



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

May 27, 2008

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on the City of Exira, 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 \$746,074 for the year ended June 30, 2007. The receipts included \$184,074 in property tax, \$272,061 from charges for service, \$184,385 from operating grants, contributions and restricted interest, \$38,489 from local option sales tax, \$13,232 from unrestricted interest on investments, \$30,000 from bank loan proceeds and \$23,833 from other general receipts.

Disbursements for the year totaled \$802,833, and included \$176,491 for public safety, \$153,064 for public works and \$89,984 for culture and recreation. Also, disbursements for business type activities totaled \$290,285.

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

JUNE 30, 2007

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City of Exira

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dennis Williams	Mayor	Jan 2008
Randy Thompson	Mayor Pro tem	Jan 2010
Mike Huegerich	Council Member	Jan 2008
Alan Kearney	Council Member	Jan 2008
Robbie Jessen	Council Member	Jan 2008
Naomi Peppers	Council Member	Jan 2010
Jean Petersen	Clerk/Treasurer	Indefinite
Robert D. Nelson	Attorney	Indefinite

City of Exira



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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 Exira, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 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 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 10, 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.

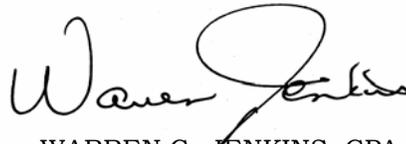
In accordance with Government Auditing Standards, we have also issued our report dated April 8, 2008 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 28 through 30 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's basic financial statements. Other supplementary information included in Schedule 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

April 8, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Exira 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 increased approximately \$61,000, due primarily to receiving \$10,000 of interest on investments and \$30,000 in bank loan proceeds.
- The cash basis net assets of the City's business type activities decreased approximately \$117,000, due primarily to \$28,000 increased cost of water purchased and \$48,000 for painting the water tower.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

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

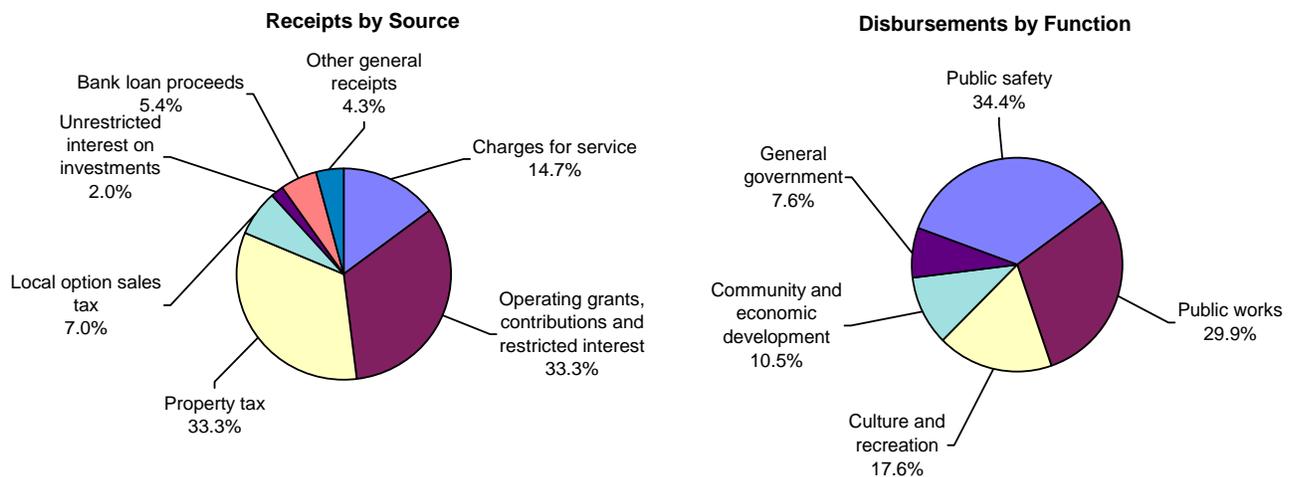
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

