



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

July 2, 2007

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Auditor of State David A. Vaudt today released an audit report on the City of Pomeroy, 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 \$555,340 for the year ended June 30, 2006. The receipts included \$276,184 in property tax, \$174,832 from charges for service, \$102,760 from operating grants, contributions and restricted interest and \$1,564 from unrestricted interest on investments.

Disbursements for the year totaled \$491,561, and included \$110,428 for public safety, \$86,856 for public works and \$82,930 for debt service. Also, disbursements for business type activities totaled \$85,653.

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

JUNE 30, 2006

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City of Pomeroy

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2006)		
Robert Schossow	Mayor	Resigned 08/2005
Steven M. Gerdes	Mayor Pro tem	Resigned 08/2005
Kenneth E. Axman, Jr.	Council Member	Resigned 08/2005
Rodney Nelson	Council Member	Resigned 08/2005
Sherry Ricke	Council Member	Resigned 08/2005
William Sankey	Council Member	Jan 2008
(After January 2006)		
Gene Becker	Mayor	Jan 2008
Carol Meyer	Mayor Pro tem	Jan 2008
Susan Juilfs	Council Member	Jan 2008
William Sankey	Council Member	Jan 2008
Daniel DeVore	Council Member	Jan 2010
Cynthia Loots	Council Member	Jan 2010
Julia Pettit	Clerk/Treasurer	Jan 2008
Steven Hendricks	Attorney	Jan 2008

City of Pomeroy



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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 Pomeroy, 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 Pomeroy'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 addition, the City's records do not permit the application of audit procedures to obtain sufficient competent evidential matter about the completeness of the receipts in the water and sewer funds, major enterprise funds, and the landfill assessment fund, a nonmajor enterprise fund. Accordingly, we were unable to satisfy ourselves as to the completeness of the receipts in the business type activities, the major enterprise funds and the aggregate remaining fund information.

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 and had we been able to obtain sufficient competent evidential matter for the completeness of the receipts in the business type activities, the major enterprise funds and the aggregate remaining fund information as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business type activities, major enterprise funds and aggregate remaining fund information of the City of Pomeroy 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.

In addition, 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, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and each major governmental fund of the City of Pomeroy 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 May 3, 2007 on our consideration of the City of Pomeroy’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 Pomeroy’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

May 3, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Pomeroy 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 7%, or approximately \$19,000.
- The cash basis net assets of the City's business type activities increased 59%, or approximately \$44,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system and landfill assessments. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits, 3) the Debt Service Fund and 4) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City, and the landfill assessment fund, a nonmajor fund.

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

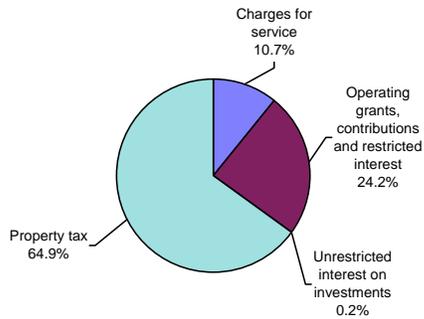
GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 \$267,423 to \$286,726. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

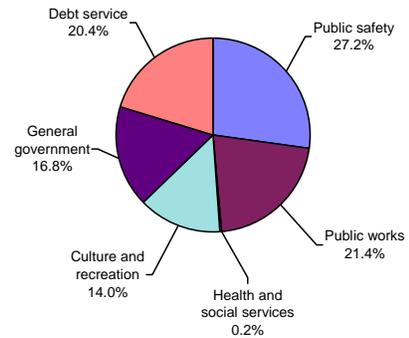
Changes in Cash Basis Net Assets of Governmental Activities

