



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 27, 2008

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled 3,922,085 for the year ended June 30, 2007, a 21.7% increase over 2006. The receipts included \$337,821 in property tax, \$1,398,810 from charges for service, \$215,787 from operating grants, contributions and restricted interest, \$367,234 from capital grants, contributions and restricted interest, \$91,162 from local option sales tax, \$27,206 from unrestricted interest on investments, \$1,449,208 from note/bond proceeds and \$34,857 from other general receipts.

Disbursements for the year totaled \$3,332,009, a 20.6% increase over the prior year, and included \$332,959 for public safety, \$238,622 for culture and recreation and \$163,569 for public works. Also, disbursements for business type activities totaled \$2,224,606.

The significant increase in receipts and disbursements is primarily due to debt/grant proceeds and the sewer capital project.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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CITY OF STRAWBERRY POINT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2007

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	14-15
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	18
Notes to Financial Statements		19-24
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		26-27
Notes to Required Supplementary Information – Budgetary Reporting		28
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	30-31
Schedule of Indebtedness	2	32-33
Note Maturities	3	34
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	4	35
Schedule of Expenditures of Federal Awards	5	36
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 <u>Government Auditing Standards</u>		39-40
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		43-44
Schedule of Findings and Questioned Costs		45-53
Staff		54

City of Strawberry Point

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Douglas Schmidt	Mayor	Jan 2008
Dean Courtnage	Council Member	Jan 2008
David Gould	Council Member	Jan 2008
Bill Green	Council Member	Jan 2008
Dale Fox	Council Member	Jan 2010
Norm Rizer	Council Member	Jan 2010
Carl Strong	Administrator	Resigned
Laura Bindert	Clerk	Resigned
Deanna Dement (Appointed)	Clerk/Administrator	Indefinite
Thomas Munter	Treasurer	Indefinite
Timothy T. Schloss	Attorney	Indefinite

City of Strawberry Point



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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 Strawberry Point, Iowa, as of and for the year ended June 30, 2007, 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 Strawberry Point's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

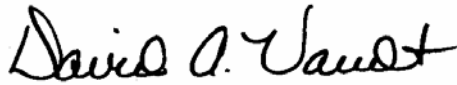
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, 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 Strawberry Point as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

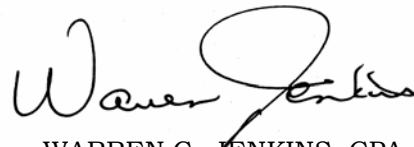
In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2008 on our consideration of the City of Strawberry Point's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 12 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Strawberry Point's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 28, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Strawberry Point 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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities increased approximately \$497,000, due primarily to anticipation note proceeds in the Capital Projects Fund for the streetscape project.
- The cash basis net assets of the City's business type activities increased approximately \$93,000, due primarily to bond proceeds for the sewer project, as well as federal grant receipts for the sewer rehabilitation project.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, 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 electric, sewer and water utilities. These activities are financed primarily by user fees and related 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 available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund and 4) the Capital Projects 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.

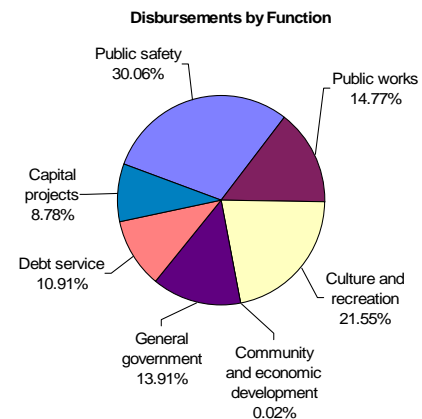
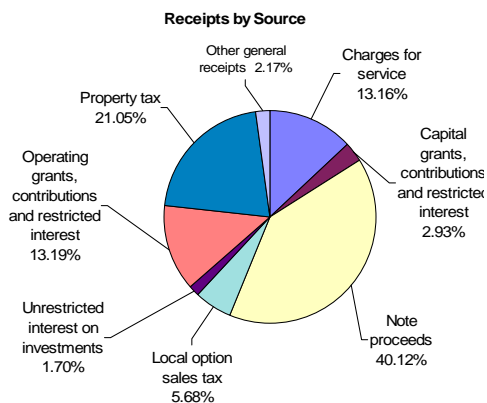
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for electric, sewer and water utility operations. The Electric and Sewer Funds are considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$648,586 to \$1,145,727. 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,	
	2007	2006
Receipts:		
Program receipts:		
Charges for service	\$ 211,148	197,145
Operating grants, contributions and restricted interest	211,670	223,963
Capital grants, contributions and restricted interest	47,030	350,288
General receipts:		
Property tax	337,821	357,154
Local option sales tax	91,162	80,927
Unrestricted interest on investments	27,206	18,322
Note proceeds (net of \$6,350 discount)	643,650	-
Other general receipts	34,857	29,963
Total receipts	<u>1,604,544</u>	<u>1,257,762</u>
Disbursements:		
Public safety	332,959	269,071
Public works	163,569	164,390
Culture and recreation	238,622	193,456
Community and economic development	231	871
General government	153,990	124,830
Debt service	120,813	90,855
Capital projects	97,219	81,890
Total disbursements	<u>1,107,403</u>	<u>925,363</u>
Excess of receipts over disbursements	497,141	332,399
Transfers, net	-	(4,060)
Increase in cash basis net assets	497,141	328,339
Cash basis net assets beginning of year	648,586	320,247
Cash basis net assets end of year	<u>\$ 1,145,727</u>	<u>648,586</u>



Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2007	2006
Receipts:		
Program receipts:		
Charges for service:		
Electric	\$ 872,579	876,808
Sewer	207,730	200,571
Water	107,353	98,713
Operating grants, contributions, and restricted interest	4,117	10,371
Capital grants, contributions and restricted interest	320,204	87,848
General receipts:		
Bond proceeds	805,558	689,442
Total receipts	<u>2,317,541</u>	<u>1,963,753</u>
Disbursements:		
Electric	824,835	796,859
Sewer	1,291,015	877,681
Water	108,756	164,025
Total disbursements	<u>2,224,606</u>	<u>1,838,565</u>
Excess of receipts over disbursements	92,935	125,188
Transfers, net	-	4,060
Increase in cash basis net assets	92,935	129,248
Cash basis net assets beginning of year	<u>964,813</u>	<u>835,565</u>
Cash basis net assets end of year	<u>\$ 1,057,748</u>	<u>964,813</u>

Total business type activities cash basis net assets increased from a year ago, increasing from \$964,813 to \$1,057,748. The increase is due to an increase in electric rates and bond proceeds in the Sewer Fund.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Strawberry Point completed the year, its governmental funds reported a combined fund balance of \$1,145,727, an increase of more than \$497,000 above last year's total of \$648,586. 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 \$15,703 from the prior year to a year-end balance of \$114,785. The decrease is due to a lower amount of receipts collected for charges for service, attributable to a decrease in garbage tag charges. Also, disbursements for public safety increased from fiscal year 2006 due to increased salaries for the Police and Ambulance Departments.
- The Special Revenue, Road Use Tax Fund cash balance increased \$26,138 to \$115,350 during the fiscal year. This change was attributable to a decrease in total operating disbursements due to a decrease in payroll.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$50,014 to \$134,304 during the fiscal year, primarily due to an increase in local option sales tax receipts and an increase in disbursements for general government.

- The Debt Service Fund cash balance decreased \$55,676 to \$47,040 during the fiscal year. The change was primarily due to an increase in debt service payments which exceeded receipts. The City paid a greater amount of debt payments for the streetscape project during fiscal year 2007.
- The Capital Projects Fund cash balance increased \$551,540 during the fiscal year due to the proceeds from the general obligation corporate purpose anticipation project notes.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Electric Fund cash balance increased \$51,861 to a year-end balance of \$524,475.
- The Sewer Fund cash balance increased \$42,477 to a year-end balance of \$439,430. The increase was due primarily to a CDBG grant and bond proceeds for the sewer rehabilitation plant.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 16, 2007 and resulted in an increase of operating disbursements related to contracts for the sewer rehabilitation project and increased operating disbursements for fuel for the electric generator.

Actual intergovernmental receipts were less than budgeted and other financing sources were greater than budgeted due to bond/note proceeds.

The City exceeded the amounts budgeted in the public safety, public works, culture and recreation and capital projects functions for the year ended June 30, 2007 due to higher costs for the sewer rehabilitation project, the purchase of fire equipment, street maintenance and repair and roof repair on the civic center.

DEBT ADMINISTRATION

At June 30, 2007, the City had \$3,619,000 in long-term debt and interim financing outstanding, compared to \$2,389,618 last year. The chart below segregates the City’s debt into its component parts.

	Outstanding Debt at Year-End	
	June 30,	
	2007	2006
General obligation notes	\$ 545,000	630,000
Revenue notes/bonds	2,424,000	1,749,442
Installment purchase agreement	-	10,176
Anticipation notes	650,000	-
Total	\$ 3,619,000	2,389,618

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 is \$1,195,000, below its constitutional debt limit of approximately \$1,898,124.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Strawberry Point's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates and fees charged for various City activities. The City's FY2007 assessed taxable value has increased 1%, or \$210,533, from the FY 2006 level.

The FY2008 budget contains receipts of \$2,934,447 and disbursements of \$2,882,567. This budget is considerably lower than the FY2007 final budget which contained total receipts of \$3,455,572 and disbursements of \$3,456,423. The FY2008 budget includes approximately \$315,252 less for intergovernmental receipts, \$60,256 less for charges for service and \$21,150 less for licenses and permits.

The FY2007 levy is \$15.11 per \$1,000 of taxable valuation, a decrease of \$1.16 per \$1,000 of taxable valuation from FY2006. The debt service levy increased from \$1.17 per \$1,000 of taxable valuation for FY2006 to \$1.48 per \$1,000 of taxable valuation for FY2007.

These parameters were taken into account when adopting the budget for FY2008.