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 sharply from a year ago, increasing from \$317,010 to \$377,533. 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	\$ 81,507
Operating grants, contributions and restricted interest	184,385
General receipts:	
Property tax	184,074
Local option sales tax	38,489
Unrestricted interest on investments	10,946
Bank loan proceeds	30,000
Other general receipts	23,833
Total receipts	<u>553,234</u>
Disbursements:	
Public safety	176,491
Public works	153,064
Culture and recreation	89,984
Community and economic development	54,041
General government	38,968
Total disbursements	<u>512,548</u>
Change in cash basis net assets before transfers	40,686
Transfers, net	19,837
Change in cash basis net assets	60,523
Cash basis net assets beginning of year	<u>317,010</u>
Cash basis net assets end of year	<u>\$ 377,533</u>

The cash basis net assets of the City's governmental activities increased \$60,523, primarily due to bank loan proceeds, interest received from investments and other general receipts.



Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2007
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 147,029
Sewer	43,525
General receipts:	
Unrestricted interest on investments	2,286
Total receipts	<u>192,840</u>
Disbursements:	
Water	241,203
Sewer	49,082
Total disbursements	<u>290,285</u>
Change in cash basis net assets before transfers	(97,445)
Transfers, net	<u>(19,837)</u>
Change in cash basis net assets	(117,282)
Cash basis net assets beginning of year	<u>172,290</u>
Cash basis net assets end of year	<u>\$ 55,008</u>

Total business type activities cash basis net assets decreased from a year ago, decreasing from \$172,290 to \$55,008. The overall decrease is primarily due to the painting of the water tower for \$48,000 and being hooked up to rural water for the full year, which caused an increase in expenditures of \$28,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Exira completed the year, its governmental funds reported a combined fund balance of \$377,533, an increase of \$60,523 above last year's total of \$317,010. 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 increased \$13,693 from the prior year to \$290,493. Approximately \$10,000 of this increase was due to interest received on the investment of the Sorensen bequest for both the City and the Volunteer Fire and Rescue (approximately \$5,000 of interest was earned on each investment).
- The Special Revenue, Road Use Tax Fund cash balance increased \$10,173 to \$16,762 during the fiscal year. This increase was attributable to approximately \$10,000 less being spent on street maintenance in FY07 than in FY06.
- The Special Revenue, Employee Benefits Fund cash balance decreased \$20,944 to a negative \$(402) balance during the fiscal year. The extent of the decrease was offset by a transfer of \$20,000 from the Water Fund to cover most of the deficit balance.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$15,713 to \$70,680 during the fiscal year. This increase was attributable to transfers out being less in FY07 than in FY06 because the recreation center upgrade was completed in FY06.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$113,053 to \$57,327 due to several factors, including \$20,000 transfers to both the General Fund and the Special Revenue, Employee Benefits Fund, \$48,000 for painting the water tower and a \$28,000 increase in the cost of water purchased as the City was hooked up to rural water for all of 2007.
- The Sewer Fund cash balance decreased \$4,229 to a negative \$(2,319), due primarily to operating receipts not covering operating and debt service costs during the year ended June 30, 2007.

BUDGETARY HIGHLIGHTS

The City’s receipts were \$35,450 more than budgeted. This was primarily due to the City receiving approximately \$31,000 of proceeds from the settlement of a class action lawsuit, in which Allied Mutual Life Insurance Company was the plaintiff, that were not expected to be collected at the time the budget was prepared.

Total disbursements were \$254,072 less than the budget. The actual disbursements for the public safety, public works, culture and recreation and community and economic development functions were \$76,609, \$23,206, \$77,166 and \$63,959, respectively, less than budgeted. This was due to the City budgeting more than expended for the Volunteer Fire and Rescue in public safety, less spent for street maintenance than anticipated, the City budgeting for the library to spend \$60,000 of the Sorensen bequest gift in culture and recreation, which it did not, and for the City to spend \$106,000 of the Sorensen bequest gift in community and economic development but only a portion of that amount was spent.