	Year ended June 30, 2006
Receipts:	
Program receipts:	
Charges for service	\$ 45,609
Operating grants, contributions and restricted interest	102,760
General receipts:	
Property tax	276,184
Unrestricted interest on investments	658
Total receipts	<u>425,211</u>
Disbursements:	
Public safety	110,428
Public works	86,856
Health and social services	705
Culture and recreation	56,675
General government	68,314
Debt service	82,930
Total disbursements	<u>405,908</u>
Increase in cash basis net assets	19,303
Cash basis net assets beginning of year	<u>267,423</u>
Cash basis net assets end of year	<u>\$ 286,726</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	\$ 81,216
Sewer	36,274
Landfill assessment	11,733
General receipts:	
Unrestricted interest on investments	906
Total receipts	<u>130,129</u>
Disbursements:	
Water	73,851
Sewer	3,787
Landfill assessment	8,015
Total disbursements	<u>85,653</u>
Increase in cash basis net assets	44,476
Cash basis net assets beginning of year	<u>74,868</u>
Cash basis net assets end of year	<u>\$ 119,344</u>

The total business type activities cash balance increased sharply from a year ago, increasing from \$74,868 to \$119,344.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Pomeroy completed the year, its governmental funds reported a combined fund balance of \$286,726. 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 \$4,165 from the prior year to \$187,767.
- The Road Use Tax Fund cash balance decreased \$27,411 to \$20,883 during the fiscal year. This decrease was attributable to street repairs.
- The Employee Benefits Fund cash balance increased \$46,965 from the prior year to \$20,883. This increase was attributable to property tax received exceeding disbursements.
- The Debt Service Fund cash balance increased \$451 to \$14,260 during the fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$8,271 to \$81,815, due primarily to a decrease in personnel costs.
- The Sewer Fund cash balance increased \$32,487 to \$32,838, due primarily to a decrease in personnel costs.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City did not amend its budget. The City's receipts were \$113,414 less than budgeted. This was primarily due to the City receiving less in water, sewer and landfill assessment receipts during the year. The City was behind in billing for utilities during the fiscal year ended June 30, 2006, so did not receive a complete year of utility receipts.

Total disbursements were \$134,535 less than budgeted. This was primarily due to the business type activities functions, which was \$130,347 less than budgeted.

The City exceeded the amounts budgeted in the public safety, public works and culture and recreation functions.

DEBT ADMINISTRATION

At June 30, 2006, the City had \$220,000 in general obligation bonds outstanding, compared to \$290,000 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's outstanding general obligation debt of \$220,000 is significantly below its constitutional debt limit of \$976,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Several factors were considered when formulating the FY 2007 budget:

- The fiscal year 2007 budget includes receipts totaling \$596,425 and disbursements of \$623,086.
- The fiscal year 2007 levy is \$15.75685 per \$1,000 of taxable valuation.
- If these estimates are realized, the City's budgeted cash balance is expected to decrease \$26,661 by the close of 2007.

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 Julia Pettit, City Clerk, 114 Ontario Street, Pomeroy, Iowa 50575.

City of Pomeroy

Basic Financial Statements

City of Pomeroy

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	\$ 110,428	42,918	24,656
Public works	86,856	-	59,445
Health and social services	705	-	-
Culture and recreation	56,675	2,151	18,659
General government	68,314	540	-
Debt service	82,930	-	-
Total governmental activities	405,908	45,609	102,760
Business type activities:			
Water	73,851	81,216	-
Sewer	3,787	36,274	-
Landfill assessment	8,015	11,733	-
Total business type activities	85,653	129,223	-
Total	\$ 491,561	174,832	102,760
General Receipts:			
Property and other city tax levied for:			
General purposes			
Debt service			
Unrestricted interest on investments			
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			
Debt service			
Other purposes			
Unrestricted			
Total cash basis net assets			

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(42,854)	-	(42,854)
(27,411)	-	(27,411)
(705)	-	(705)
(35,865)	-	(35,865)
(67,774)	-	(67,774)
(82,930)	-	(82,930)
(257,539)	-	(257,539)
-	7,365	7,365
-	32,487	32,487
-	3,718	3,718
-	43,570	43,570
(257,539)	43,570	(213,969)
192,803	-	192,803
83,381	-	83,381
658	906	1,564
276,842	906	277,748
19,303	44,476	63,779
267,423	74,868	342,291
\$ 286,726	119,344	406,070
\$ 20,883	-	20,883
14,260	-	14,260
63,816	-	63,816
187,767	119,344	307,111
\$ 286,726	119,344	406,070