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 Deanna Dement, City Clerk, 111 Commercial Street, Strawberry Point, Iowa 52076.

Basic Financial Statements

City of Strawberry Point

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2007

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 332,959	79,131	71,932	795
Public works	163,569	65,496	116,175	-
Culture and recreation	238,622	44,011	19,879	-
Community and economic development	231	50	-	1,544
General government	153,990	22,460	3,684	-
Debt service	120,813	-	-	24,582
Capital projects	97,219	-	-	20,109
Total governmental activities	1,107,403	211,148	211,670	47,030
Business type activities:				
Electric	824,835	872,579	4,117	-
Sewer	1,291,015	207,730	-	320,204
Water	108,756	107,353	-	-
Total business type activities	2,224,606	1,187,662	4,117	320,204
Total	\$ 3,332,009	1,398,810	215,787	367,234

General Receipts:

Property and other city tax levied for:
 General purposes
 Debt service
 Local option sales tax
 Unrestricted interest on investments
 Note/bond proceeds
 Miscellaneous

Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

Streets
 Local option sales tax
 Debt service
 Capital projects
 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
(181,101)	-	(181,101)
18,102	-	18,102
(174,732)	-	(174,732)
1,363	-	1,363
(127,846)	-	(127,846)
(96,231)	-	(96,231)
(77,110)	-	(77,110)
(637,555)	-	(637,555)
-	51,861	51,861
-	(763,081)	(763,081)
-	(1,403)	(1,403)
-	(712,623)	(712,623)
(637,555)	(712,623)	(1,350,178)
312,266	-	312,266
25,555	-	25,555
91,162	-	91,162
27,206	-	27,206
643,650	805,558	1,449,208
34,857	-	34,857
1,134,696	805,558	1,940,254
497,141	92,935	590,076
648,586	964,813	1,613,399
\$ 1,145,727	1,057,748	2,203,475
\$ 115,350	-	115,350
134,304	-	134,304
47,040	230,000	277,040
632,120	-	632,120
102,128	-	102,128
114,785	827,748	942,533
\$ 1,145,727	1,057,748	2,203,475

City of Strawberry Point

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

As of and for the year ended June 30, 2007

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 246,873	-	-
Other city tax	2,759	-	91,162
Licenses and permits	22,924	-	-
Use of money and property	57,563	-	-
Intergovernmental	26,298	116,175	-
Charges for service	148,627	-	-
Special assessments	-	-	-
Miscellaneous	60,247	25	-
Total receipts	565,291	116,200	91,162
Disbursements:			
Operating:			
Public safety	262,733	-	-
Public works	63,002	90,062	-
Culture and recreation	156,908	-	-
Community and economic development	207	-	-
General government	103,269	-	41,148
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	586,119	90,062	41,148
Excess (deficiency) of receipts over (under) disbursements	(20,828)	26,138	50,014
Other financing sources (uses):			
Operating transfers in	5,125	-	-
Operating transfers out	-	-	-
Anticipation note proceeds (net of \$6,350 discount)	-	-	-
Total other financing sources (uses)	5,125	-	-
Net change in cash balances	(15,703)	26,138	50,014
Cash balances beginning of year	130,488	89,212	84,290
Cash balances end of year	\$ 114,785	115,350	134,304
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	-
Unreserved:			
Designated for equipment	4,516	-	-
Undesignated, reported in:			
General fund	110,269	-	-
Special revenue funds	-	115,350	134,304
Capital projects fund	-	-	-
Total cash basis fund balances	\$ 114,785	115,350	134,304

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
25,555	-	62,634	335,062
-	-	-	93,921
-	-	-	22,924
-	4,802	1,183	63,548
-	-	1,000	143,473
-	-	3,228	151,855
24,582	11,787	-	36,369
-	3,520	49,950	113,742
50,137	20,109	117,995	960,894
-	-	70,226	332,959
-	-	10,505	163,569
-	-	81,714	238,622
-	-	24	231
-	-	9,573	153,990
120,813	-	-	120,813
-	97,219	-	97,219
120,813	97,219	172,042	1,107,403
(70,676)	(77,110)	(54,047)	(146,509)
15,000	-	-	20,125
-	(15,000)	(5,125)	(20,125)
-	643,650	-	643,650
15,000	628,650	(5,125)	643,650
(55,676)	551,540	(59,172)	497,141
102,716	80,580	161,300	648,586
47,040	632,120	102,128	1,145,727
47,040	-	-	47,040
-	-	-	4,516
-	-	-	110,269
-	-	102,128	351,782
-	632,120	-	632,120
47,040	632,120	102,128	1,145,727