DEBT ADMINISTRATION

At June 30, 2007, the City had \$575,460 in bonds and other long-term debt outstanding, compared to \$565,558 outstanding at June 30, 2006 as follows:

	Outstanding Debt at Year-End	
	June 30,	
	2007	2006
Loan agreement	\$ 204,460	206,558
Bank loan	30,000	-
Sewer lagoon revenue bonds	341,000	359,000
Total	\$ 575,460	565,558

Debt increased as a result of entering into a bank loan of \$30,000 that is collateralized by the certificate of deposit invested from the Sorensen bequest.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$234,460 is significantly below its constitutional debt limit of \$992,025.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City'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 FY 2008 budget contains total receipts of \$807,648 and disbursements of \$942,759. This budget is higher than the FY 2007 budget which contained total receipts of \$732,616 and disbursements of \$1,056,905. The FY 2008 budget included approximately \$150,000 in additional miscellaneous receipts for grants Exira Volunteer Fire and Rescue is planning to receive for building a new building. The FY 2008 budget contains less disbursements in the community and economic development function because of painting the water tower and building the park shelter house in FY 2007.

The FY 2008 tax levy is \$16.99606 per \$1,000 of taxable valuation, an increase from \$15.97554 per \$1,000 of taxable valuation in 2007. The insurance tax levy decreased from \$1.79962 per \$1,000 of taxable valuation in FY 2007 to \$0.77035 per \$1,000 of taxable valuation in FY 2008 and the employee benefits tax levy increased from \$5.0892 per \$1,000 of taxable valuation in FY 2007 to \$7.85571 per \$1,000 of taxable valuation in FY 2008.

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

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 Jean Petersen, City Clerk, 108 E. Washington Street, Exira, Iowa 50076.

Basic Financial Statements

City of Exira

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
Functions/Programs:			
Governmental activities:			
Public safety	\$ 176,491	979	48,219
Public works	153,064	70,309	67,509
Culture and recreation	89,984	-	22,148
Community and economic development	54,041	-	-
General government	38,968	10,219	46,509
Total governmental activities	512,548	81,507	184,385
Business type activities:			
Water	241,203	147,029	-
Sewer	49,082	43,525	-
Total business type activities	290,285	190,554	-
Total	\$ 802,833	272,061	184,385

General Receipts:

Property and other city tax levied for general purposes
Local option sales tax
Unrestricted interest on investments
Bank loan proceeds
Sale of assets
Miscellaneous
Transfers
Total general receipts and transfers
Change in cash basis net assets
Cash basis net assets beginning of year
Cash basis net assets end of year

Cash Basis Net Assets

Restricted:
Streets
Debt service
Other purposes
Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(127,293)	-	(127,293)
(15,246)	-	(15,246)
(67,836)	-	(67,836)
(54,041)	-	(54,041)
17,760	-	17,760
(246,656)	-	(246,656)
-	(94,174)	(94,174)
-	(5,557)	(5,557)
-	(99,731)	(99,731)
(246,656)	(99,731)	(346,387)
184,074	-	184,074
38,489	-	38,489
10,946	2,286	13,232
30,000	-	30,000
6,008	-	6,008
17,825	-	17,825
19,837	(19,837)	-
307,179	(17,551)	289,628
60,523	(117,282)	(56,759)
317,010	172,290	489,300
\$ 377,533	55,008	432,541
\$ 16,762	-	16,762
-	203	203
70,680	-	70,680
290,091	54,805	344,896
\$ 377,533	55,008	432,541

City of Exira

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

As of and for the year ended June 30, 2007

	General	Road Use Tax	Special Employee Benefits
Receipts:			
Property tax	\$ 109,065	-	63,630
Other city tax	8,648	-	3,061
Licenses and permits	1,825	-	-
Use of money and property	16,945	-	-
Intergovernmental	36,455	67,508	-
Charges for service	70,309	-	-
Miscellaneous	98,190	-	-
Total receipts	341,437	67,508	66,691
Disbursements:			
Operating:			
Public safety	133,671	-	42,820
Public works	88,663	58,601	5,800
Culture and recreation	73,225	-	16,759
Community and economic development	54,041	-	-
General government	38,600	-	368
Total disbursements	388,200	58,601	65,747
Excess (deficiency) of receipts over (under) disbursements	(46,763)	8,907	944
Other financing sources (uses):			
Bank loan proceeds	30,000	-	-
Sale of real property	6,008	-	-
Operating transfers in	24,448	1,266	20,000
Operating transfers out	-	-	-
Total other financing sources (uses)	60,456	1,266	20,000
Net change in cash balances	13,693	10,173	20,944
Cash balances beginning of year	276,800	6,589	(21,346)
Cash balances end of year	\$ 290,493	16,762	(402)
Cash Basis Fund Balances			
Unreserved:			
General fund	\$ 290,493	-	-
Special revenue funds	-	16,762	(402)
Total cash basis fund balances	\$ 290,493	16,762	(402)

See notes to financial statements.

