



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE June 11, 2007

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on the City of Cumming, 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 \$182,256 for the year ended June 30, 2006. The receipts included \$69,878 in property tax, \$92,541 from charges for service, \$7,960 from operating grants contributions and restricted interest, \$5,105 from unrestricted interest on investments and \$6,772 from other general receipts.

Disbursements for the year totaled \$193,405, and included \$71,163 for general government, \$29,096 for public works and \$17,259 for public safety. Also, disbursements for business type activities totaled \$49,628.

A copy of the 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 CUMMING
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

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City of Cumming

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2006)		
Jim Gifford	Mayor	Jan 2006
Theresa Webb	Mayor Pro tem	Jan 2008
Ed Harkin	Council Member	Jan 2006
Rod Good	Council Member	(Resigned)
Brad Brown (Appointed)	Council Member	Jan 2006
Karen McKinney	Council Member	Jan 2006
Ed Jones	Council Member	Jan 2008
(After January 2006)		
Jim Gifford	Mayor	Jan 2010
Theresa Webb	Mayor Pro tem	Jan 2008
Ed Jones	Council Member	Jan 2008
Brad Brown	Council Member	Jan 2010
Ed Harkin	Council Member	Jan 2010
Karen McKinney	Council Member	Jan 2010
Kathie Hungerford	City Clerk	Indefinite
James Nervig	Attorney	Indefinite

City of Cumming



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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 Cumming, 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 Cumming'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.

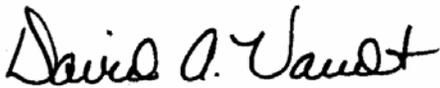
In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2005, as discussed in the preceding paragraph, the financial statements referred to above present fairly, 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 Cumming 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 7, 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.

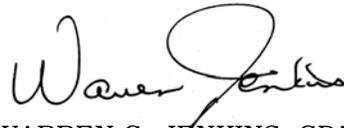
In accordance with Government Auditing Standards, we have also issued our report dated February 9, 2007 on our consideration of the City of Cumming's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cumming'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, 2005, 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

February 9, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Cumming 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 decreased approximately \$17,000 due to disbursements for a law enforcement contract, street resurfacing and the consultant fee to update the Comprehensive Plan.
- The cash basis net assets of the City's business type activities increased approximately \$6,000 due to FY2005 disbursements for fees to become a member of the Wastewater Reclamation Authority.

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 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 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 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, general government and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and 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 and 2) the Special Revenue Funds, such as Park and Recreation and Road Use Tax. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer 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.

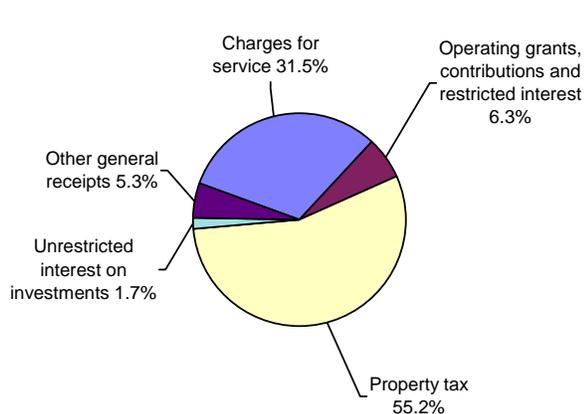
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from \$128,632 to \$111,459. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

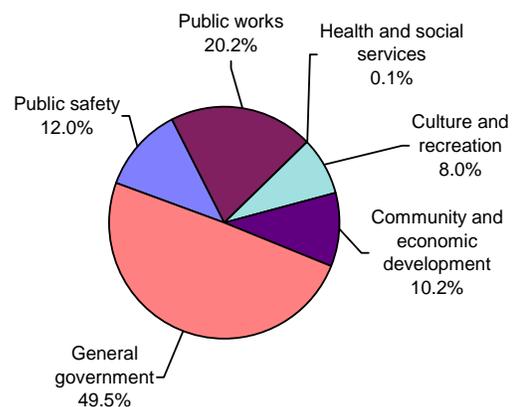
Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2006
Receipts:	
Program receipts:	
Charges for service	\$ 39,849
Operating grants, contributions and restricted interest	7,960
General receipts:	
Property tax	69,878
Unrestricted interest on investments	2,146
Other general receipts	6,771
Total receipts	<u>126,604</u>
Disbursements:	
Public safety	17,259
Public works	29,096
Health and social services	130
Culture and recreation	11,433
Community and economic development	14,696
General government	71,163
Total disbursements	<u>143,777</u>
Decrease in cash basis net assets	(17,173)
Cash basis net assets beginning of year	<u>128,632</u>
Cash basis net assets end of year	<u>\$ 111,459</u>

The cash basis net assets of the City's governmental funds decreased primarily due to a law enforcement contract, street resurfacing and the consultant fee to update the Comprehensive Plan.