Exhibit C

City of Strawberry Point

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

As of and for the year ended June 30, 2007

	Enterprise			Total
	Electric	Sewer	Nonmajor Water	
Operating receipts:				
Charges for service	\$ 872,579	207,730	107,353	1,187,662
Operating disbursements:				
Business type activities	695,420	97,054	108,756	901,230
Excess (deficiency) of operating receipts over (under) operating disbursements	177,159	110,676	(1,403)	286,432
Non-operating receipts (disbursements):				
Interest on investments	4,117	-	-	4,117
Bond proceeds	-	805,558	-	805,558
CDBG grant	-	320,204	-	320,204
Sewer capital project	-	(1,098,697)	-	(1,098,697)
Debt service	(129,415)	(95,264)	-	(224,679)
Total non-operating receipts (disbursements)	(125,298)	(68,199)	-	(193,497)
Excess (deficiency) of receipts over (under) disbursements	51,861	42,477	(1,403)	92,935
Cash balances beginning of year	472,614	396,953	95,246	964,813
Cash balances end of year	\$ 524,475	439,430	93,843	1,057,748
Cash Basis Fund Balances				
Reserved for debt service	\$ 230,000	-	-	230,000
Unreserved:				
Designated for equipment	18,597	109,287	17,845	145,729
Undesignated	275,878	330,143	75,998	682,019
Total cash basis fund balances	\$ 524,475	439,430	93,843	1,057,748

See notes to financial statements.

City of Strawberry Point

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

The City of Strawberry Point is a political subdivision of the State of Iowa located in Clayton County. It was first incorporated in 1877 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 electric utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Strawberry Point 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: Clayton County Assessor's Conference Board, Clayton County Emergency Management Commission and Clayton 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 enterprise funds are aggregated and reported as nonmajor governmental and enterprise funds.

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Electric Fund accounts for the operation and maintenance of the City's electric facilities and services.

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 Strawberry Point 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, 2007, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

(3) Bonds and Notes Payable

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

Years Ending June 30,	General Obligation					
	Capital Loan		Revenue Bonds/Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 80,000	21,515	75,000	50,378	155,000	71,893
2009	80,000	18,656	80,000	46,703	160,000	65,359
2010	65,000	15,636	85,000	42,703	150,000	58,339
2011	60,000	13,120	745,000	38,368	805,000	51,488
2012	70,000	10,720	-	-	70,000	10,720
2013-2017	190,000	20,148	-	-	190,000	20,148
Total	\$ 545,000	99,795	985,000	178,152	1,530,000	277,947

Electric Revenue Notes - The resolution providing for the issuance of the electric revenue notes includes the following provisions.

- (a) Sufficient monthly transfers shall be made to an electric revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (b) Additional monthly transfers shall be made to an electric reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying principal at maturity or interest on the notes when there are insufficient funds in the sewer revenue note sinking account.
- (c) In addition, monthly transfers of \$1,600 shall be made in an improvement and extension account until a minimum balance of \$100,000 has been accumulated. This account is established for the purpose of paying for additional improvements, extensions or repairs to the system when the sinking account has insufficient funds.

The City has established the required sinking, reserve and improvement accounts required by the electric revenue bond resolution.

Sewer Revenue Bonds – On February 7, 2006, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. (Trustee) for the issuance of \$1,500,000 of sewer revenue bonds with interest at 3.0% per annum. The bonds were issued pursuant to the provisions of Chapter 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the City’s sewer system. The City will draw down funds from the Trustee upon request to reimburse the City for costs as they are incurred. At June 30, 2007, the City had drawn \$1,495,000, including a \$15,000 initiation fee, of the \$1,500,000 authorized. A formal repayment schedule has not yet been adopted.

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

- a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to a sewer revenue bond sinking account for the purpose of making principal and interest payments when due.

The City has established the required sewer revenue bond sinking account as required by the bond resolution. However, the City has not set aside the amount of interest and principal required by the bond resolution in the sinking account.

Street, Sewer and Water Improvement Anticipation Notes – On May 9, 2007, the City issued \$650,000 of general obligation notes, Series 2007A, with interest at 3.90% per annum. The notes were issued for the purpose of paying costs of constructing street, curb and gutter, storm sewer, sanitary sewer and water improvements. The City intends this issuance to be used as interim financing in the ongoing construction of street, sewer and water improvements. The full principal and interest is due on the maturity date of May 9, 2008. The City intends to issue additional debt in fiscal year 2008 to refinance this issuance and to cover any additional costs for the street, sewer and water improvements.

(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 years ended June 30, 2007 and 2006 were \$22,977 and \$21,297, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave, personal and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City’s approximate liability for earned vacation, sick leave, personal and compensatory time payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 5,500
Sick leave	500
Personal time	700
Compenastory time	3,000
	\$ 9,700

This liability has been computed based on rates of pay in effect at June 30, 2007.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Munter Trust	\$ 5,000
	Millard Library	75
	Library Harley Howe	50
		<u>5,125</u>
Debt Service	Capital Projects	<u>15,000</u>
Total		<u>\$ 20,125</u>

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

(7) Construction Commitments

Construction commitments at June 30, 2007 totaled \$140,972 which will be paid as work on the wastewater and sewer treatment plant progresses. These projects will be funded through debt issuances, grants and local funds.

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$25,681 during the year ended June 30, 2007.