Revenue			
Local			
Option	Nonmajor		
Sales Tax	Emergency		Total
-	3,101		175,796
38,489	-		50,198
-	-		1,825
-	-		16,945
-	-		103,963
-	-		70,309
-	-		98,190
38,489	3,101		517,226
-	-		176,491
-	-		153,064
-	-		89,984
-	-		54,041
-	-		38,968
-	-		512,548
38,489	3,101		4,678
-	-		30,000
-	-		6,008
-	-		45,714
(22,776)	(3,101)		(25,877)
(22,776)	(3,101)		55,845
15,713	-		60,523
54,967			317,010
70,680	-		377,533
-	-		290,493
70,680	-		87,040
70,680	-		377,533

City of Exira

City of Exira

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

As of and for the year ended June 30, 2007

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 144,779	43,525	188,304
Miscellaneous	2,250	-	2,250
Total operating receipts	147,029	43,525	190,554
Operating disbursements:			
Business type activities	230,367	19,414	249,781
Excess (deficiency) of operating receipts over (under) operating disbursements	(83,338)	24,111	(59,227)
Non-operating receipts (disbursements):			
Interest on investments	2,286	-	2,286
Debt service	(10,836)	(29,668)	(40,504)
Total non-operating receipts (disbursements)	(8,550)	(29,668)	(38,218)
Excess (deficiency) of receipts over (under) disbursements	(91,888)	(5,557)	(97,445)
Operating transfers:			
Transfers in	18,835	1,328	20,163
Transfers out	(40,000)	-	(40,000)
Total operating transfers in (out)	(21,165)	1,328	(19,837)
Net change in cash balances	(113,053)	(4,229)	(117,282)
Cash balances beginning of year	170,380	1,910	172,290
Cash balances end of year	\$ 57,327	(2,319)	55,008
Cash Basis Fund Balances			
Reserved for debt service	\$ -	203	203
Unreserved	57,327	(2,522)	54,805
Total cash basis fund balances	\$ 57,327	(2,319)	55,008

See notes to financial statements.

City of Exira

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

The City of Exira is a political subdivision of the State of Iowa located in Audubon County. It was first incorporated in 1857 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, general government and business type activities.

A. Reporting Entity

For financial reporting purposes, the City of Exira 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 for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: Audubon County Assessor's Conference Board. The City also participates in the Audubon County Solid Waste Management Commission, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

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.

Special Revenue:

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

The Employee Benefits Fund is used to account for the collection and use of tax for pension, retirement and insurance benefits.

The Local Option Sales Tax Fund is used to account for the receipt of local option sales tax.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

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

C. Measurement Focus and Basis of Accounting

The City 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.

(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) Revenue Bonds Payable

On May 13, 2002, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. for the issuance of \$425,000 of sewer revenue bonds, with an interest rate of 3.00% per annum. A one percent loan initiation fee was also charged against the total amount borrowed. The bonds were issued on June 4, 2002 pursuant to the provisions of Sections 384.24A and 384.83 of the Code of Iowa to construct improvements and extensions to a municipal wastewater treatment system.

Annual debt service requirements to maturity for the revenue bonds are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2008	3.00%	\$ 18,000	10,230	28,230
2009	3.00	19,000	9,690	28,690
2010	3.00	19,000	9,120	28,120
2011	3.00	20,000	8,550	28,550
2012	3.00	21,000	7,950	28,950
2013 - 2017	3.00	113,000	30,030	143,030
2018 - 2022	3.00	131,000	12,030	143,030
Total		\$ 341,000	87,600	428,600

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) The City will provide for the collection of rates to produce gross revenues at least sufficient to pay the expenses of operation and maintenance of the utility and to have a balance of net revenues equal to at least 110% of the principal and interest due on the bonds each fiscal year.