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	\$ 39,307
Sewer	13,385
General receipts:	
Unrestricted interest on investments	2,959
Total receipts	<u>55,651</u>
Disbursements:	
Water	40,891
Sewer	8,737
Total disbursements	<u>49,628</u>
Increase in cash balance	6,023
Cash basis net assets beginning of year	<u>137,736</u>
Cash basis net assets end of year	<u><u>\$ 143,759</u></u>

The total business type activities basis net assets increased from a year ago, from \$137,736 to \$143,759. The cash basis net assets of the City's business type activities increased primarily due to FY2005 disbursements for fees to become a member of the Wastewater Reclamation Authority.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Cumming completed the year, its governmental funds reported a combined fund balance of \$111,459, a decrease of approximately \$17,000 from last year's total of \$128,632. 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 \$21,886 from the prior year to a year-end balance of \$56,934. Disbursements increased due to a law enforcement contract, street resurfacing and the consultant fee to update the Comprehensive Plan.
- The Special Revenue, Park and Recreation Fund cash balance increased \$4,713 to \$52,063 during the fiscal year. This increase was due to fund raising.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$457 to a year-end balance of \$89,947.
- The Sewer Fund cash balance increased \$5,566 to a year-end balance of \$53,812. This increase was due primarily to FY2005 disbursements for fees to become a member of the Wastewater Reclamation Authority.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 8, 2006 and resulted in an increase in operating disbursements of approximately \$19,000, primarily due to general government salary and legal costs of approximately \$12,000.

The City's receipts were \$39,884 more than budgeted receipts. Park and Recreation Fund receipts were approximately \$15,000 more than budgeted receipts due to the inclusion by the City of Park and Board Fund activity in the current fiscal year financial report. Also, licenses and permits receipts were approximately \$8,800 higher than budgeted due to increased building permits. Additionally, charges for service were approximately \$8,700 more than the budgeted amount.

Total disbursements were \$18,327 less than budgeted with no significant differences between actual and budget.

DEBT ADMINISTRATION

At June 30, 2006, the City had \$62,000 in water revenue bonds outstanding. See Note 3 to the financial statements for additional information about bonds payable.

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 has no outstanding general obligation debt. The City's constitutional debt limit is approximately \$852,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Cumming'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 100% valuation has increased \$4,059,000 from FY2006.

The FY2007 budget includes an increase in business type activities disbursements of \$56,221 over the final FY2006 budget. The increase is due to anticipated water tower construction, water purchase capacity and septic tank cleaning.

The FY2007 General Fund levy is \$8.10 per \$1,000 of taxable valuation, with no change from the levy rate in 2006. The agricultural land levy remains the same at \$3.00375 per \$1,000 of taxable valuation in FY2007.

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 Kathie Hungerford, City Clerk, 649 N. 44th Street, P. O. Box 100, Cumming, IA 50061.

City of Cumming

Basic Financial Statements

City of Cumming

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	\$ 17,259	18,854	-
Public works	29,096	-	7,710
Health and social services	130	-	-
Culture and recreation	11,433	13,988	250
Community and economic development	14,696	-	-
General government	71,163	7,007	-
Total governmental activities	143,777	39,849	7,960
Business type activities:			
Water	40,891	39,307	-
Sewer	8,737	13,385	-
Total business type activities	49,628	52,692	-
Total	\$ 193,405	92,541	7,960
General Receipts:			
Property and other city tax levied for general purposes			
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 for TIF			
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
1,595	-	1,595
(21,386)	-	(21,386)
(130)	-	(130)
2,805	-	2,805
(14,696)	-	(14,696)
(64,156)	-	(64,156)
(95,968)	-	(95,968)
-	(1,584)	(1,584)
-	4,648	4,648
-	3,064	3,064
(95,968)	3,064	(92,904)
69,878	-	69,878
2,146	2,959	5,105
6,771	-	6,771
78,795	2,959	81,754
(17,173)	6,023	(11,150)
128,632	137,736	266,368
\$ 111,459	143,759	255,218
\$ 2,462	-	2,462
108,997	143,759	252,756
\$ 111,459	143,759	255,218