City of Pomeroy

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

As of and for the year ended June 30, 2006

	Special Revenue		
	General	Road Use Tax	Employee Benefits
Receipts:			
Property tax	\$ 118,576	-	64,131
Other city tax	4,313	-	2,320
Licenses and permits	595	-	-
Use of money and property	2,624	-	-
Intergovernmental	39,684	59,445	-
Charges for service	36,923	-	-
Miscellaneous	9,756	-	-
Total receipts	212,471	59,445	66,451
Disbursements:			
Operating:			
Public safety	95,554	-	14,874
Public works	-	86,856	-
Health and social services	705	-	-
Culture and recreation	55,784	-	891
General government	64,593	-	3,721
Debt service	-	-	-
Total disbursements	216,636	86,856	19,486
Net change in cash balances	(4,165)	(27,411)	46,965
Cash balances beginning of year	191,932	48,294	(26,082)
Cash balances end of year	\$ 187,767	20,883	20,883
Cash Basis Fund Balances			
Reserved for debt service	-	-	-
Unreserved:			
General fund	187,767	-	-
Special revenue funds	-	20,883	20,883
Permanent fund	-	-	-
Total cash basis fund balances	\$ 187,767	20,883	20,883

See notes to financial statements.

Debt Service	Nonmajor	Total
80,456	3,342	266,505
2,925	121	9,679
-	-	595
-	-	2,624
-	-	99,129
-	-	36,923
-	-	9,756
<u>83,381</u>	<u>3,463</u>	<u>425,211</u>
-	-	110,428
-	-	86,856
-	-	705
-	-	56,675
-	-	68,314
<u>82,930</u>	-	<u>82,930</u>
<u>82,930</u>	-	<u>405,908</u>
451	3,463	19,303
<u>13,809</u>	<u>39,470</u>	<u>267,423</u>
<u>14,260</u>	<u>42,933</u>	<u>286,726</u>
14,260	-	14,260
-	-	187,767
-	20,883	62,649
-	22,050	22,050
<u>14,260</u>	<u>42,933</u>	<u>286,726</u>

City of Pomeroy

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

As of and for the year ended June 30, 2006

	Enterprise			Total
	Water	Sewer	Nonmajor Landfill Assessment	
Operating receipts:				
Charges for service	\$ 81,216	36,274	11,733	129,223
Operating disbursements:				
Business type activities	73,851	3,787	8,015	85,653
Excess of operating receipts over operating disbursements	7,365	32,487	3,718	43,570
Non-operating receipts:				
Interest on investments	906	-	-	906
Net change in cash balances	8,271	32,487	3,718	44,476
Cash balances beginning of year	73,544	351	973	74,868
Cash balances end of year	\$ 81,815	32,838	4,691	119,344
Cash Basis Fund Balances				
Unreserved	\$ 81,815	32,838	4,691	119,344

See notes to financial statements.

City of Pomeroy

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

The City of Pomeroy is a political subdivision of the State of Iowa located in Calhoun County. It was first incorporated in 1870 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 landfill assessment utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Pomeroy 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: Calhoun County Assessor's Conference Board, Calhoun County Emergency Management Commission, North Central IA Regional Solid Waste Agency and Calhoun County Joint E911 Service Board.

B. Basis of Presentation

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

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in 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 and proprietary funds are aggregated and reported as nonmajor governmental and proprietary 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 Employee Benefits Fund is used to account for special tax levy collections to be used for employee benefits.

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

The City reports the following major proprietary 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 Pomeroy 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, public works and culture and recreation functions.

(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.

At June 30, 2006, the City had the following investments:

Type	Carrying Amount	Fair Value
U.S. Savings Bonds	<u>\$1,425</u>	<u>1,425</u>

Interest rate risk – The City’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

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

Year Ending June 30,	Street Improvement/Police Car			
	Issued Jan. 1, 1999			
	Interest Rates	Principal	Interest	Total
2007	4.35%	\$ 70,000	9,720	79,720
2008	4.40	75,000	6,675	81,675
2009	4.50	75,000	3,375	78,375
Total		\$ 220,000	19,770	239,770

(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 contribution to IPERS for the year ended June 30, 2006 was \$7,606, equal to the required contribution for each 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 did not compute the employees’ vacation or sick leave balances as of 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 the year ended June 30, 2006.