(9) Risk Management

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

(10) Forgivable Loans

In 2003 and 2004, the City made interest free forgivable loans to borrowers (citizens) to finance a portion of the cost of the acquisition or rehabilitation of the borrower's primary residence for five years. At the end of the five years, the loan will be forgiven if the borrower's primary residence is not sold, rented or transferred. At June 30, 2007, the City has 12 forgivable loans outstanding, totaling \$331,776.

Required Supplementary Information

City of Strawberry Point
 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, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 335,062	-	335,062
Other city tax	93,921	-	93,921
Licenses and permits	22,924	-	22,924
Use of money and property	63,548	4,117	67,665
Intergovernmental	143,473	320,204	463,677
Charges for service	151,855	1,187,662	1,339,517
Special assessments	36,369	-	36,369
Miscellaneous	113,742	-	113,742
Total receipts	<u>960,894</u>	<u>1,511,983</u>	<u>2,472,877</u>
Disbursements:			
Public safety	332,959	-	332,959
Public works	163,569	-	163,569
Culture and recreation	238,622	-	238,622
Community and economic development	231	-	231
General government	153,990	-	153,990
Debt service	120,813	-	120,813
Capital projects	97,219	-	97,219
Business type activities	-	2,224,606	2,224,606
Total disbursements	<u>1,107,403</u>	<u>2,224,606</u>	<u>3,332,009</u>
Excess (deficiency) of receipts over (under) disbursements	(146,509)	(712,623)	(859,132)
Other financing sources (uses)	643,650	805,558	1,449,208
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	497,141	92,935	590,076
Balances beginning of year	648,586	964,813	1,613,399
Balances end of year	<u>\$ 1,145,727</u>	<u>1,057,748</u>	<u>2,203,475</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
294,888	295,640	39,422
76,423	114,565	(20,644)
22,585	22,816	108
34,269	57,993	9,672
469,883	1,543,988	(1,080,311)
1,451,915	1,261,234	78,283
34,820	59,820	(23,451)
50,920	99,516	14,226
2,435,703	3,455,572	(982,695)
213,590	308,262	(24,697)
185,960	110,783	(52,786)
155,868	221,984	(16,638)
2,500	231	-
130,751	183,610	29,620
120,414	120,814	1
181,200	93,264	(3,955)
2,180,524	2,417,475	192,869
3,170,807	3,456,423	124,414
(735,104)	(851)	(858,281)
650,000	385,000	1,064,208
(85,104)	384,149	205,927
1,479,901	1,479,901	133,498
1,394,797	1,864,050	339,425

City of Strawberry Point

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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 Capital Projects 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, one budget amendment increased budgeted disbursements by \$285,616. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation and capital projects functions.

Other Supplementary Information

City of Strawberry Point

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

As of and for the year ended June 30, 2007

	Special Revenue				
	Employee Benefits	Munter Trust	Library Capital Improvement	Fire Department Tanker	Swimming Pool
Receipts:					
Property tax	\$ 62,634	-	-	-	-
Use of money and property	885	254	-	-	-
Intergovernmental	-	-	-	-	-
Charges for service	-	-	-	3,228	-
Miscellaneous	4,655	4,208	158	1,077	2,699
Total receipts	68,174	4,462	158	4,305	2,699
Disbursements:					
Operating:					
Public safety	40,224	-	-	6,200	-
Public works	10,505	-	-	-	-
Culture and recreation	12,498	49,547	1,694	-	-
Community and economic development	-	-	-	-	-
General government	9,573	-	-	-	-
Total disbursements	72,800	49,547	1,694	6,200	-
Excess (deficiency) of receipts over (under) disbursements	(4,626)	(45,085)	(1,536)	(1,895)	2,699
Other financing uses:					
Operating transfers out	-	(5,000)	-	-	-
Net change in cash balances	(4,626)	(50,085)	(1,536)	(1,895)	2,699
Cash balances beginning of year	16,265	65,131	7,725	4,950	-
Cash balances end of year	\$ 11,639	15,046	6,189	3,055	2,699
Cash Basis Fund Balances					
Unreserved:					
Special revenue funds	\$ 11,639	15,046	6,189	3,055	2,699

See accompanying independent auditor's report.

Millard Library	Library Hartley Howe	Tree Board	Ambulance	Civic Center	Housing Rehabilitation	Firemen's Association	Total
-	-	-	-	-	-	-	62,634
5	39	-	-	-	-	-	1,183
-	-	1,000	-	-	-	-	1,000
-	-	-	-	-	-	-	3,228
-	-	-	3,814	12,204	1,544	19,591	49,950
5	39	1,000	3,814	12,204	1,544	19,591	117,995
-	-	-	-	-	-	23,802	70,226
-	-	-	-	-	-	-	10,505
-	-	2,127	-	15,848	-	-	81,714
-	-	-	-	-	24	-	24
-	-	-	-	-	-	-	9,573
-	-	2,127	-	15,848	24	23,802	172,042
5	39	(1,127)	3,814	(3,644)	1,520	(4,211)	(54,047)
(75)	(50)	-	-	-	-	-	(5,125)
(70)	(11)	(1,127)	3,814	(3,644)	1,520	(4,211)	(59,172)
269	2,321	2,400	20,119	4,007	29,272	8,841	161,300
199	2,310	1,273	23,933	363	30,792	4,630	102,128
199	2,310	1,273	23,933	363	30,792	4,630	102,128

