CITY OF PARKERSBURG
PARKERSBURG, IOWA

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2006

CARNEY,
ALEXANDER,
MAROLD & CO., L.L.P.
Certified Public Accountants

CITY OF PARKERSBURG
PARKERSBURG, IOWA

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CITY OF PARKERSBURG
PARKERSBURG, IOWA

City Officials

Name	Title	Term Expires
(Before January 2006)		
Robert L. Haylock	Mayor	January, 2006
Leon Thorne	Mayor Pro tem	January, 2008
Klint C. Knock - served overseas part of the year	Council Member	January, 2008
Harlan Schuck	Council Member	January, 2006
Roger Timmer	Council Member	January, 2008
Nicole Maitland	Council Member	January, 2006
Harlan J. Johnson - temporary for part of the year	Council Member	Indefinite
Gary Hinders	City Clerk	Indefinite
Dale Hansmann	Attorney	Indefinite
(After January 2006)		
Robert L. Haylock	Mayor	January, 2010
Leon Thorne	Mayor Pro tem	January, 2008
Klint C. Knock	Council Member	January, 2008
Harlan Schuck	Council Member	January, 2010
Roger Timmer	Council Member	January, 2008
Nicole Maitland	Council Member	January, 2010
Gary Hinders	City Clerk	Indefinite
Marty Petersen	Attorney	Indefinite

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Independent Auditors' 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 Parkersburg, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Parkersburg's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 that 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Parkersburg as of June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our reports dated March 16, 2007 on our consideration of the City of Parkersburg'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 conformance 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 4 through 9 and 20 through 21 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 made for the purpose of forming opinions on the financial statements that collectively comprise the City of Parkersburg's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included on pages 22 through 25, 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 audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Carney, Alexander, Marold & Co., L.L.P.

March 16, 2007

Management Discussion and Analysis

City of Parkersburg, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2006 Financial Highlights

- Revenues of the City's governmental activities increased 61.28%, or approximately $831,000, from fiscal 2005 to fiscal 2006. Property tax increased approximately $140,000. There were bond proceeds in 2006 of $834,955 compared to no bonds issued in 2005.

- Disbursements increased 24.49%, or approximately $307,000, in fiscal 2006 from fiscal 2005. Public safety and community and economic development disbursements increased approximately $32,700 and $206,000, respectively.

- The City's total cash basis net assets increased by $721,000, from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities increased approximately $535,000 and the assets of the business type activities increased by approximately $186,000. The majority of the increase is due to bond proceeds carried over to FY2007.

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 date provided in the basic financial statements.

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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 accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Government –wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, health and social services, 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, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental 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 statements for governmental funds include 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 statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Government-Wide Financial Analysis

Net Assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from $374,000 to $909,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30, 2006	2005
Receipts and transfers:		
Program receipts:		
Charges for service	$ 209	$ 187
Operating grants, contributions and restricted interest	158	157
Capital grants, contributions and restricted interest	66	229
General receipts:		
Property tax	756	616
Local option sales tax	87	89
Unrestricted interest on investments	19	9
Bond proceeds	1,228	-
Miscellaneous	36	50
Transfers, net	(462)	(71)
Total receipts and transfers	2,097	1,266
Disbursements:		
Public safety	238	206
Public works	351	323
Health and social services	5	3
Culture and recreation	196	191
Community and economic development	445	239
General government	222	192
Debt service	105	101
Capital projects	-	-
Total disbursements	1,562	1,255
Increase in cash basis net assets	535	11
Cash basis net assets beginning of year	374	363
Cash basis net assets end of year	$ 909	$ 374

The City's total receipts for governmental activities increased by 61.28%, or $830,063. The total cost of all programs and services increased by $307,000, or 24.49%, with several capital improvement projects started, but not completed as of June 30, 2006. The increase in receipts was primarily due to bond proceeds received in 2006.

The City increased property tax rates for 2006 by an average of .45 percent. This raised the City's property tax receipts by approximately $140,000 in 2006. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase by an additional $129,885 next year.

The cost of all governmental activities this year was $1,561,951 compared to $1,254,744 last year.

Changes in Cash Basis Net Assets of Business Type Activities
(Expressed in Thousands)

	Year ended June 30, 2006	2005
Receipts and transfers:		
Program rcccipts:		
Charges for service		
Water	$ 112	$ 108
Sewer	58	56
Transfers, net	462	71
Total receipts and transfers	632	235
Disbursements:		
Water	114	101
Sewer	255	62
Debt Service	77	77
Total disbursements	446	240
Increase (decrease) in cash basis net assets	186	(5)
Cash basis net assets beginning of year	165	170
Cash basis net assets end of year	$ 351	$ 165

Total business type activities receipts for the fiscal year were $170,128 compared to $164,417 last year. The cash balance increased by $186,000 from the prior year. Total disbursements for the fiscal year increased by 86% to a total of $446,000.

