



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 June 24, 2008

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Westfield, 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 \$175,900 for the year ended June 30, 2007. The receipts included \$11,483 in property tax, \$110,960 from charges for service, \$18,383 from operating grants, contributions and restricted interest, \$13,620 from local option sales tax, \$14,636 from unrestricted interest on investments and \$6,818 from other general receipts.

Disbursements for the year totaled \$170,781, and included \$28,203 for culture and recreation, \$26,580 for general government and \$7,430 for public safety. Also, disbursements for business type activities totaled \$100,522.

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 WESTFIELD

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

JUNE 30, 2007

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City of Westfield

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
William Hummel	Mayor	Jan 2010
Don Dion	Mayor Pro tem	Jan 2008
Marcia Dewey	Council Member	Jan 2008
Jo Ann Eden	Council Member	Jan 2008
Gerald Bohr	Council Member	Jan 2010
Kevin Solomon	Council Member	(Resigned Jun 2007)
Lyle McInnis (Appointed)	Council Member	Nov 2009
Barbette Grimm	Clerk/Treasurer	Indefinite
Scott Bixenman	Attorney	Indefinite

City of Westfield



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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 and each major fund of the City of Westfield, 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 Westfield'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 and each major fund of the City of Westfield 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 8, 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 June 16, 2008 on our consideration of the City of Westfield's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 16, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Westfield 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 14%, or approximately \$12,300, due to repayment of the community center loan.

- The cash basis net assets of the City's business type activities increased 8%, or approximately \$17,400, due to FY06 disbursements for repair of the lagoon fence.

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.

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, sanitary sewer, electric and sanitation operations. 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, Road Use Tax Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

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

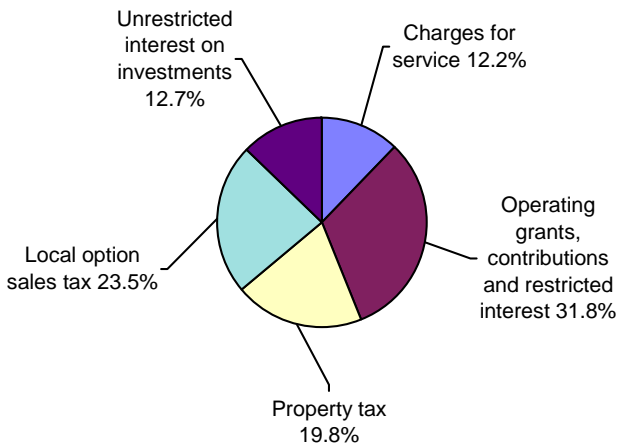
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

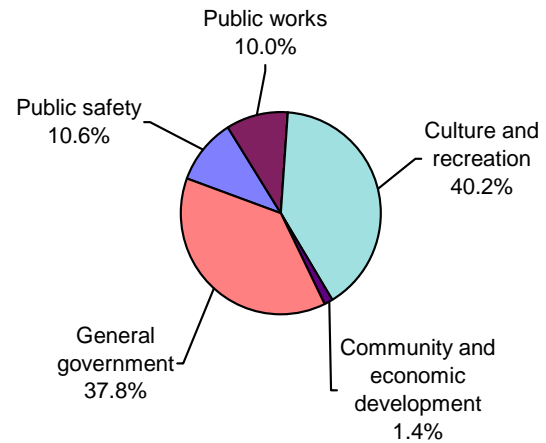
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$85,233 to \$72,940. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2007
Receipts:	
Program receipts:	
Charges for service	\$ 7,099
Operating grants, contributions and restricted interest	18,383
General receipts:	
Property tax	11,483
Local option sales tax	13,620
Unrestricted interest on investments	7,381
Total receipts	<u>57,966</u>
Disbursements:	
Public safety	7,430
Public works	7,046
Culture and recreation	28,203
Community and economic development	1,000
General government	26,580
Total disbursements	<u>70,259</u>
Decrease in cash basis net assets	(12,293)
Cash basis net assets beginning of year	<u>85,233</u>
Cash basis net assets end of year	<u>\$ 72,940</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:	
Water	\$ 16,539
Sewer	11,552
Electric	66,868
Sanitation	8,902
General receipts:	
Unrestricted interest on investments	7,255
Miscellaneous	6,818
Total receipts	<u>117,934</u>
Disbursements:	
Water	18,643
Sewer	10,415
Electric	62,048
Sanitation	9,416
Total disbursements	<u>100,522</u>
Increase in cash basis net assets	17,412
Cash basis net assets beginning of year	<u>213,351</u>
Cash basis net assets end of year	<u>\$ 230,763</u>