City of Strawberry Point
Schedule of Indebtedness
Year ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
Civic center improvement and refunding	Nov 1, 2002	2.25-4.60%	\$ 380,000
Streetscapes	Mar 15, 2005	3.10-4.25	425,000
Total			
Revenue notes:			
Electric	Jun 1, 2001	4.35-5.15%	\$ 1,380,000
Revenue bonds:			
Sewer	Feb 7, 2006	3%	\$ 1,500,000
Anticipation notes:			
Sewer and water improvement	May 9, 2007	3.9%	\$ 650,000
Installment purchase agreement:			
Tractor	Mar 15, 2004	4.30%	\$ 60,599

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
205,000	-	50,000	155,000	8,335
425,000	-	35,000	390,000	16,065
<u>\$ 630,000</u>	<u>-</u>	<u>85,000</u>	<u>545,000</u>	<u>24,400</u>
<u>1,060,000</u>	<u>-</u>	<u>75,000</u>	<u>985,000</u>	<u>54,015</u>
<u>689,442</u>	<u>805,558</u>	<u>56,000</u>	<u>1,439,000</u>	<u>35,256</u>
<u>-</u>	<u>650,000</u>	<u>-</u>	<u>650,000</u>	<u>-</u>
<u>10,176</u>	<u>-</u>	<u>10,176</u>	<u>-</u>	<u>438</u>

Schedule 3

City of Strawberry Point

Note Maturities

June 30, 2007

General Obligation Notes					
Year Ending June 30,	Civic Center Improvement and Refunding Notes		Streetscapes		Total
	Issued Nov 1, 2002		Issued Mar 15, 2005		
	Interest		Interest		
	Rates	Amount	Rates	Amount	
2008	3.85%	\$ 40,000	3.30%	\$ 40,000	80,000
2009	4.10	40,000	3.45	40,000	80,000
2010	4.30	25,000	3.60	40,000	65,000
2011	4.50	20,000	3.75	40,000	60,000
2012	4.60	30,000	3.85	40,000	70,000
2013		-	3.95	45,000	45,000
2014		-	4.05	45,000	45,000
2015		-	4.15	50,000	50,000
2016		-	4.25	50,000	50,000
Total		<u>\$ 155,000</u>		<u>\$ 390,000</u>	<u>545,000</u>

Electric Revenue Notes		
Year Ending June 30,	Issued June 1, 2001	
	Interest	
	Rates	Amount
2008	4.90%	\$ 75,000
2009	5.00	80,000
2010	5.10	85,000
2011	5.15	745,000
Total		<u>\$ 985,000</u>

See accompanying independent auditor's report.

City of Strawberry Point

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Two Years

	2007	2006
Receipts:		
Property tax	\$ 335,062	304,722
Other city tax	93,921	133,359
Licenses and permits	22,924	2,410
Use of money and property	63,548	48,814
Intergovernmental	143,473	349,950
Charges for service	151,855	160,409
Special assessments	36,369	111,051
Miscellaneous	113,742	147,047
	<hr/>	<hr/>
Total	\$ 960,894	1,257,762
	<hr/> <hr/>	<hr/> <hr/>
Disbursements:		
Operating:		
Public safety	\$ 332,959	269,071
Public works	163,569	164,390
Culture and recreation	238,622	193,456
Community and economic development	231	871
General government	153,990	124,830
Debt service	120,813	90,855
Capital projects	97,219	81,890
	<hr/>	<hr/>
Total	\$ 1,107,403	925,363
	<hr/> <hr/>	<hr/> <hr/>

See accompanying independent auditor's report.

Schedule 5

City of Strawberry Point
Schedule of Expenditures of Federal Awards
Year ended June 30, 2007

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/ State's Program			
	14.228		\$ 280,561
U.S. Environmental Protection Agency:			
Iowa Department of Natural Resources:			
Capitalization Grants for Clean Water - State Revolving Fund			
	66.458		<u>653,910</u>
Total			<u><u>\$ 934,471</u></u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Strawberry Point and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**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**

City of Strawberry Point



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
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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 Strawberry Point, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 28, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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 Strawberry Point's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Strawberry Point's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Strawberry Point's internal control over financial reporting.

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-07 is a material weakness.

Compliance and Other Matters

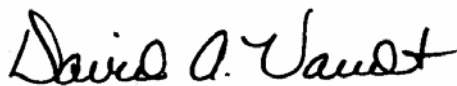
As part of obtaining reasonable assurance about whether the City of Strawberry Point's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

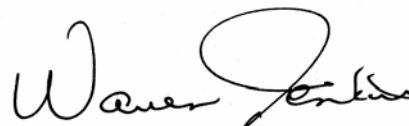
The City of Strawberry Point's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Strawberry Point's responses and, accordingly, we express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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Strawberry Point and other parties to whom the City of Strawberry Point may report, including federal awarding agencies and pass-through entities. 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 Strawberry Point 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 28, 2008

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

City of Strawberry Point



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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Strawberry Point, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2007. The City of Strawberry Point's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Strawberry Point's management. Our responsibility is to express an opinion on the City of Strawberry Point's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Strawberry Point's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Strawberry Point's compliance with those requirements.

