformity in accounting and in the application of policies and procedures, save time by recording decisions so they will not have to be made each time the same or similar situations arises and aid in training additional or replacement personnel.
- The use of City provided cell phones.
- Annual job performance evaluations for City employees.
- The issuance and use of City provided credit cards.

Recommendation – The City should develop written policies and procedures for the noted areas of operation.

City of Gilbert

Schedule of Findings

Year ended June 30, 2006

Response – As the current City Clerk has prior knowledge of writing policy and procedure manuals, the development of said manual will begin as soon as possible. Anticipated completion date is July 1, 2007. (2) The policy of City provided cell phone use will be included in the policy relating to the use of any City equipment, computers, internet, etc. (3) We are currently working on a new personnel manual that will include some of the policies you refer to. Annual job performance evaluations are in place as is the policy, however, evaluations have not been completed recently. This policy will be put back into place immediately. (4) A policy will be written addressing the use of City provided credit cards.

Conclusion – Response accepted.

- (H) Records of Investments – A detailed record of investment transactions was not maintained.

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

Response – The City of Gilbert will develop a detailed record of investment transactions, by fund, which will include investment number, purchase date, redemption date, interest rate, amount of investment and interest received. Completion date to be approximately July 1, 2007.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Gilbert

Schedule of Findings

Year ended June 30, 2006

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amount budgeted in the public safety function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City of Gilbert, although aware of Chapter 384.20 of the Code of Iowa, missed the needed budget amendment due to a change in office staffing. The City Clerk/Council will review financial reports monthly to prevent this error in the future.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- (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 insure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found we believe should have been approved in the Council minutes but were not.

The City Council minutes include approval of consent agenda items for routine and non-controversial items. However, the minutes do not identify the specific consent agenda items being approved by the City Council.

Certain minutes of City Council meetings were not published or published timely as required by Chapter 372.13(6) of the Code of Iowa. In addition, certain minutes were not signed by the Mayor and Clerk.

Recommendation – The City should include a listing of specific consent agenda items, the minutes should be published timely and the minutes should be signed by the Mayor and Clerk.

Response – The minutes published now identify the specific consent agenda items being approved by the City Council.

It is unknown as to why some minutes of City Council meetings were not published. Likely due to the change in staff, however, in the future they will be published as required.

City of Gilbert

Schedule of Findings

Year ended June 30, 2006

During FY2006, the City Administrator resigned. The Mayor states she had signed all agendas and minutes, however, as the time arrived for the audit it was discovered they had not been placed in the appropriate binder. Consequently, copies of such that were available were retrieved from saved files. In the future, all agendas and minutes will be signed by both the Mayor and City Clerk and placed in the appropriate binder.

Conclusion – Response accepted.

- (7) Deposits and Investments – The City has not approved a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should develop an investment policy to comply with Chapter 12B.10B of the Code of Iowa.

Response – The City Clerk had already begun to collect data, and proper language, in an effort to create a written investment policy as required by Chapter 12B.10B of the Code of Iowa. The policy will be submitted to Council for approval.

Conclusion – Response accepted.

- (8) Revenue Bonds – Except as noted, no instances of non-compliance with the provisions of the City's revenue bond resolution were noted. The City's bond resolution requires the City to pay \$9,000 annually for the use and service provided by the municipal waterworks system. During the year ended June 30, 2006, the City did not pay for this service.

Recommendation – The City should comply with the revenue bond resolution requirements.

Response – Effective fiscal year 2007, the City will comply with the revenue bond resolution requirements.

Conclusion – Response accepted.

- (9) Local Option Sales Tax – The official ballot for the local option sales tax authorizes the City to collect the tax and allocate 80% for property tax relief, 15% for community betterment and 5% for city parks and recreation. The City does not maintain records to document the proper allocation of disbursements of local option sales tax.

Recommendation – The City should establish procedures to require documentation of local option sales tax disbursements to demonstrate compliance with ballot requirements.

Response – The City Clerk will develop separate funds and sub-funds to document the allocation of both receipts and disbursements as directed in the official ballot. Monthly reporting will be provided to the Council to ensure compliance with ballot requirements.

Conclusion – Response accepted.

City of Gilbert

Schedule of Findings

Year ended June 30, 2006

- (10) Annual Financial Report – The fiscal year 2006 Annual Financial Report (AFR) submitted to the state included several errors. Certain transactions within and between the “General Governmental” and “Proprietary” columns were incorrectly reported. Also, the summary page of the AFR does not correctly report the City’s indebtedness at June 30, 2006 and does not include the correct general obligation debt limit of the City.

Recommendation – The City should ensure future Annual Financial Reports include accurate information.

Response – The City recognizes the importance of accuracy in reporting, and will ensure future Annual Reports document accurate information.

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 retains cancelled checks through electronic image, but 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 Clerk has contacted the bank regarding this issue, and is waiting for a response. The City will obtain both the front and back of each cancelled check as required in Chapter 554D.114 of the Code of Iowa.

Conclusion – Response accepted.

- (12) Unclaimed Property – Chapter 556 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than three years to the State Treasurer’s Office annually. The City did not remit these obligations as required.

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

Response – The City Clerk will review the records and submit unclaimed property to the State of Iowa effective immediately.

Conclusion – Response accepted.

- (13) Financial Condition – The Special Revenue, Employee Benefits Fund had a deficit balance at June 30, 2006 of \$4,648.

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

Response – The City of Gilbert levied for employee benefits, however, underestimated the annual cost. In the future, we will levy for the entire annual amount, supplement with LOST funds, or completely support the Employee Benefits fund with LOST funds.

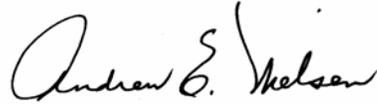
Conclusion – Response accepted.

City of Gilbert

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Scott P. Boisen, Senior Auditor
Janet K. Mortvedt, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State