City of Cumming

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

As of and for the year ended June 30, 2006

	General	Special Revenue Park and Recreation
Receipts:		
Property tax	\$ 68,762	-
Other city tax	1,116	-
Licenses and permits	18,929	-
Use of money and property	7,761	757
Intergovernmental	390	-
Charges for service	170	-
Miscellaneous	6,771	14,238
Total receipts	103,899	14,995
Disbursements:		
Operating:		
Public safety	17,259	-
Public works	21,386	-
Health and social services	130	-
Culture and recreation	1,151	10,282
Community and economic development	14,696	-
General government	71,163	-
Total disbursements	125,785	10,282
Net change in cash balances	(21,886)	4,713
Cash balances beginning of year	78,820	47,350
Cash balances end of year	\$ 56,934	52,063
Cash Basis Fund Balances		
Unreserved:		
General fund	\$ 56,934	-
Special revenue funds	-	52,063
Total cash basis fund balances	\$ 56,934	52,063

See notes to financial statements.

Nonmajor	Total
-	68,762
-	1,116
-	18,929
-	8,518
7,710	8,100
-	170
-	21,009
7,710	126,604
-	17,259
7,710	29,096
-	130
-	11,433
-	14,696
-	71,163
7,710	143,777
-	(17,173)
2,462	128,632
2,462	111,459
-	56,934
2,462	54,525
2,462	111,459

City of Cumming

City of Cumming

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

As of and for the year ended June 30, 2006

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 39,307	13,385	52,692
Operating disbursements:			
Business type activities	33,591	8,737	42,328
Excess of operating receipts over (under) operating disbursements	5,716	4,648	10,364
Non-operating receipts (disbursements):			
Interest on investments	2,041	918	2,959
Debt service	(7,300)	-	(7,300)
Total non-operating receipts (disbursements)	(5,259)	918	(4,341)
Net change in cash balances	457	5,566	6,023
Cash balances beginning of year	89,490	48,246	137,736
Cash balances end of year	\$ 89,947	53,812	143,759
Cash Basis Fund Balances			
Unreserved	\$ 89,947	53,812	143,759

See notes to financial statements.

City of Cumming

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

The City of Cumming is a political subdivision of the State of Iowa located in Warren County. It was first incorporated in 1925 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 provided water and sewer utilities for its citizens until January 2007, at which time the City contracted with the Des Moines Water Works to provide these services.

A. Reporting Entity

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Warren County Assessor's Conference Board, Wastewater Reclamation Authority and Des Moines Metropolitan Planning Organization.

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 funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

The Special Revenue, Park and Recreation Fund is used to account for the development and supervision of various recreation programs.

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.

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public safety and general government functions prior to the May 2006 budget amendment.

(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 has 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 the water revenue bonds are as follows:

Years Ending June 30,	Principal	Interest	Total
2007	\$ 4,000	3,100	7,100
2008	4,000	2,900	6,900
2009	4,000	2,700	6,700
2010	4,000	2,500	6,500
2011	5,000	2,300	7,300
2012	41,000	22,700	63,700
Total	\$ 62,000	36,200	98,200

Water Revenue Bonds

The resolution providing for the issuance of the water revenue bonds include 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 separate 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 to a water revenue reserve account shall be made until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying for any additional improvements, extensions, or repairs to the system.
- (d) A surplus account is required, into which all of the net revenues remaining after first making the required payments into the sinking and reserve accounts shall be deposited.

The City has not established the required sinking, reserve and surplus accounts.

The City paid the remaining balance of principal and interest on the water revenue bonds, totaling \$65,100, in full on December 27, 2006.

(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 \$1,952, equal to the required contribution for the year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave 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 hours payable to employees at June 30, 2006, primarily relating to the General Fund, was \$600. This liability has been computed based on rates of pay in effect at June 30, 2006.

(6) Risk Management

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

(7) 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.

(8) Subsequent Event

On November 13, 2006, the City of Cumming entered into an agreement with Des Moines Waterworks to provide City water services.

