



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

March 31, 2008

Contact: Andy Nielsen
515/281-5834

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

The City has implemented new reporting standards for the year ended June 30, 2007, 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 \$422,106 for the year ended June 30, 2007. The receipts included \$176,940 in property tax, \$452 from tax increment financing, \$134,269 from charges for service, \$68,273 from operating grants, contributions and restricted interest, \$14,960 from capital grants, contributions and restricted interest, \$11,174 from cable franchise fees, \$14,386 from unrestricted interest on investments and \$1,652 from other general receipts.

Disbursements for the year totaled \$445,357, and included \$209,106 for public works, \$65,763 for general government and \$45,785 for public safety. Also, disbursements for business type activities totaled \$67,795.

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>.

###

CITY OF SWISHER

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

JUNE 30, 2007

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-11
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
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	17
Notes to Financial Statements		18-21
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund		24
Notes to Required Supplementary Information – Budgetary Reporting		25
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	28
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>		29-30
Schedule of Findings		31-34
Staff		35

City of Swisher

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Scott Grabe	Mayor	Jan 2008
Kenny Feldman	Council Member	Jan 2008
Tom Perkins	Council Member	Jan 2008
Ginny Svec	Council Member	Jan 2008
Barb Hoss	Council Member	Jan 2010
Larry Svec	Council Member	Jan 2010
Tawnia Kakcek	Clerk	Resigned
Connie Evans (appointed)	Clerk	Jan 2009
Steve Greenleaf	Attorney	Jan 2008

City of Swisher



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Swisher, Iowa, as of and for the year ended June 30, 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 Swisher'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. 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, 2006.

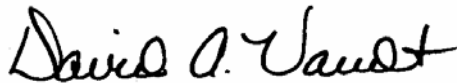
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2006, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Swisher as of June 30, 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.

As described in Note 7, during the year ended June 30, 2007, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

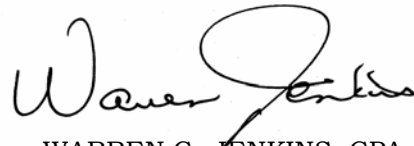
In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2008 on our consideration of the City of Swisher's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 24 through 25 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Swisher's basic financial statements. Other supplementary information included in Schedules 1 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, 2006, 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

March 10, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Swisher provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. 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.

2007 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities decreased approximately \$47,000 due, in part, to a decrease of approximately \$68,000 in TIF collections from the prior year and an increase in property and other city tax of approximately \$30,000 over the previous year.
- The cash basis net assets of the City's business type activities increased approximately \$24,000, largely due to a decrease in disbursements from the prior year.

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.

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 and general government. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the sewer system. This activity is 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 that are available for spending. The governmental funds include: 1) the General Fund and 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2) Proprietary funds account for the City's Enterprise Fund. Enterprise Funds are used to report business type activities. The City maintains an Enterprise Fund to provide information for the sewer fund, which is a major fund of the City.

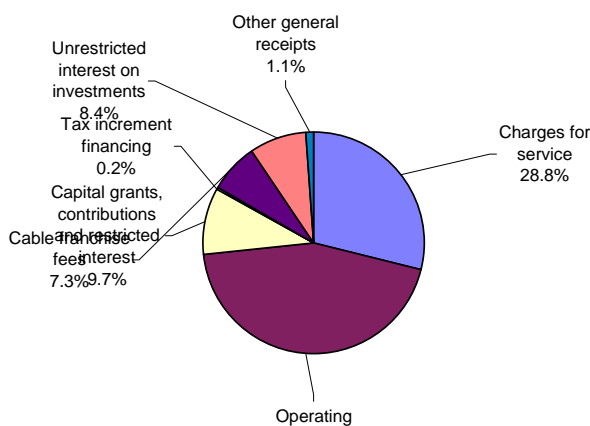
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