Individual Major Governmental Fund Analysis

As the City of Parkersburg completed the year, its governmental funds reported a combined fund balance of $909,000, an increase of $535,000 from last year's total of $374,000. 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 $373,652 from the prior year to $507,583. This increase was due to a holdover of bond proceeds not spent.

- The Road Use Tax Fund cash balance decreased by $62,774 to a negative balance of $81,809 during the fiscal year. Extensive blacktopping and street work caused this decrease. Reduced spending should improve this deficit.

Individual Major Business Type Fund Analysis

- The Water Fund cash balance decreased by $1,951 to $39,790.

- The Sewer Fund cash balance increased by $187,808 to $310,791 due primarily to some bond proceeds held over.

Budgetary Highlights

The City did amend its budget during the year.

Debt Administration

At June 30, 2006, the City had approximately $2,628,000 in bonds and other long-term debt, compared to approximately $1,511,000 last year, as shown below.

Outstanding Debt at Year-End
(Expressed in Thousands)

	Year ended June 30, 2006	2005
General obligation bonds - sanitary sewer notes	$ 170	$ 220
General obligation bonds - corporate purpose notes	290	325
General obligation bonds - corporate purpose bonds	1,250	-
Sewer revenue bonds	918	966
Total	$ 2,628	$ 1,511

Debt increased as a result of new bond proceeds.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue of 5% of the assessed value of all taxable property with the City's corporate limits. The City's outstanding general obligation debt of $1,710,000 is significantly below its constitutional debt limit of $3,146,404.

Economic Factors and Next Year's Budgets and Rates

City of Parkersburg's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City's employment growth has mirrored its population growth during 2001-2006, averaging 5 new houses being built each year.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.5% for fiscal year 2006 compared with the national rate of 3.6%. Inflation has been about the same here as the state rate due in part to the increases in energy prices and natural gas costs.

These indicators were taken into account when adopting the budget for fiscal year 2007. Amounts available for appropriation in the operating budget are $1,734,548, an increase of 10.93% over the final 2006 budget. The City Council and Mayor have made every effort to keep the City financially sound, however the City's budgeted cash balance is not expected to increase by the close of 2007.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gary Hinders, City Clerk, 608 Hwy 57, Parkersburg, Iowa.

Basic Financial Statements

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2006

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
Primary government:				
Functions/Programs:				
Governmental activities:				
Public safety	$ 238,251	$ 60,412	$ -	$ -
Public works	351,046	108,152	158,157	-
Health and social services	5,332	-	-	-
Culture and recreation	196,486	40,425	-	-
Community and economic development	444,721	-	-	65,971
General government	221,612	-	-	-
Debt service	104,503	-	-	-
Capital projects	-	-	-	-
Total governmental activities	1,561,951	208,989	158,157	65,971
Business type activities:				
Water	114,250	112,299	-	-
Sewer	255,026	57,829	-	-
Debt service	77,672	-	-	-
Total business type activities	446,948	170,128	-	-
Total	$ 2,008,899	$ 379,117	$ 158,157	$ 65,971
Component Unit:				
Parkersburg Economic Development	$ 126,522	$ -	$ 63,987	$ -
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt Service				
Local option sales tax				
Payment from City of Parkersburg				
Unrestricted interest on investments				
Bond proceeds (net of $22,125 discount)				
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				
Urban renewal purposes				
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			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit
$ (177,839)	$ -	$ (177,839)	$ -
(84,737)	-	(84,737)	-
(5,332)	-	(5,332)	-
(156,061)	-	(156,061)	-
(378,750)	-	(378,750)	-
(221,612)	-	(221,612)	-
(104,503)	-	(104,503)	-
-	-	-	-
(1,128,834)	-	(1,128,834)	-
-	(1,951)	(1,951)	-
-	(197,197)	(197,197)	-
-	(77,672)	(77,672)	-
-	(276,820)	(276,820)	-
(1,128,834)	(276,820)	(1,405,654)	-
-	-	-	(62,535)
392,284	-	392,284	-
319,977	-	319,977	-
43,871	-	43,871	-
87,196	-	87,196	-
-	-	-	33,000
19,483	-	19,483	572
1,227,875	-	1,227,875	-
36,210	-	36,210	-
(462,677)	462,677	-	-
1,664,219	462,677	2,126,896	33,572
535,385	185,857	721,242	(28,963)
374,068	164,724	538,792	84,519
$ 909,453	$ 350,581	$ 1,260,034	$ 55,556
$ (81,809)	$ -	$ (81,809)	$ -
412,454	-	412,454	-
(493)	-	(493)	-
71,718	-	71,718	55,556
507,583	350,581	858,164	-
$ 909,453	$ 350,581	$ 1,260,034	$ 55,556