(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.

Required Supplementary Information

City of Pomeroy
 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	\$ 266,505	-
Other city tax	9,679	-
Licenses and permits	595	-
Use of money and property	2,624	906
Intergovernmental	99,129	-
Charges for service	36,923	129,223
Miscellaneous	9,756	-
Total receipts	<u>425,211</u>	<u>130,129</u>
Disbursements:		
Public safety	110,428	-
Public works	86,856	-
Health and social services	705	-
Culture and recreation	56,675	-
Community and economic development	-	-
General government	68,314	-
Debt service	82,930	-
Business type activities	-	85,653
Total disbursements	<u>405,908</u>	<u>85,653</u>
Excess of receipts over disbursements	19,303	44,476
Balances beginning of year	<u>267,423</u>	<u>65,182</u>
Balances end of year	<u>\$ 286,726</u>	<u>109,658</u>

See accompanying independent auditor's report.

Total	Original and Final Budgeted Amounts	Final to Total Variance
266,505	265,344	1,161
9,679	9,737	(58)
595	1,000	(405)
3,530	1,500	2,030
99,129	93,705	5,424
166,146	289,968	(123,822)
9,756	7,500	2,256
555,340	668,754	(113,414)
110,428	103,488	(6,940)
86,856	84,165	(2,691)
705	2,000	1,295
56,675	55,616	(1,059)
-	5,900	5,900
68,314	75,797	7,483
82,930	83,130	200
85,653	216,000	130,347
491,561	626,096	134,535
63,779	42,658	21,121
332,605	354,672	(22,067)
396,384	397,330	(946)

City of Pomeroy

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, the Debt Service Fund, the Permanent Fund 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 ended June 30, 2006, disbursements exceeded the amounts budgeted in the public safety, public works and culture and recreation functions.

Other Supplementary Information

City of Pomeroy

City of Pomeroy

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	Permanent Cemetery Perpetual Care	Total
Receipts:			
Property tax	\$ 3,342	-	3,342
Other city tax	121	-	121
Total receipts	3,463	-	3,463
Disbursements:			
None	-	-	-
Net change in cash balances	3,463	-	3,463
Cash balances beginning of year	17,420	22,050	39,470
Cash balances end of year	\$ 20,883	22,050	42,933

See accompanying independent auditor's report.

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds: Street improvement/police car	Jan 1, 1999	4.00-4.50%	\$ 650,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
290,000	-	70,000	220,000	12,730

City of Pomeroy



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 Pomeroy, 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 May 3, 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 and the completeness of the receipts in the enterprise funds. 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 Pomeroy'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 Pomeroy'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), (B), (C) and (D) are material weaknesses.

Compliance and Other Matters

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

May 3, 2007

City of Pomeroy
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 control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check of those of another. One person has control over each of the following areas for the City:
- (1) Accounting system – performing all general accounting functions and having custody of assets.
 - (2) Cash – custody of petty cash, initiating cash receipts and disbursement functions and handling and recording cash.
 - (3) Investments – detailed record keeping, custody of investments and reconciling earnings.
 - (4) Long term debt – recording and reconciling.
 - (5) Receipts – collecting, depositing, journalizing and posting.
 - (6) Utility receipts – billing, collecting, depositing, posting and reconciling.
 - (7) Disbursements – purchasing, check signing, recording and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – In June 2006, the City hired a full time employee to take over the utility billing system and as training continues, the duties listed above will become more segregated and shared between City Clerk and Deputy Clerk.

Conclusion – Response accepted.

- (B) Reconciliation of Utility Billings, Collections and Delinquencies – Testing of utility receipts identified the following:
- Utility billings, collections and delinquent accounts were not reconciled. Also, monthly receipt registers are not prepared.
 - Utility billings were not prepared and mailed timely, resulting in only ten billings for the year ended June 30, 2006.
 - Four of the ten months billed for the fiscal year were inaccurate. Discrepancies included incorrect minimum billings and incorrect sewer billings.
 - Sales tax collected during the fiscal year was not remitted to the Iowa Department of Revenue.