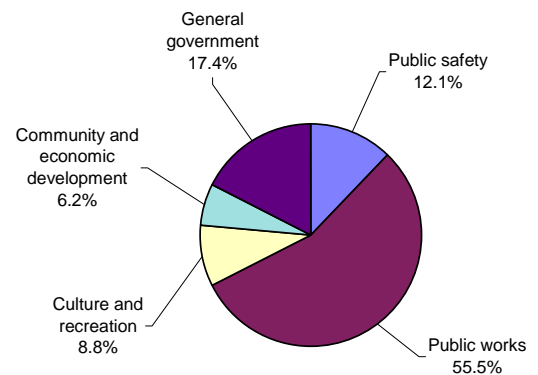
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$484,008 to \$437,021. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2007
Receipts:	
Program receipts:	
Charges for service	\$ 44,163
Operating grants, contributions and restricted interest	68,273
Capital grants, contributions and restricted interest	14,960
General receipts:	
Property and other city tax	176,940
Tax increment financing	452
Cable franchise fees	11,174
Unrestricted interest on investments	12,961
Other general receipts	1,652
Total receipts	<u>330,575</u>
Disbursements:	
Public safety	45,785
Public works	209,106
Culture and recreation	33,314
Community and economic development	23,594
General government	65,763
Total disbursements	<u>377,562</u>
Change in cash basis net assets	(46,987)
Cash basis net assets beginning of year	<u>484,008</u>
Cash basis net assets end of year	<u>\$ 437,021</u>

Receipts by Source



Disbursements by Function



Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2007
Receipts:	
Program receipts:	
Charges for service:	
Sewer	\$ 90,106
General receipts:	
Unrestricted interest on investments	1,425
Total receipts	<u>91,531</u>
Disbursements:	
Sewer	<u>67,795</u>
Change in cash basis net assets	23,736
Cash basis net assets beginning of year	<u>171,945</u>
Cash basis net assets end of year	<u><u>\$ 195,681</u></u>

Total business type activities cash basis net assets increased from a year ago, from \$171,945 to \$195,681. The overall increase is a result of a decrease in disbursements from the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Swisher completed the year, its governmental funds reported a combined fund balance of \$437,021, a decrease of approximately \$47,000 from last year's total of \$484,008. 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 \$716 from the prior year to a year-end balance of \$344,370.
- The Special Revenue, Road Use Fund cash balance decreased \$47,326 to a balance of \$84,000 at the fiscal year end. This decrease was primarily attributable to an increase in street repair in the current fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Sewer Fund cash balance increased \$23,736 to a year-end balance of \$195,681. This increase was due primarily to a decrease in disbursements during the current year.

BUDGETARY HIGHLIGHTS

During the year ended June 30, 2007, the City did not amend its budget.

The City's receipts were \$9,386 less than budgeted. This was due, in part, to the City not being reimbursed by the Iowa Underground Storage Tank Fund until the first week in July, 2007, which was after the June 30, 2007 budget cut off and the sale of garbage and yard waste stickers went down, which leads us to believe the residents of Swisher are using the recycling program more than in the past.

Total disbursements were \$ 65,037 less than budgeted. This was primarily due to the fact the City had budgeted for another full-time maintenance worker, with benefits, and the new hire was not hired until later in the year. Training and certification was also budgeted for but not used in this fiscal year. Due to the lack of development, the number of Planning and Zoning meetings and Board of Adjustment meetings was less than what was budgeted for, which was one meeting a month. The sale of garbage and yard waste tags was down also, so less were purchased from the garbage hauler.

DEBT ADMINISTRATION

At June 30, 2007, the City did not have any long-term debt outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Swisher's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates and fees charged for various City activities. The City's FY 2008 assessed taxable valuation has increased \$398,113 from the FY 2007 level.

The FY 2008 budget contains total receipts of \$433,166 and disbursements of \$457,805. This budget is somewhat lower than the FY 2007 final budget which contained total receipts of \$431,492 and disbursements of \$510,384. The FY 2008 budget did not include certification for TIF funds and no major projects were budgeted for. A maintenance vehicle was purchased in FY 2007, which caused the disbursements to be higher than FY 2008. With the anticipation of improvements to the sewer plant, disbursements in FY 2008 were cut back to prepare for this project.