The City made sufficient transfers to the sewer sinking account during the fiscal year ended June 30, 2007. However, the City did not provide for the collection of rates to provide a balance of net revenues equal to at least 110% of the principal and interest due on the revenue bonds during the year ended June 30, 2007.

(4) Loans Payable

On April 11, 2005, the City entered into a loan agreement with Regional Water for \$207,741. The City agreed to pay \$903 per month, including interest at 4.25% per annum, for 40 years with payments beginning in December 2005. For the year ended June 30, 2007, the City paid \$2,098 in principal and \$8,738 in interest. The remaining balance at June 30, 2007 is \$204,460.

On May 21, 2007, the City entered into a bank loan for \$20,000, with an interest rate of 6.45% per annum. On June 25, 2007, the City borrowed an additional \$10,000. This loan was used to pay the costs of the construction of a park shelter house. The loan was not properly established in accordance with the Code of Iowa which requires the City publish notice and hold a public hearing. The City received \$4,639 of this loan on May 30, 2007 and the remaining \$25,361 on June 25, 2007. The loan was repaid on July 10, 2007, including interest of \$98.

(5) 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 \$13,930, equal to the required contribution for the year.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation 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 payable to employees at June 30, 2007, primarily relating to the General Fund, was \$1,300. This liability has been computed based on rates of pay in effect at June 30, 2007.

(7) 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:	
	Local Option Sales Tax	\$ 1,347
	Emergency	3,101
	Enterprise:	
	Water	<u>20,000</u>
		<u>24,448</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Local Option Sales Tax	<u>1,266</u>
Special Revenue:	Enterprise:	
Employee Benefits	Water	<u>20,000</u>
Enterprise:	Special Revenue:	
Sewer	Local Option Sales Tax	<u>1,328</u>
Enterprise:	Special Revenue:	
Water	Local Option Sales Tax	<u>18,835</u>
Total		<u>\$ 65,877</u>

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

(8) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2007 were \$19,671.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital

contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation and employee blanket bond. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Deficit Balances

The Special Revenue, Employee Benefits Fund had a deficit balance of \$(402) at June 30, 2007. The deficit balance was a result of an additional employee hired for the police department. The City is planning to increase tax levy rates to eliminate the deficit.

The Enterprise, Sewer Fund had a deficit balance of \$(2,319) at June 30, 2007. The deficit balance was a result of paying additional salaries from the Sewer Fund. The deficit will be eliminated by reducing disbursements paid from the fund.

(10) Accounting Change

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

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

Required Supplementary Information

City of Exira
 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	\$ 175,796	-	175,796
Other city tax	50,198	-	50,198
Licenses and permits	1,825	-	1,825
Use of money and property	16,945	2,286	19,231
Intergovernmental	103,963	-	103,963
Charges for service	70,309	188,304	258,613
Miscellaneous	98,190	2,250	100,440
Total receipts	<u>517,226</u>	<u>192,840</u>	<u>710,066</u>
Disbursements:			
Public safety	176,491	-	176,491
Public works	153,064	-	153,064
Culture and recreation	89,984	-	89,984
Community and economic development	54,041	-	54,041
General government	38,968	-	38,968
Business type activities	-	290,285	290,285
Total disbursements	<u>512,548</u>	<u>290,285</u>	<u>802,833</u>
Excess (deficiency) of receipts over (under) disbursements	4,678	(97,445)	(92,767)
Other financing sources, net	55,845	19,837	36,008
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	60,523	(77,608)	(56,759)
Balances beginning of year	317,010	172,290	489,300
Balances end of year	<u>\$ 377,533</u>	<u>94,682</u>	<u>432,541</u>

See accompanying independent auditor's report.