City of Pomeroy

Schedule of Findings

Year ended June 30, 2006

- Support was not maintained for two batches of receipts noted in the bank statements. A spreadsheet was later located for one of the batches. However, the dates of service were not noted.
- The City water ordinance requires water service to be discontinued under certain conditions. The City is not following its water ordinance for discontinuing water service.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies each month. The Council should review the reconciliation and monitor delinquencies each month. A monthly receipt register should be prepared and water, sewer and landfill assessment receipts should be identified separately for proper recording. The City should also implement a review of billings each month to ensure proper amounts are being billed timely. The City should contact the Iowa Department of Revenue to resolve the failure to remit collected sales tax. In addition, the City should follow its water ordinance regarding discontinuance of service or change the ordinance to current City practice.

Response – After the July 20, 2005 resignation of the past water utility employee and the resignation of the Mayor and four of five Council Members one month later, the position for utility billing was not filled until June 2006. Temporary, very part-time help was brought in after the installation of the new Mayor and Council in January 2006. With the implementation of the utility billing in the Data Tech Computer Software in August 2006, utility billings collections and delinquent accounts are reconciled. Utility billings are mailed monthly and because of use of the utility billing software program, minimum billings and sewer billings are per ordinances. Sales tax has been remitted to the Iowa Department of Revenue. Delinquent water bill notices and notices of discontinuing water service have been done per water ordinance.

Conclusion – Response accepted.

- (C) Monthly Financial Reports and Accounting Records – Monthly financial reports were not prepared and provided to the City Council each month. Also, bank to book balance reconciliations were not performed monthly.

Recommendation – Monthly receipts and disbursements should be reconciled to the bank each month and the reconciliation should be provided to the City Council for its review and approval. The reconciliations of the bank to book balances should also be provided to the City Council to support the validity of the monthly financial report.

Response – In July 2005, the City Clerk's desk had been gone through and the entire manual for maintaining the City's bookkeeping system had been removed so reports were unable to be completed or printed, including the bank reconciliation. After August 2005, no Council was present, so no City Council meetings were held until December 2005. In November 2005, the City Clerk's main computer crashed. Most electronic bookkeeping was compromised. With the implementation of the Data Tech Computer Software program, monthly receipts and disbursements are reconciled to the bank each month. The reconciliation will be provided to the City Council for their review to support the monthly financial report so they can approve the receipts and disbursements.

Conclusion – Response accepted.

City of Pomeroy

Schedule of Findings

Year ended June 30, 2006

- (D) Receipts – Deposits were not made timely and intact. Certain collections tested were deposited two months or more after receipt. Additionally, the numerical sequence of receipts was not maintained.

Recommendation – Deposits should be made timely and intact and the numerical sequence of receipts should be maintained.

Response – At that time the City Clerk was trying to maintain the majority of most City functions, due to the lack of local government and no capability to hire a desperately needed employee for utility billing payments. Especially when the billing system had to be done by hand with no training. Deposits will be made timely, at a minimum weekly, and the numerical sequence of receipts will be maintained. To achieve a “check and balance of money deposited”, it will be done by both the City Clerk and the water billing clerk.

Conclusion – Response accepted.

- (E) Records of Accounts/Separately Maintained Records – The Pomeroy Fire Fighters, Pomeroy Library, Pomeroy Ambulance and Summer Recreation program each maintain checking and savings account records in a location separate from the Clerk’s office. These accounts were not reflected in the City’s accounting system or annual budget.

Additionally, the Fire Fighters, Library, Ambulance and Summer Recreation program each have one person who has primary control over receipts, deposits, disbursements and bank reconciliations. Also, 1099’s are not issued for wages paid from the Summer Recreation program.

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.” All financial transactions of these accounts should be included in the Clerk’s monthly financial reports. Internal control would be strengthened and operating efficiency could be increased by integrating the receipts and disbursements of these accounts with the City’s accounting records in the Clerk’s office.

If the Fire Fighters, Library, Ambulance and Summer Recreation program account receipts and disbursements are not integrated with the City’s accounting records in the Clerk’s office, duties should be segregated to the extent possible.

In addition, 1099’s should be issued when required.