The FY 2008 levy is \$7.09995 per \$1,000 of taxable valuation, a decrease from \$7.09997 per \$1,000 of taxable valuation in 2007.

These parameters were taken into account when adopting the budget for FY 2008.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Connie Evans, City Clerk, P.O. Box 279, Swisher, IA 52338-0279.

City of Swisher

Basic Financial Statements

City of Swisher

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	\$ 45,785	833	-	-
Public works	209,106	41,523	67,759	14,960
Culture and recreation	33,314	-	514	-
Community and economic development	23,594	-	-	-
General government	65,763	1,807	-	-
Total governmental activities	377,562	44,163	68,273	14,960
Business type activities:				
Sewer	67,795	90,106	-	-
Total	\$ 445,357	134,269	68,273	14,960
General Receipts:				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Cable franchise fees				
Unrestricted interest on investments				
Miscellaneous				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
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
(44,952)	-	(44,952)
(84,864)	-	(84,864)
(32,800)	-	(32,800)
(23,594)	-	(23,594)
(63,956)	-	(63,956)
(250,166)	-	(250,166)
-	22,311	22,311
(250,166)	22,311	(227,855)
176,940	-	176,940
452	-	452
11,174	-	11,174
12,961	1,425	14,386
1,652	-	1,652
203,179	1,425	204,604
(46,987)	23,736	(23,251)
484,008	171,945	655,953
\$ 437,021	195,681	632,702
\$ 84,000	-	84,000
8,651	-	8,651
344,370	195,681	540,051
\$ 437,021	195,681	632,702

Exhibit B

City of Swisher

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

As of and for the year ended June 30, 2007

	Special Revenue			Total
	General	Road Use Tax	Nonmajor	
Receipts:				
Property tax	\$ 176,940	-	-	176,940
Tax increment financing	-	-	452	452
Licenses and permits	13,284	-	-	13,284
Use of money and property	12,871	-	90	12,961
Intergovernmental	14,960	67,759	-	82,719
Charges for service	38,431	-	-	38,431
Miscellaneous	5,275	-	513	5,788
Total receipts	<u>261,761</u>	<u>67,759</u>	<u>1,055</u>	<u>330,575</u>
Disbursements:				
Operating:				
Public safety	45,785	-	-	45,785
Public works	94,021	115,085	-	209,106
Culture and recreation	33,314	-	-	33,314
Community and economic development	23,594	-	-	23,594
General government	65,763	-	-	65,763
Total disbursements	<u>262,477</u>	<u>115,085</u>	<u>-</u>	<u>377,562</u>
Excess (deficiency) of receipts over (under) disbursements	(716)	(47,326)	1,055	(46,987)
Cash balances beginning of year	<u>345,086</u>	<u>131,326</u>	<u>7,596</u>	<u>484,008</u>
Cash balances end of year	<u>\$ 344,370</u>	<u>84,000</u>	<u>8,651</u>	<u>437,021</u>
Cash Basis Fund Balances				
Unreserved:				
General fund	\$ 344,370	-	-	344,370
Special revenue funds	-	84,000	8,651	92,651
Total cash basis fund balances	<u>\$ 344,370</u>	<u>84,000</u>	<u>8,651</u>	<u>437,021</u>

See notes to financial statements.

City of Swisher

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

As of and for the year ended June 30, 2007

	<u>Enterprise</u> <u>Sewer</u>
Operating receipts:	
Charges for service	\$ 90,106
Use of money and property	1,425
Total operating receipts	<u>91,531</u>
Operating disbursements:	
Business type activities	<u>67,795</u>
Excess of operating receipts over operating disbursements	23,736
Cash balances beginning of year	<u>171,945</u>
Cash balances end of year	<u>\$ 195,681</u>
Cash Basis Fund Balances	
Unreserved	<u>\$ 195,681</u>

See notes to financial statements.