In our opinion, the City of Strawberry Point complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

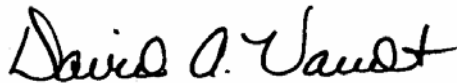
The management of the City of Strawberry Point is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Strawberry Point's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Strawberry Point's internal control over compliance.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 Strawberry Point and other parties to whom the City of Strawberry Point may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 28, 2008

City of Strawberry Point
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements which 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.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 66.458 – Capitalization Grants for Clean Water – State Revolving Fund.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Strawberry Point did not qualify as a low-risk auditee.

City of Strawberry Point
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-07 Segregation of Duties – One important element in designing internal control to safeguard assets and reasonably ensure the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check of those of another. One person has control over each of the following areas:

City

- (1) Accounting system – performing all general accounting functions and having custody of assets.
- (2) Cash – handling petty cash, reconciling and depositing.
- (3) Investments – investing, recording and custody.
- (4) Long-term debt – recording, reconciling and performing cash functions.
- (5) Receipts – receiving, recording and custody.
- (6) Utility receipts – billing, collecting, depositing and posting.
- (7) Disbursements – purchasing, preparing checks and recording.
- (8) Payroll – preparing and distributing.

Fire Department

- (1) Receipts – receiving, recording and custody.
- (2) Disbursements – purchasing, preparing checks and recording.
- (3) Bank reconciliations – preparation and review.

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

Responses –

City – We have attempted to segregate duties as much as we possibly can. We will semi-annually review the work of each other, and date the reports. We will also have the Mayor review the reports semi-annually for the above mentioned areas and initial and date as well.

Fire Department – We will try to segregate duties as much as possible due to the limited number of staff.

Conclusion – Responses accepted.

City of Strawberry Point

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

II-B-07 Credit Card – The City has a credit card for use by the Police Chief while on City business. The City has not adopted a formal policy to regulate the use of the credit card and to establish procedures for proper accounting of credit card charges.

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

Response – The City is currently working on a credit card policy, which will include the above mentioned requirements.

Conclusion – Response accepted.

II-C-07 Information System – The following weaknesses in the City’s information system were noted:

The City does not have written policies for:

- (1) Requiring password changes because software does not require the user to change logins/passwords periodically.
- (2) Requiring a timeout and/or logoff function or a screensaver password to protect a terminal if left unattended.
- (3) Restricting access to office computers.
- (4) Use of the internet.
- (5) Disaster recovery plan.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s controls over the information system.

Response – The City approved a policy on December 5, 2007 that addresses items 1-4. We will work diligently to get disaster recovery plan adopted. We will also make sure we test the plan, which is a requirement. We have also found a way to change passwords in our software since the audit. We will change our passwords every 60 days. Our computers do lock after a set time of being inactive. We also do lock our computers when we go to lunch or will be away from our desk.

Conclusion – Response accepted.

II-D-07 Records of Accounts – The City maintains separate bank accounts for the Strawberry Point Firemen’s Association. 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 – The City will include in budget/annual financial report or contact the fire association about becoming a non-profit association.

Conclusion – Response accepted.

City of Strawberry Point

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

II-E-07 Delinquent Utility Accounts – The City does not have written policies and procedures for delinquent accounts and write-off procedures.

Recommendation – The City should implement written policies and procedures for delinquent accounts and write-off procedures.

Response – Currently, the City does have a policy regarding delinquent accounts. We are working on a policy that will provide the procedures in writing off accounts.

Conclusion – Response accepted.

II-F-07 Firemen's Association – Prenumbered receipts were not issued for all collections.

Recommendation – Prenumbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all money. The receipts should be recorded and reconciled with timely deposits and the reconciliation should be reviewed periodically by an independent person.

Response – The majority of the time the money is only taken in during door-to-door sales and no receipts are given. They will possibly get a pre-numbered receipt book for people giving donations. The people auditing the books will also review the receipts and deposits and initial and date.

Conclusion – Response accepted.

II-G-07 Record Retention – The City does not retain monthly reports of receipts and disbursements during the fiscal year.

Recommendation – The City should maintain monthly reports of receipts and disbursements.

Response – When printing our reports each month for review, they will be retained in a binder to refer to easily. A report will also be run each month showing the funds and programs and this will also be retained.

Conclusion – Response accepted.

II-H-07 Basis of Accounting – In a few circumstances, the City used accrual accounting instead of the cash basis of accounting approved by the City. Also, in a few circumstances, the City back-dated the date used for receipts and disbursements relating to accruals.

Recommendation – The City should consistently use the established basis of accounting. Also, the City should not back-date receipt and disbursement transactions.

Response – We will make sure all receipts are accounted for in the month received and disbursements are dated in the month the check is written. A review of cash accounting will be done.