Response – The Fire Fighters, Library and Ambulance Departments are submitting financial reports monthly that accompany the financial records from City Clerk. The City will continue to incorporate these reports and financial records. All departments have been made aware of Chapter 384.20 of the Code of Iowa.

City of Pomeroy

Schedule of Findings

Year ended June 30, 2006

The Summer Recreation program is not a part of the City records and is not maintained by the City Clerk. Though the City holds these records for the Summer Recreation Association, they do not fall under "The City of .." and do not retain tax-exempt status.

Conclusion – Response acknowledged. Financial information related to the separate accounts of the Summer Recreation program should be provided to the City Clerk to be included in the Clerk's monthly financial report.

(F) Disbursements – During our review of disbursements, the following items were noted:

- Supporting documentation was not retained or could not be located for two disbursements. Supporting documentation for one disbursement was subsequently received from the vendor.
- Some claims paid were not on the Council approved list of bills. Additionally, the August 2005 list of bills appeared to be a duplicate of the July 2005 list of bills.
- Two disbursements tested were paid two or more months after approval.

The resolution approving routine bills was outdated.

Recommendation – Supporting documentation should be retained for all disbursements. All claims to be paid should be listed for City Council approval. Bills should be paid on a current basis. Annually, the City Council should provide the City Clerk with a list of routine bills which may be paid prior to City Council approval.

Response – Due to the failure of the then City's financial software, a manual statement was maintained and re-used with each passing month because of routine vendors used by the City continually. Due to human error, the August billing had been saved incorrectly and therefore reflected the prior month's bills. With the implementation of the Data Tech Computer Software program, these monthly vendors are accurately submitted for approval as a Claims List and paid out accordingly in a timely fashion. The process no longer requires the additional submission to the City Attorney for the City of Pomeroy and then awaiting his reply in paying out said claims and/or disbursements since the election of Council members and Mayor in December 2005.

Conclusion – Response accepted.

(G) Checks Issued and Held – The City issued and held three checks totaling \$32,500 on June 30, 2006 to purchase certificate of deposits and one check for \$3,381 to be deposited into a savings account. These checks were not used to purchase the CD's or deposited into the savings account until December 2006 and January 2007. As of June 30, 2006, the financial statements report these amounts in the cash balance.

Recommendation – In the future, checks should not be written and held.

City of Pomeroy

Schedule of Findings

Year ended June 30, 2006

Response – The City Clerk had been waiting for a financial decision from the Finance Committee set up by the Mayor. They had been made aware of the checks and the need for direction. Checks are no longer made and/or held but remitted almost immediately.

Conclusion – Response accepted.

- (H) Compensated Absences – The City did not maintain a record of vacation and sick leave earned and used for each employee.

Recommendation – The City should maintain a record of vacation and sick leave earned and used for each employee.

Response – With the implementation of the Data Tech Computer program, through the payroll module, these items are able to be tracked electronically.

Conclusion – Response accepted.

- (I) Garnishments – Employee garnishments were not handled properly by the City. In one instance, the City paid the garnishment on behalf of the employee six months prior to reimbursement from the employee.

Recommendation – When a garnishment order is received, the City should properly withhold wages from the employee when paid and remit holdings in accordance with the garnishment order.

Response – With the implementation of the Data Tech Computer Software program, garnishments are easily implemented and regularly submitted in accordance with the garnishment order.

Conclusion – Response accepted.

- (J) Travel Policy – The City has not adopted a travel reimbursement policy, including an approved mileage rate. Additionally, the City is not monitoring when withholding is required for taxable travel.

Recommendation – The City should adopt a travel reimbursement policy, including a requirement all reimbursable expenses be itemized. The policy should also specify lodging, meals and mileage reimbursement rates. In addition, the City should ensure taxes are withheld when appropriate.

Response – With the implementation of the Data Tech Computer Software program, these reimbursements are tracked/attached/reported and taxes are withheld when appropriate.

Conclusion – Response acknowledged. The City should also adopt a travel reimbursement policy.

City of Pomeroy

Schedule of Findings

Year ended June 30, 2006

- (K) Payroll Withholdings – The City was unable to locate the IRS Form 941 for the April, May and June 2006 quarter. Additionally, the City was delinquent in remitting payments to the Iowa Public Employees Retirement System (IPERS), remitting eight months on May 2, 2006.