Required Supplementary Information

City of Cumming
 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	\$ 68,762	-
Other city tax	1,116	-
Licenses and permits	18,929	-
Use of money and property	8,518	2,959
Intergovernmental	8,100	-
Charges for service	170	52,692
Miscellaneous	21,009	-
Total receipts	<u>126,604</u>	<u>55,651</u>
Disbursements:		
Public safety	17,259	-
Public works	29,096	-
Health and social services	130	-
Culture and recreation	11,433	-
Community and economic development	14,696	-
General government	71,163	-
Business type activities	-	49,628
Total disbursements	<u>143,777</u>	<u>49,628</u>
Excess (deficiency) of receipts over (under) disbursements	(17,173)	6,023
Balances beginning of year	<u>128,632</u>	<u>137,736</u>
Balances end of year	<u>\$ 111,459</u>	<u>143,759</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
68,762	69,656	69,656	(894)
1,116	1,121	1,121	(5)
18,929	10,105	10,105	8,824
11,477	8,980	8,980	2,497
8,100	8,309	8,309	(209)
52,862	44,200	44,200	8,662
21,009	-	-	21,009
182,255	142,371	142,371	39,884
17,259	14,500	18,500	1,241
29,096	30,170	33,170	4,074
130	2,800	2,800	2,670
11,433	12,883	12,883	1,450
14,696	17,500	17,500	2,804
71,163	61,800	73,900	2,737
49,628	52,979	52,979	3,351
193,405	192,632	211,732	18,327
(11,150)	(50,261)	(69,361)	58,211
266,368	167,233	167,233	99,135
255,218	116,972	97,872	157,346

City of Cumming

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, one budget amendment increased budgeted disbursements by \$19,100. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public safety and general government functions prior to the May 2006 budget amendment.

Other Supplementary Information

City of Cumming

City of Cumming

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

As of and for the year ended June 30, 2006

	Special Revenue		
	Road Use Tax	TIF	Total
Receipts:			
Intergovernmental	\$ 7,170	-	7,170
Disbursements:			
Operating:			
Public works	7,170	-	7,170
Excess of receipts over disbursements	-	-	-
Cash balances beginning of year	-	2,462	2,462
Cash balances end of year	\$ -	2,462	2,462
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ -	2,462	2,462

See accompanying independent auditor's report.

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Revenue bonds: Water	Sep 27, 1978	5.00%	\$ 115,500

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
66,000	-	4,000	62,000	3,300	-

City of Cumming



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 Cumming, 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 February 9, 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 Cumming'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 Cumming'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 (B) are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Cumming'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 Cumming and other parties to whom the City of Cumming 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 Cumming 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

February 9, 2007

City of Cumming

Schedule of Findings

Year Ended June 30, 2006

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

- (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. For the City, one individual has control over each of the following areas:
- (1) Receipts – collecting, depositing, journalizing, posting and reconciling.
 - (2) Disbursements – check writing, signing and reconciling.
 - (3) Utilities – billing, collecting and posting.
 - (4) Payroll – preparation, distribution and approval of timesheets.
 - (5) Investing – recordkeeping and investing.
 - (6) Cash – preparing bank reconciliations.

Also, the City does not have an accounting policies and procedures manual.

For the Park and Recreation Board, one of two individuals has control over each of the following areas:

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

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City and the Park and Recreation Board should review their operating procedures to obtain the maximum internal control possible under the circumstances. Those procedures should then be incorporated into an accounting policies and procedures manual.

Response – The City Council has approved a disbursement for computer accounting software which will provide more financial review capabilities. The City will develop standard accounting procedures for improved internal control. All public funds collected, received or expended for any City purpose, including the Park and Recreation Board, will be accounted for by the City Clerk.

Conclusion – Response accepted.

- (B) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year. Also, utility collections were not reconciled to deposits.

Also, utility billing remittances were not retained for July through December. This matter was resolved for audit purposes.

City of Cumming

Schedule of Findings

Year Ended June 30, 2006

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.

Also, utility billing remittances should be retained for five years in accordance with the Record Retention Manual for Iowa Cities.

Response – All future utility billings, collections and delinquent accounts records will be maintained by the Des Moines Water Works.

Conclusion – Response accepted.

- (C) Electronic Data Processing Systems – The following weaknesses in the City's computer-based systems were noted:

The City does not have written policies for:

- Internet and personal usage.
- Updates to anti-virus and firewall software.
- Requiring backup tapes be stored off-site.
- A disaster recovery plan.

Recommendation – The City should develop written policies addressing the above items in order to improve the City's control over computer based systems.

Response – The City will develop a written policy regarding employee internet usage, required updates of anti-viral and firewall software, off-site storage of backup tapes and a disaster recovery plan.

Conclusion – Response accepted.

- (D) Fund and Accounts – The Special Revenue, Road Use Tax and TIF Funds are combined with the General Fund on the City's financial reports.

Also, the City included transfers between City bank accounts on the City's financial statements.

Recommendation – To improve financial accountability, control and consistency, the City should separately account for the Special Revenue, Road Use Tax and TIF Funds on the financial reports.

Also, bank transfers should not be listed as interfund transfers in the City's financial statements.

Response – The City Council has approved a disbursement for computer accounting software which will provide improved financial reporting. Bank transfers were provided to the City Council for information and review.