Total business type activities cash balance increased from a year ago, increasing from \$213,351 to \$230,763.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Westfield completed the year, its governmental funds reported a combined fund balance of \$72,940, a decrease of \$12,293 from last year's total of \$85,233. 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 \$20,999 from the prior year to a year-end balance of \$14,646. Disbursements increased due to repayment of the community center loan.
- The Special Revenue, Road Use Tax Fund cash balance increased \$8,706 to \$58,294 during the fiscal year. The City intends to use this money to upgrade the condition of all City roads.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$1,097 to a year-end balance of \$30,875.
- The Sewer Fund cash balance increased \$14,137 to a year-end deficit balance of \$1,022. The increase was due primarily to a \$13,000 transfer from the Electric Fund.
- The Electric Fund cash balance increased \$1,087 to a year-end balance of \$199,977.
- The Sanitation Fund cash balance increased \$2,565 to a year-end balance of \$933. The increase was due primarily to a transfer of \$3,000 from the Electric Fund.

BUDGETARY HIGHLIGHTS

The City's receipts were \$19,168 more than budgeted. This was primarily due to the City receiving \$12,636 more in interest on investments than estimated.

Total disbursements were \$31,619 less than budgeted. This was primarily due to the City budgeting more than expended for business type activities.

The City exceeded the amounts budgeted in the culture and recreation and general government functions for the year ended June 30, 2007. This was primarily due to the 150th Celebration expenses, library expenses, welcome signs and repayment of the Community Center loan.

DEBT ADMINISTRATION

At June 30, 2007, the City had no debt. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assigned value of all taxable property within the city's corporate limits. The City's constitutional debt limit is \$69,339.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Westfield'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 FY08 budget contains total receipts of \$160,357 and disbursements of \$208,900. The budget is slightly higher than the FY07 budget, which contained total receipts of \$156,732 and disbursements of \$202,400.

The fiscal year 2008 levy is \$8.1000 per \$1,000 of taxable valuation, which is slightly higher than the \$8.09939 per \$1,000 of taxable valuation in FY07. The City's fiscal year 2008 assessed taxable valuation decreased \$3,147 over the fiscal year 2007 level.

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 Barbette Grimm, City Clerk, 223 Union Street, P.O. Box 5, Westfield, IA 51062.

City of Westfield

Basic Financial Statements

City of Westfield

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	\$ 7,430	-	-	-
Public works	7,046	-	15,752	-
Culture and recreation	28,203	500	2,131	-
Community and economic development	1,000	-	-	-
General government	26,580	6,599	500	-
Total governmental activities	70,259	7,099	18,383	-
Business type activities:				
Water	18,643	16,539	-	-
Sewer	10,415	11,552	-	-
Electric	62,048	66,868	-	-
Sanitation	9,416	8,902	-	-
Total business type activities	100,522	103,861	-	-
Total	\$ 170,781	110,960	18,383	-

General Receipts:

Property and other city tax levied for general purposes
 Local option sales tax
 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

Customer deposits

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
(7,430)	-	(7,430)
8,706	-	8,706
(25,572)	-	(25,572)
(1,000)	-	(1,000)
(19,481)	-	(19,481)
(44,777)	-	(44,777)
-	(2,104)	(2,104)
-	1,137	1,137
-	4,820	4,820
-	(514)	(514)
-	3,339	3,339
(44,777)	3,339	(41,438)
11,483	-	11,483
13,620	-	13,620
7,381	7,255	14,636
-	6,818	6,818
32,484	14,073	46,557
(12,293)	17,412	5,119
85,233	213,351	298,584
\$ 72,940	230,763	303,703
\$ 58,294	-	58,294
-	3,295	3,295
14,646	227,468	242,114
\$ 72,940	230,763	303,703

City of Westfield

City of Westfield

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

As of and for the year ended June 30, 2007

	General	Special Revenue Road Use Tax	Total
Receipts:			
Property tax	\$ 11,483	-	11,483
Other city tax	13,620	-	13,620
Licenses and permits	320	-	320
Use of money and property	7,381	-	7,381
Intergovernmental	-	15,752	15,752
Charges for service	450	-	450
Miscellaneous	8,960	-	8,960
Total receipts	42,214	15,752	57,966
Disbursements:			
Operating:			
Public safety	7,430	-	7,430
Public works	-	7,046	7,046
Culture and recreation	28,203	-	28,203
Community and economic development	1,000	-	1,000
General government	26,580	-	26,580
Total disbursements	63,213	7,046	70,259
Excess (deficiency) of receipts over (under) disbursements	(20,999)	8,706	(12,293)
Cash balances beginning of year	35,645	49,588	85,233
Cash balances end of year	\$ 14,646	58,294	72,940
Cash Basis Fund Balances			
Unreserved:			
General fund	\$ 14,646	-	14,646
Special revenue fund	-	58,294	58,294
Total cash basis fund balances	\$ 14,646	58,294	72,940

See notes to financial statements.