Recommendation – The City should ensure all IRS Form 941's are retained. Additionally, the City should ensure IPERS remittances are paid monthly as required.

Response – The City is no longer dependent on an outside source for their quarterly reporting since the implementation of the Data Tech Computer Software program and all reports are now filed electronically. After formal training from IPERS, these reports as well are being maintained.

Conclusion – Response accepted.

- (L) Information Systems – The following weaknesses in the City's computer based systems were noted:

The City does not have written policies for:

- requiring password changed every 60-90 days.
- performing routine backups of system software.
- maintaining data backups in a secured off-site location.

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

Response – With the implementation of the Data Tech Computer Software program, back-ups are performed on a daily basis throughout the business day. At the end of the business day there is a manual back-up performed and now at week end. Two separate discs are recorded and held in separate locations.

Conclusion – Response acknowledged. The City should include requiring passwords to be changed every 60-90 days in its policies and procedures.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Pomeroy

Schedule of Findings

Year ended June 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting:

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

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 – At the end of the fiscal year, the City Clerk was unaware of the shortages due to the lack of municipal fund accounting with the former accounting software. With the implementation of the Data Tech Computer Software program, this will no longer pose a problem as it tracks the percentages of budget spending for each department.

Conclusion – Response accepted.

- (2) Questionable Disbursements – Certain disbursements from the ambulance and fire accounts were noted which 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. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Becker Florist	Flower arrangements for gifts	\$ 21
Clearwater Floral	Flower arrangements for gifts	177
Target	Gift card	50

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

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

Response – The Council was never made aware of said disbursements and therefore never gave approval nor disallowed them but will in the future be addressing these departments for approval of disbursements of questionable nature.

Conclusion – Response accepted.

City of Pomeroy

Schedule of Findings

Year ended June 30, 2006

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – Certain transactions were found that we believe should have been approved in the Council minutes but were not.

The City did not publish a summary of receipts as required by Chapter 372.13(6) of the Code of Iowa. Also, the City did not publish total expenditures from each City fund as required.

The City did not publish actual gross salaries/wages as required for all employees in accordance with Chapter 372.13 of the Code of Iowa and an Attorney General's opinion dated April 12, 1978.

The minutes from the August 8, 2005 City Council meeting were not completed and signed as required by Chapter 380.7 of the Code of Iowa.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and ensure all minutes of meetings are complete and should publish annual individual salaries as required. Additionally, the City should comply with Chapter 372 of the Code of Iowa and publish a summary of receipts and total disbursements from each City fund, as well as a list of claims allowed showing the vendor or person paid, the reason for the claim and the amount.

Response – With the implementation of the Data Tech Computer Software program, the summary of receipts is being published, along with total disbursements from each City fund as required. Also, the actual gross salaries/wages will be published annually starting July 2007. The minutes of August 8, 2005 did not have a standing Mayor nor Mayor Pro Tem for signature as both had resigned from the post following the August 2005 meeting.

Conclusion – Response accepted.

- (7) Deposits and Investments – 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. However, the City has not maintained a complete record of CD's and other investments held.

Recommendation – The City should ensure a record of investments is maintained and the record is reviewed monthly for completeness.

City of Pomeroy

Schedule of Findings

Year ended June 30, 2006

Response – With the implementation of the Data Tech Computer Software program, a record of investments is maintained and the record is reviewed monthly for completeness.

Conclusion – Response accepted.

- (8) 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 contacted the banking financial institution and are now obtaining and retaining an image of both the front and back of each cancelled check as required.

Conclusion – Response accepted.

- (9) Annual Financial Report – The annual financial report for the City was not filed by December 1 as required by Chapter 384.22 of the Code of Iowa.

Recommendation – The City should ensure the annual financial report is filed by December 1 as required.

Response – The City is aware of this delay and will ensure the annual financial report is filed by December 1 as required.

Conclusion – Response accepted.

City of Pomeroy

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Ernest H. Ruben, Jr., CPA, Manager
Matthew R. Ritchey, 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