City of Swisher

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

For financial reporting purposes, the City of Swisher has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Swisher has no component units which meet the Governmental Accounting Standards Board's 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: Johnson County Assessor's Conference Board, Johnson County Emergency Management Commission and Johnson County Joint E911 Service Board.

B. Basis of Presentation

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

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

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The City of Swisher 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 did not exceed the amounts budgeted.

(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 Number 3, as amended by Statement No. 40.

(3) 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, 2007 was \$7,450, equal to the required contribution for the year.

(4) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City did not have a liability for earned vacation payments payable to employees at June 30, 2007.

(5) 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 fiscal year ended June 30, 2007.

(6) Subsequent Event

The City approved Resolution 2008-01 on January 14, 2008 authorizing the City to apply for a low interest loan from the Iowa Department of Natural Resources Clean Water State Revolving Fund Program for Sanitary Sewer System Improvements.

The project includes a new lift station and treatment facility at the existing treatment site and 1,650 linear feet of sanitary sewer interceptor. The total estimated project cost is \$2,800,000. The City plans to use a combination of tax increment financing and sewer rate increases to repay the debt incurred for this project. A public hearing is scheduled for March 10, 2008.

(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, 2007. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

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

City of Swisher

Required Supplementary Information

City of Swisher

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds Actual	Proprietary Fund Actual	Total	Budgeted Amounts Original/ Final	Final to Net Variance
Receipts:					
Property tax	\$ 176,940	-	176,940	174,991	1,949
Tax increment financing	452	-	452	-	452
Other city tax	-	-	-	13,370	(13,370)
Licenses and permits	13,284	-	13,284	650	12,634
Use of money and property	12,961	1,425	14,386	9,710	4,676
Intergovernmental	82,719	-	82,719	89,400	(6,681)
Charges for service	38,431	90,106	128,537	138,221	(9,684)
Miscellaneous	5,788	-	5,788	5,150	638
Total receipts	<u>330,575</u>	<u>91,531</u>	<u>422,106</u>	<u>431,492</u>	<u>(9,386)</u>
Disbursements:					
Public safety	45,785	-	45,785	46,666	881
Public works	209,106	-	209,106	209,260	154
Culture and recreation	33,314	-	33,314	43,064	9,750
Community and economic development	23,594	-	23,594	30,262	6,668
General government	65,763	-	65,763	69,752	3,989
Business type activities	-	67,795	67,795	111,390	43,595
Total disbursements	<u>377,562</u>	<u>67,795</u>	<u>445,357</u>	<u>510,394</u>	<u>65,037</u>
Excess (deficiency) of receipts over (under) disbursements	(46,987)	23,736	(23,251)	(78,902)	55,651
Balances beginning of year	<u>484,008</u>	<u>171,945</u>	<u>655,953</u>	<u>526,229</u>	<u>129,724</u>
Balances end of year	<u>\$ 437,021</u>	<u>195,681</u>	<u>632,702</u>	<u>447,327</u>	<u>185,375</u>

See accompanying independent auditor's report.

City of Swisher

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 and the Proprietary Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. There were no budget amendments during the fiscal year.

During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

City of Swisher

Other Supplementary Information

Schedule 1

City of Swisher

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

As of and for the year ended June 30, 2007

	Special Revenue			Total
	Tax			
	Parks	Increment Financing	Centennial	
Receipts:				
Tax increment financing	\$ -	452	-	452
Use of money and property	40	3	47	90
Miscellaneous	513	-	-	513
Total receipts	553	455	47	1,055
Disbursements:				
Operating:				
None	-	-	-	-
Excess of receipts over disbursements	553	455	47	1,055
Cash balances beginning of year	6,548	-	1,048	7,596
Cash balances end of year	\$ 7,101	455	1,095	8,651
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ 7,101	455	1,095	8,651

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Swisher, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 10, 2008. 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, 2006. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Swisher's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Swisher's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Swisher's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 deficiencies we consider to be material weaknesses.