City of Westfield

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

As of and for the year ended June 30, 2007

	Water	Sewer
Operating receipts:		
Charges for service	\$ 16,539	11,552
Miscellaneous	250	-
Total operating receipts	<u>16,789</u>	<u>11,552</u>
Operating disbursements:		
Business type activities	<u>18,643</u>	<u>10,415</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(1,854)	1,137
Non-operating receipts:		
Interest on investments	<u>757</u>	-
Excess (deficiency) of receipts over (under) disbursements	<u>(1,097)</u>	<u>1,137</u>
Operating transfers in	-	13,000
Operating transfers out	-	-
Total operating transfers in (out)	<u>-</u>	<u>13,000</u>
Net change in cash balances	(1,097)	14,137
Cash balances beginning of year	<u>31,972</u>	<u>(15,159)</u>
Cash balances end of year	<u>\$ 30,875</u>	<u>(1,022)</u>
Cash Basis Fund Balances		
Reserved for customer deposits	\$ 1,200	-
Unreserved	<u>29,675</u>	<u>(1,022)</u>
Total cash basis fund balances	<u>\$ 30,875</u>	<u>(1,022)</u>

See notes to financial statements.

Enterprise		
Electric	Sanitation	Total
66,868	8,902	103,861
6,559	9	6,818
73,427	8,911	110,679
62,048	9,416	100,522
11,379	(505)	10,157
6,428	70	7,255
17,807	(435)	17,412
	3,000	16,000
(16,000)	-	(16,000)
(16,000)	3,000	-
1,807	2,565	17,412
198,170	(1,632)	213,351
199,977	933	230,763
2,095	-	3,295
197,882	933	227,468
199,977	933	230,763

City of Westfield

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

The City of Westfield is a political subdivision of the State of Iowa located in Plymouth County. It was first incorporated in 1877 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer, electric and sanitation utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Plymouth County Assessor's Conference Board, Plymouth County Emergency Management Commission, Plymouth County Landfill Commission and Plymouth 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.

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 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.

The Electric Fund accounts for the operation and maintenance of the City's electrical system.

The Sanitation Fund accounts for the costs for the City's solid waste disposal system.

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the culture and recreation and general government functions.

(2) Cash and Pooled Investments

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

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

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

(3) 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 \$853, equal to the required contribution for the year

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
Enterprise: Sewer	Enterprise: Electric	\$ 13,000
Sanitation	Electric	3,000
Total		<u>\$ 16,000</u>

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

(5) Loan Agreement

On November 29, 2004, the City entered into a loan agreement for \$30,000 to finance a portion of the Community Center. The loan requires semi-annual payments of \$1,908, including variable interest at an initial rate of 4.95%, with the final payment due October 15, 2014. During the year ended June 30, 2007, the remaining principal amount of \$26,220 plus interest of \$1,458 was paid under this agreement.

(6) Risk Management

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

(7) Deficit Balance

The Sewer Fund had a deficit balance of \$1,022 at June 30, 2007. The deficit balance was eliminated in December 2007.

(8) 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 Westfield

Required Supplementary Information

City of Westfield
 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
Receipts:		
Property tax	\$ 11,483	-
Other city tax	13,620	-
Licenses and permits	320	-
Use of money and property	7,381	7,255
Intergovernmental	15,752	-
Charges for service	450	103,861
Miscellaneous	8,960	6,818
Total receipts	57,966	117,934
Disbursements:		
Public safety	7,430	-
Public works	7,046	-
Culture and recreation	28,203	-
Community and economic development	1,000	-
General government	26,580	-
Business type activities	-	100,522
Total disbursements	70,259	100,522
Excess (deficiency) of receipts over (under) disbursements	(12,293)	17,412
Balances beginning of year	85,233	213,351
Balances end of year	\$ 72,940	230,763

See accompanying independent auditor's report.