Budgeted Amounts Original and Final	Final to Total Variance
178,471	(2,675)
48,525	1,673
2,720	(895)
12,000	7,231
105,200	(1,237)
267,700	(9,087)
60,000	40,440
<u>674,616</u>	<u>35,450</u>
253,100	76,609
176,270	23,206
167,150	77,166
118,000	63,959
42,600	3,632
299,785	9,500
<u>1,056,905</u>	<u>254,072</u>
(382,289)	289,522
-	<u>36,008</u>
(382,289)	325,530
<u>417,653</u>	<u>71,647</u>
<u>35,364</u>	<u>397,177</u>

City of Exira

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 Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

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

Other Supplementary Information

City of Exira
Schedule of Indebtedness
Year ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Revenue bonds: Sewer lagoon	Jun 4, 2002 *	3.00%	\$ 425,000
Loan agreement: Regional Water	Apr 11, 2005	4.25%	\$ 207,741
Bank loan: Park shelter house	May 21, 2007	6.45%	\$ 30,000

* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
359,000	-	18,000	341,000	10,770
206,558	-	2,098	204,460	8,738
-	30,000	-	30,000	-

City of Exira



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STATE OF IOWA

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Exira, 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 April 8, 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 Exira'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'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 Exira'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 Exira's financial statements that is more than inconsequential will not be prevented or detected by the City of Exira'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 Exira'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 items (A), (B) and (C) are material weaknesses.

Compliance and Other Matters

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

April 8, 2008

City of Exira

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. One person has control over each of the following areas for the City:

- 1) Accounting system – performing all general accounting functions and custody of assets.
- 2) Receipts – collecting, depositing, journalizing, posting and reconciling.
- 3) Disbursements – performing all purchasing functions, check preparation, recording and reconciling.
- 4) Payroll – preparation and distribution.
- 5) Utilities – collecting, depositing, posting and reconciling.

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

Response – The Council now reviews all disbursements and income monthly. Mayor will review payroll on a monthly basis.

Conclusion – Response accepted.

(B) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year. Additionally, the City does not have a formal policy for writing off uncollectible accounts.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies. Additionally, the City should adopt a formal policy for writing off uncollectible accounts.

Response – The City is working on reconciling monthly billings to payments and has not had problems. The City is still working on reconciling one month to the next.

Conclusion – Response acknowledged. The City should also adopt a formal policy for writing off uncollectible accounts.

City of Exira

Schedule of Findings

Year ended June 30, 2007

- (C) Separately Maintained Records – Exira Volunteer Fire and Rescue maintains a bank account separate from the City Clerk’s accounting records. The transactions and resulting balance of this account were not reported to the City Council each month and were not recorded in the City Clerk’s accounting records. 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.” However, Exira Volunteer Fire and Rescue is included in the City’s annual budget process. These transactions and balances are included in the financial statements in this audit report.

Additionally, the treasurer of Exira Volunteer Fire and Rescue performs all accounting functions.

Recommendation – Exira Volunteer Fire and Rescue financial transactions and balance should be included in the Clerk’s monthly financial reports. Internal control could be strengthened and operating efficiency increased by integrating the accounts with the City’s accounting records.

Response – We will give financial amounts to City Clerk when requested. Two signatures are now required on all checks. All bills are reviewed at each meeting.

Conclusion – Response accepted.

- (D) Accounting Policies and Procedures Manual – The City does not have a standardized accounting manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- 1) Aid in training additional or replacement personnel and help achieve uniformity in accounting and in the application of policies and procedures.
- 2) Help streamline accounting operations by achieving uniformity in accounting and in the application of policies and procedures.
- 3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- 4) Help preserve the key elements in the City’s internal controls.
- 5) Increase effectiveness and efficiency in the City.

Response – The City will consider this when updating policies.

Conclusion – Response acknowledged.

City of Exira

Schedule of Findings

Year ended June 30, 2007

- (E) 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) Ensuring unlicensed software is not installed on City computers.
- 3) Requiring a timeout and/or logoff function to protect a terminal if left unattended.
- 4) Requiring back-up tapes to be stored off site.

Also, the City does not have a written disaster recovery plan.

Recommendation – The City should develop written policies addressing each of the above items in order to improve the City’s control over its information system. A written disaster recovery plan should also be developed.

Response – The City will consider this when updating policies.

Conclusion – Response acknowledged.