Conclusion – Response accepted.

City of Cumming

Schedule of Findings

Year Ended June 30, 2006

- (E) Prenumbered Receipts – Although prenumbered receipts were issued, they were not issued for all collections. Also, checks were not immediately endorsed upon receipt.

Recommendation – Prenumbered receipts should be issued for all collections at the time of collection by the City Clerk and the Park and Recreation Board to provide additional control over the proper collection and recording of all money. Also, checks should be restrictively endorsed upon receipt.

Response – Prenumbered receipts will be issued for all collections and all checks restrictively endorsed upon receipt.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Cumming

Schedule of Findings

Year Ended June 30, 2006

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – During the year ended June 30, 2006, disbursements in the public safety and general government functions exceeded the budget prior to the May 2006 budget amendment. 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 be amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

Response – The City will amend the budget in sufficient amounts before future disbursements are allowed.

Conclusion – Response accepted.

- (2) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Hy-Vee	Food for meetings	\$ 25
Janice Buck	Food for meetings	20
Dollar General Store	Food for meetings	23

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved closed scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response – All City disbursements will meet the requirements of public purpose and be clearly documented as to the public benefit derived.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Cumming

Schedule of Findings

Year Ended June 30, 2006

- (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, Park and Recreation Board and Planning and Zoning Commission Minutes – No transactions were found that we believe should have been approved in the minutes records but were not, except as follows:

City Council:

- The City made payments to a consultant for the development of a Comprehensive Plan prior to the City Council hiring the consultant.
- The City did not post annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.

Park and Recreation Board:

- Minutes for the Park and Recreation Board meetings did not include a list of approved bills and were not signed.

Planning and Zoning Commission:

- For certain meetings, the Planning and Zoning Commission did not have minutes documenting action taken by the Commission.

Recommendation – The Council should approve hiring a consultant prior to work being performed and payments made and the City should post annual gross salaries as required by the Attorney General's opinion. Also, the minutes for Park and Recreation Board meetings should include a list of approved bills and be signed by a member of the Board. In addition, the Planning and Zoning Commission should have minutes documenting action taken by the Commission.

Response – All individuals providing services to the City will be approved by resolution prior to payments being made. The City has posted annual, individual gross salaries of employees as required. The minutes from the Park and Recreation Board will include a list of approved expenditures. All future Planning and Zoning Commission minutes will be digitally recorded in addition to written minutes maintained.

Conclusion – Response accepted.

- (7) Deposits and Investments – Except for the City's investment policy referring to Chapter 452 of the Code of Iowa instead of Chapters 12B and 12C of the Code of Iowa, no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

City of Cumming

Schedule of Findings

Year Ended June 30, 2006

Recommendation – The City should update its investment policy to refer to Chapters 12B and 12C of the Code of Iowa.

Response – The City’s Investment Policy will be updated to reflect reference to Chapters 12B and 12C of the Code of Iowa.

Conclusion – Response accepted.

- (8) Revenue Bonds – The City has not established and made the required transfers to the water revenue bond sinking, reserve and surplus accounts as required by the water revenue bond resolution.

Recommendation – The City should establish and make required transfers to the water revenue bond sinking, reserve and surplus accounts as required by the water revenue bond resolution.

Response – The City will establish and make required transfers to enterprise sinking funds, reserve funds, and surplus funds as required by the revenue bond resolution.

Conclusion – Response accepted.

- (9) Records of Accounts – The City maintains separate bank accounts for the Park and Recreation Board. The financial transactions and the resulting balances were not entirely included in the City’s accounting records and were not included in the City’s annual budget or monthly financial reports. However, those financial transactions and the resulting balances are included in these financial statements.

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 balances of all City accounts should be included in the City’s accounting records and annual budget and should be reported to the Council on a monthly basis.

Response – All public funds collected, received or expended for any City purpose, including the Park and Recreation Board, will be accounted for by the City Clerk.

Conclusion – Response accepted.

- (10) Petition Items – All items on the petition for audit have been investigated and any matters requiring disclosure are included in the above findings.

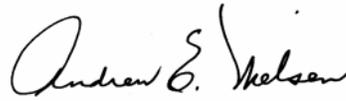
We reviewed certain allegations pertaining to certain City proposed capital improvement projects. As of June 30, 2006, the City Council did not have definitive plans to proceed with tax increment financing projects. If the City Council should proceed with these projects, legal counsel should be consulted to ensure compliance with statutory requirements.

City of Cumming

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Jeffrey L. Lenhart, Staff Auditor
Karen J. Kibbe, Staff Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State