Total	Budgeted Amounts Original and Final	Final to Total Variance
11,483	11,232	251
13,620	11,000	2,620
320	-	320
14,636	2,000	12,636
15,752	15,000	752
104,311	115,500	(11,189)
15,778	2,000	13,778
175,900	156,732	19,168
7,430	7,650	220
7,046	30,000	22,954
28,203	6,250	(21,953)
1,000	1,000	-
26,580	18,000	(8,580)
100,522	139,500	38,978
170,781	202,400	31,619
5,119	(45,668)	50,787
298,584	222,211	76,373
303,703	176,543	127,160

City of Westfield

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. The City did not amend its budget during the year.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the culture and recreation and general government functions.



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 and each major fund of the City of Westfield, 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 June 16, 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 Westfield'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 Westfield'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 Westfield'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 Westfield's financial statements that is more than inconsequential will not be prevented or detected by the City of Westfield'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 Westfield'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), (D) and (E) are material weaknesses.

Compliance and Other Matters

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

June 16, 2008

City of Westfield

Schedule of Findings

Year ended June 30, 2007

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

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

- (1) Cash – preparing bank reconciliations, initiating cash receipt and disbursement transactions, handling and recording cash.
- (2) Receipts – collecting, depositing, recording and custody.
- (3) Utility receipts – billing, collecting, depositing, reconciling and posting.
- (4) Disbursements – purchasing, preparing checks and recording.
- (5) Payroll – preparing, approving and distributing.
- (6) Financial reporting – preparing, posting and reconciling.
- (7) Information system (computer usage) – performing all 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 procedures to obtain the maximum internal control possible under the circumstances. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and the date of the review.

Response – The City will review control procedures and maximize internal control to the greatest extent possible under the circumstances.

Conclusion – Response accepted.

(B) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were reconciled throughout the year and a delinquent accounts listing was prepared. However, recorded receipts did not equal the receipt register for three months. The Council or a Council-designated independent person does not review the reconciliations on a monthly basis and monitor delinquencies.

Recommendation – The Council or a Council-designated independent person should review the reconciliations for variances and monitor delinquencies. This review should be indicated by initials of the independent reviewer and the date of the review.

Response – These procedures will be implemented.

Conclusion – Response accepted.

City of Westfield

Schedule of Findings

Year ended June 30, 2007

- (C) Electronic Data Processing Systems – During our review of internal control, the existing control activities in the City’s computer-based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the City’s computer-based systems were noted:

The City does not have written policies for:

- password privacy and confidentiality.
- requiring password changes because software does not require the user to change log-ins/passwords periodically.
- ensuring only software licensed to the City is installed on computers.
- usage of the internet.
- personal use of computer equipment and software.

Also, the City does not have a written disaster recovery plan, adequate computer file backups or adequate computer surge protection.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s internal control over computer based systems. A written disaster recovery plan should be developed. The City should provide proper back up of computer files and surge protection.

Response – The City will develop written policies as recommended. The City will develop a written disaster recovery plan. The City has purchased an external hard drive to back up computer files and has updated its surge protection.

Conclusion – Response accepted.

- (D) Incorrect Receipt Codes – The City recorded certain receipts with incorrect program types and functions. These receipts were reclassified for audit purposes.

Recommendation – The City should review its receipt codes to ensure they are in compliance with the Uniform City Chart of Accounts and take action to correct these deficiencies.

Response – The City will review its receipt codes as recommended and make the corrective changes.

Conclusion – Response accepted.

City of Westfield

Schedule of Findings

Year ended June 30, 2007

- (E) Disbursements – There is no written approval of claims by the Council and invoices are not cancelled to prevent reuse. Also, supporting documentation was not available for two transactions.

Recommendation – A list of claims should be printed and approved by the Council. The Council or the Mayor should sign and date the list to authenticate the record and the signed list should be retained. Supporting documentation should be retained and all invoices should be properly cancelled to prevent reuse.

Response – The above recommendations will be complied with.

Conclusion – Response accepted.

- (F) Accounting Procedures Manual – The City does not have an accounting procedures manual.

Recommendation – An accounting procedures manual should be prepared.

Response – The City Clerk will work on establishing an accounting procedures manual.

Conclusion – Response accepted.

- (G) Investment Record – A detailed record of investment transactions was not maintained.

Recommendation – A detailed record of investment transactions by fund should be maintained. This record should include investment number, purchase date, redemption date, interest rate and amount of principal and the interest received.

Response – We have started to maintain a detailed investment record.

Conclusion – Response accepted.