- (F) City Vehicle Usage – The City owns vehicles for use by various employees while on City business. The City has not established a formal policy to regulate the use of these vehicles.

Recommendation – The City should adopt a formal written policy regulating the use of City vehicles. The policy should include provisions for incidental personal use, commuting, assignment of vehicles, documentation required, restricted vehicle uses, reimbursement by employees for personal use and additional compensation for employees.

Response – The City will consider updating City policies and this policy will be included.

Conclusion – Response accepted.

- (G) Credit Cards – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. 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.

City of Exira

Schedule of Findings

Year ended June 30, 2007

Response – The City only has gas credit cards. A policy will be written to cover these.

Conclusion – Response accepted.

- (H) Disbursements – Supporting documentation was not available for an allocation paid to the Exira Cemetery and two of the disbursements for supplies selected for testing.

Recommendation – The City should implement procedures to ensure supporting documentation is retained. In addition, the City should formalize documentation to support the City's allocation of funds to the Exira Cemetery.

Response – The City will try to retain documentation.

Conclusion – Response accepted.

- (I) Timecards – City employees paid on an hourly basis complete timecards. However, the timecards are not reviewed and approved by a supervisor.

Recommendation – The City should develop procedures to ensure timecards for all hourly employees are reviewed and approved by a supervisor.

Response – The Mayor will try and check time cards monthly.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Exira

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

Paid to	Purpose	Amount
Perry Geis	Two watches for 25 years of service for City employees	\$ 220
Twigs	Get well gift of flowers	22
Oskaloosa Library	Memorial gift	25
Jean Petersen	Clothing allowance	136
Don Greving	Clothing allowance	45
City employees	Christmas bonus of \$100 to five City employees	500

The City does not address whether a specific type of clothing is required for employees to perform their duties. These reimbursements were not processed through payroll and, accordingly, the proper tax withholdings were not applied.

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

Recommendation – The City should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation. Additionally, the City should adopt a clothing allowance policy that contains specifics as to the type of clothing required to perform certain duties. The City should ensure clothing allowances are properly processed through payroll.

Response – The City will address taxable clothing allowance. The City will also address other expenses. The City plans to update its policy manual and will include a policy addressing these types of disbursements.

Conclusion – Response acknowledged. The City policy should also include the requirement for proper documentation of the public purpose served by these disbursement.

City of Exira

Schedule of Findings

Year ended June 30, 2007

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – There were no business transactions between the City and City officials or employees for the year ended June 30, 2007.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Sewer Revenue Bonds – The net revenues of the Sewer Fund were not sufficient to meet the requirements of the revenue bond resolution. The bond provisions require user rates to produce gross revenues at least sufficient to pay the expenses of operation and maintenance of the utility and to have a balance of net revenues equal to at least 110% of the principal and interest due on the bonds each fiscal year.

Recommendation – The City should periodically review established rates to ensure sufficient funds are available to meet future obligations and comply with the provisions of the sewer revenue bond resolution.

Response – The City will try and be more aware of the money in the Sewer Fund and to review sewer user rates.

Conclusion - Response accepted.

- (9) Bank Loan – During the year ended June 30, 2007, the City entered into a loan agreement with Exchange State Bank to borrow \$30,000 for the construction of a park shelter house. The City did not comply with the provisions of Chapter 384.24A of the Code of Iowa which require the City to publish notice and hold a public hearing.

Recommendation – The City should comply with Chapter 384.24A of the Code of Iowa when entering into loan agreements.

Response – The City realizes the need to hold a public hearing.

Conclusion – Response accepted.

City of Exira

Schedule of Findings

Year ended June 30, 2007

- (10) Financial Condition – The Special Revenue, Employee Benefits Fund and Enterprise, Sewer Fund had deficit balances at June 30, 2007 of \$402 and \$2,319, respectively.

Recommendation – The City should investigate alternatives to eliminate these deficits to return these funds to a sound financial position.

Response – The City is working on correcting these balances through an increased employee benefits tax levy and by reducing operating costs.

Conclusion – Response accepted.

City of Exira

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager
Brian P. Schenkelberg, CPA, Staff Auditor
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Deputy Auditor of State