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 Swisher'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 Swisher's financial statements that is more than inconsequential will not be prevented or detected by the City of Swisher's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings 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 Swisher'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 consider items (A) and (B) to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Swisher's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters 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, 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.

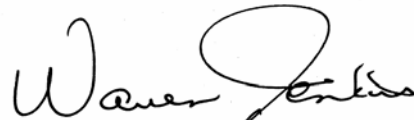
The City of Swisher's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Swisher's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Swisher and other parties to whom the City of Swisher may report. 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 Swisher during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 10, 2008

City of Swisher

Schedule of Findings

Year ended June 30, 2007

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

(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 on those of another. One person had control over each of the following areas for the City:

- (1) Cash – initiating cash receipts and disbursement transactions and handling and recording cash.
- (2) Investments – detailed recording keeping, custody of investments and reconciling earnings.
- (3) Receipts – collecting, depositing, journalizing and recording.
- (4) Utility receipts – billing, collecting, depositing, recording and reconciling.
- (5) Disbursements – purchasing, check signing, recording and reconciling.
- (6) Payroll – preparing and distributing.
- (7) Financial reporting – preparing, recording and reconciling.
- (8) Information system (computer usage) – performing all general accounting functions and controlling all data input and output.

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

Response – The City does not have the funds to hire another office person but has hired a Treasurer who receives the bank statement from the bank and reconciles the statement and matches it with the clerk's. She also reviews the end of the month books and reviews the receipts and disbursements as well as the cash and investment balances and compiles a report that is compared to the clerk's. These documents are presented to the Council and Mayor for their review.

Conclusion – Response accepted.

(B) Disbursements – The City required only one signature for a City check to be issued.

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

Response – The Mayor and Council work out of town and are not available to sign checks when necessary. Checks written are presented for approval at council meetings and initialed by the Mayor. A list of claims containing the vendor, a

City of Swisher

Schedule of Findings

Year ended June 30, 2007

description and amount is included in the council packets for review by each council member and the Mayor. The City is considering establishing a policy requiring all checks over a certain amount to require two signatures.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Swisher

Schedule of Findings

Year ended June 30, 2007

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – The City did not have surety bond coverage of City officials and employees required by statutory provisions.

Recommendation – The City should obtain surety bond coverage of City officials and employees in accordance with statutory provisions.

Response – The City is in the process of renewing its insurance policy and a surety bond has been included in the renewal policy. The policy will be in effect as of April 1, 2008.

Conclusion – Response accepted.

- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

The City did not publish claims for May 2007 as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should publish minutes, including claims, as required by Chapter 372.13(6) of the Code of Iowa.

Response – The City Clerk is in the practice of publishing the monthly claims with the minutes. During the month of May, the newspaper printed the agenda as well as the minutes and the claims were over looked. I contacted them regarding the error and the City was not charged for the cost to publish the agenda but at that time, it was past the publishing deadline requirement. I have taken steps to assure this does not happen again.

Conclusion – Response accepted.

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

City of Swisher

Schedule of Findings

Year ended June 30, 2007

- (8) Solid Waste and Late Penalty Fees – The City approved solid waste fees by resolution of the City Council. Chapter 384.84 of the Code of Iowa requires utility rates be established by ordinance of the City Council.

Recommendation – The City should establish solid waste fees in accordance with Chapter 384.84 of the Code of Iowa.

Response – In the future, the City will establish solid waste fees by ordinance according to Chapter 384.84 of the Code of Iowa. Section 106.08 of the Swisher Code of Ordinances will be amended to reflect this change.

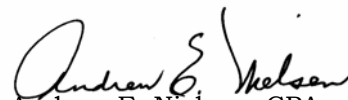
Conclusion – Response accepted.

City of Swisher

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Billie Jo Heth, Senior Auditor
Kurt D. Goldsmith, Assistant Auditor


Andrew E. Nielsen, CPA
Deputy Auditor of State