City of Westfield

Schedule of Findings

Year ended June 30, 2007

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Westfield
 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 exceeded the amounts budgeted in the culture and recreation and general government functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

(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 – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
William Hummel, Mayor, Owner of W. Hummel Co.	Snow removal, supplies, materials and services	\$ 5,986
Terry Morehead, Maintenance, Owner of The Station	Snow removal, mowing and supplies	8,199

In accordance with Chapter 362.5(11) of the Code of Iowa, the above transactions with the Mayor and the maintenance employee may represent conflicts of interest.

Recommendation – The City should consult legal counsel to determine the disposition of these matters.

Response – These and future related business transactions involving a possible conflict of interest with a City official or employee will be referred to the City Attorney for review.

Conclusion – Response accepted.

City of Westfield

Schedule of Findings

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 insure 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.

Minutes of Council proceedings were published within fifteen days following the meeting and the list of bills published included an explanation of the claims in accordance with an Attorney General's opinion dated April 12, 1978. However, the publication did not include the total expenditures from each fund, did not show a summary of all receipts and did not show the gross amount of all claims. Chapter 372.13(6) of the Code of Iowa states, in part, "Within fifteen days following a regular or special meeting of the council, the clerk shall cause the minutes of the proceeding of the council, including the total expenditure from each city fund, to be published...." In addition, "The publication shall include a list of all claims allowed and a summary of all receipts and shall show the gross amount of each claim."

Recommendation – The City should publish minutes as required by Chapter 372.13.6 of the Code.

Response – The City will publish the minutes as required in the future.

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, except as follows:

The City has not adopted a depository resolution.

The investment policy does not include references to the current Code of Iowa.

Recommendation – The City Council should adopt a depository resolution and the investment policy should be revised to include references to the current Code of Iowa.

Response – The City Council will adopt a depository resolution. With the assistance of the City Attorney, the investment policy will be rewritten.

Conclusion – Response accepted.

- (8) Financial Condition – The Sewer Fund had a deficit balance at June 30, 2007 of \$1,022.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The deficit was eliminated in December 2007.

Conclusion – Response accepted.

City of Westfield

Schedule of Findings

Year ended June 30, 2007

- (9) Minimum Sewer Rate – According to City Ordinance 127B passed on January 8, 2003, the minimum sewer charge for the first 4,000 gallons of water is \$15.00, effective January 1, 2004. The City is still charging a minimum charge of \$12.50.

Recommendation – The City should take action to charge the minimum charge of \$15.00.

Response – The City has taken action to correct this situation.

Conclusion – Response accepted.

- (10) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The City has contacted the bank and they will be including an image of the back of each check as well as the front in the bank statements.

Conclusion – Response accepted.

- (11) Unclaimed Property – Chapter 556.8 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than two years to the State Treasurer's Office annually. The City did not remit these obligations as required.

Recommendation – The outstanding checks should be reviewed annually and items over two years old should be remitted to the State Treasurer's Office as required.

Response – The City Clerk will review the records and submit the unclaimed property report to the State Treasurer's Office as required.

Conclusion – Response accepted.

- (12) Local Option Sales Tax (LOST) – The ballot for the local option sales tax authorizes the City to collect the tax and to allocate 100% of the revenues for community improvements. The City receipted all LOST funds into the General Fund. The City does not maintain adequate records to document the proper expenditure of local option sales tax for authorized uses.

Recommendation – The City should establish procedures to accumulate and document local option sales tax disbursements to demonstrate compliance with the ballot requirements. The City should maintain a Special Revenue, Local

City of Westfield

Schedule of Findings

Year ended June 30, 2007

Option Sales Tax Fund to document local option sales tax receipts, disbursements and balances. This record should clearly document compliance with the use of LOST dollars for community improvements.

Response – The City will establish a separate fund to adequately document compliance with the ballot.

Conclusion – Response accepted.

- (13) Public Records Requests – The City does not have a written policy concerning public records requests and charges to be levied for examining and copying this information.

Recommendation – The City should develop a written policy concerning public record requests and charges to be levied for examining and copying this information. In doing so, the City may want to consult with legal counsel to help ensure the policy is in accordance with Chapters 22.3 and 22.8 of the Code of Iowa.

Response – The City will consult with legal counsel and establish a written policy as recommended.

Conclusion – Response accepted.

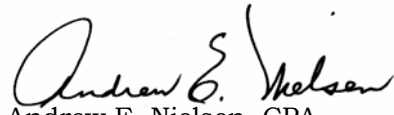
- (14) Petition for Audit – Except as noted, all items included in the petition for audit have been resolved.

City of Westfield

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
James L. Blekfeld, CPA, Senior Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State