Conclusion – Response accepted.

City of Strawberry Point

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

II-I-07 Reconciliation of Ambulance Billings, Collections and Delinquencies – Ambulance billings, collections, and delinquent reports received by a third party are not reviewed or reconciled for accuracy and completion. In addition, detail listings or agings of receivables are not maintained.

The City does not have policies and procedures for delinquent accounts and write-off procedures for ambulance billings.

Recommendation – The City should review, reconcile and understand all reports received from the third party. Also, the City should request the third party to send a detail listing of receivables, as well as an aging of the receivables.

The City should implement policies and procedures for delinquent and write-off procedures for ambulance billings.

Response – The City will develop a policy reviewing and reconciling ambulance collections and for delinquencies. The policy will also include a write off policy. We will also be requesting a listing of the receivables from out third party. The City will also review the reports submitted by the third party and make sure we have a clear understanding of what the reports are showing.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Strawberry Point
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No significant deficiencies in internal control over the major program were noted.

City of Strawberry Point

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Other Findings Related to Required Statutory Reporting:

IV-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the public works, public safety, culture and recreation and capital projects 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 – We are watching departments and funds very closely each month. If a disbursement is requested that will cause them to go over budget, an amendment will be done first.

Conclusion – Response accepted.

IV-B-07 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted

IV-C-07 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-07 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Lois Cordes, Librarian, Son owns Cordes & Cordes Oil Co.	Fuel for electric generator	\$ 25,250
Dale Fox, Council Member, Owner of Strawberry Computing	Purchase of computer equipment	431

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Council Member do not appear to a represent conflict of interest since total transactions with this individual were less than \$2,500 during the fiscal year.

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Librarian’s son may represent a conflict of interest since the total transactions with this individual were greater than \$2,500 during the fiscal year.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The Council is aware that our fuel is purchased from Cordes & Cordes, but it is not economical to go out of town to purchase fuel. They charge us a fair price.

Conclusion – Response acknowledged. However, the City should consult legal counsel to determine the disposition of the matter.

City of Strawberry Point

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

IV-E-07 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.

IV-F-07 Council Minutes – Except as noted, no transactions were found that we believe should have been approved in the Council minutes, but were not.

Certain proofs of publications could not be located.

Certain disbursements were not approved by the City Council prior to payment.

The City Council has not approved a written mileage policy for reimbursements to City employees.

Recommendation – The Council should ensure all transfers are approved through the certified budget, resolutions or minutes record. Also, the City should retain proofs of publications. In addition, the City should ensure all disbursements are approved by the Council prior to disbursement and a written mileage policy should be adopted by the Council.

Response – We are requiring our newspaper to provide proof of publications for all minutes, notices, etc. They are received and filed in a binder. All disbursements are presented to the Council for approval. A mileage policy was passed on August 1, 2007. All transfers are approved through the budget process. If a transfer is requested and was not approved by the budget, it will be approved by the resolution taken before the Council.

Conclusion – Response accepted.

IV-G-07 Deposit and Investments – The City has not approved an investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should approve a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Response – We approved an investment policy on December 5, 2007. It provides the procedures and policies for investments for the City and who has authority to make investments.

Conclusion – Response accepted.

IV-H-07 Sewer Revenue Bonds – Although the City has established the required sinking account, the City has not set aside the amount of interest and principal required by the bond resolution in the sinking account.

Recommendation – The City should set aside the amount of interest and principal required by the bond resolution in the sinking account.

Response – We have transferred the interest and principal for FY08 to the sinking fund and will continue to do so according to the bond resolution.

Conclusion – Response accepted.

City of Strawberry Point

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

IV-I-07 Unclaimed Property – The City has not reported unclaimed property to the Treasurer of State as required by Chapter 556.11 of the Code of Iowa.

Recommendation – The City should report unclaimed property to the Treasurer of State as required by Chapter 556.11 of the Code of Iowa.

Response – This had not been done, but we reviewed and voided the old checks. We then contacted the people that were issued these checks and reissued them. We will continue to review these and submit any on November 1st of each year.

Conclusion – Response accepted.

IV-J-07 Local Option Sales Tax – The ballot for the local option sales tax authorizes the City to collect the tax and to allocate 33 1/3% of the collections to economic development and the tourism office and 66 2/3% for repair, maintenance, improvements to streets, sewer system, water system and/or general obligation debt. The City does not maintain adequate records to document the proper expenditure of local option sales tax for the authorized uses.

Recommendation – The City should establish procedures to accumulate and document local option sales tax disbursements to demonstrate compliance with ballot requirements.

Response – A new fund has been created for the 33 1/3% for economic development. There is also a fund for the 66 2/3% amount that is the City's. By having separate funds, we will be able to track how each percent is being spent.

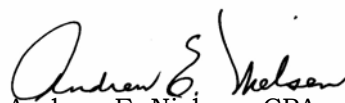
Conclusion – Response accepted.

City of Strawberry Point

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Billie Jo Heth, Senior Auditor
Tracy L. Haronik, Staff Auditor
Mike P. Piehl, Staff Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State