CITY OF PARKERSBURG
PARKERSBURG, IOWA

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

As of and for the year ended June 30, 2006

	General	Special Revenue: Road Use Tax	Special Revenue: Urban Renewal Tax Increment
Receipts:			
Property tax	$ 376,666	$ -	$ -
Tax increment financing collections	-	-	319,977
Other city tax	16,866	-	-
Licenses and permits	2,562	-	-
Use of money and property	19,483	-	-
Intergovernmental	20,888	158,157	-
Charges for service	208,989	-	-
Miscellaneous	11,405	-	-
Total receipts	656,859	158,157	319,977
Disbursements:			
Operating:			
Public safety	238,251	-	-
Public works	130,115	220,931	-
Health and social services	5,332	-	-
Culture and recreation	196,486	-	-
Community and economic development	-	-	372,110
General government	221,612	-	-
Debt service	-	-	44,118
Total disbursements	791,796	220,931	416,228
Excess (deficiency) of receipts over (under) disbursements	(134,937)	(62,774)	(96,251)
Other financing sources (uses):			
Bond proceeds	1,250,000	-	-
Bond proceeds discount	(22,125)	-	-
Operating transfers in	17,439	-	-
Operating transfers out	(736,725)	-	343,805
Total other financing sources (uses)	508,589	-	343,805
Net change in cash balances	373,652	(62,774)	247,554
Cash balances beginning of year	133,931	(19,035)	164,900
Cash balances end of year	$ 507,583	$ (81,809)	$ 412,454
Cash Basis Fund Balances			
Reserved:			
Debt Service	$ -	$ -	$ -
Unreserved:			
General fund	507,583	-	-
Special revenue funds	-	(81,809)	412,454
Capital projects funds	-	-	-
Permanent funds	-	-	-
Total cash basis fund balances	$ 507,583	$ (81,809)	$ 412,454

See notes to financial statements.

Debt Service	Other Nonmajor Governmental Funds	Total
$ 42,488	$ -	$ 419,154
-	-	319,977
1,490	87,196	105,552
-	-	2,562
-	-	19,483
-	65,971	245,016
-	-	208,989
-	-	11,405
43,978	153,167	1,332,138
-	-	238,251
-	-	351,046
-	-	5,332
-	-	196,486
-	72,611	444,721
-	-	221,612
60,385	-	104,503
60,385	72,611	1,561,951
(16,407)	80,556	(229,813)
-	-	1,250,000
-	-	(22,125)
-	-	17,439
-	(87,196)	(480,116)
-	(87,196)	765,198
(16,407)	(6,640)	535,385
15,914	78,358	374,068
$ (493)	$ 71,718	$ 909,453
$ (493)	$ -	$ (493)
-	-	507,583
-	(25,307)	305,338
-	38,552	38,552
-	58,473	58,473
$ (493)	$ 71,718	$ 909,453

CITY OF PARKERSBURG
PARKERSBURG, IOWA

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

As of and for the year ended June 30, 2006

	Enterprise Funds		
	Sewer Rental	Water	Total
Operating receipts:			
Charges for service			
Sale of water	$ -	$ 112,299	$ 112,299
Sewer rental fees	57,829	-	57,829
Total operating receipts	57,829	112,299	170,128
Operating disbursements:			
Business type Activities:			
Water	-	114,250	114,250
Sewer	255,026	-	255,026
Debt Service	77,672	-	77,672
Total operating disbursements	332,698	114,250	446,948
Excess (deficiency) of receipts over (under) disbursements	(274,869)	(1,951)	(276,820)
Other financing sources:			
Operating transfers in	69,757	-	69,757
Operating transfers in	392,920	-	392,920
Total other financing sources	462,677	-	462,677
Net change in cash balances	187,808	(1,951)	185,857
Cash balances beginning year	122,983	41,741	164,724
Cash balances end of year	$ 310,791	$ 39,790	$ 350,581
Cash Basis Fund Balances			
Unreserved	$ 310,791	$ 39,790	$ 350,581
Total cash basis fund balances	$ 310,791	$ 39,790	$ 350,581

See notes to financial statements.

(1) Summary of Significant Accounting Policies

The City of Parkersburg is a political subdivision of the State of Iowa located in Butler County. It was first incorporated in 1874 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 and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Parkersburg 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 government-wide financial statements present the City of Parkersburg (the primary government) and its component unit. The component unit discussed in Note 10 is included in the City's reporting entity because of the significance of its operational and financial relationship with the City. The component unit's cash receipts and disbursements are discretely presented on the City's financial statements and condensed information is presented in Note 10.

Jointly Governed Organization

The City participates in a jointly governed organization that provides goods or services to the citizenry of the City but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating government. An official is a member of the Butler County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets - Cash Basis 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 services.

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The Statement of Activities and Net Assets - Cash Basis 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 of enabling legislation.

Unrestricted net assets consist of net assets that do not meet 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 - Cash Basis demonstrates the degree to which the direct disbursements of a given function or segment are offset by program receipts. Direct disbursements are those that are 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 the 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 other 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 that are 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, and the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

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

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

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

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fund Financial Statements (continued)

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

The City of Parkersburg 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 accounting principles general accepted in the United States of America.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the culture and recreation and debt service functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

(2) Cash and Pooled Investments (continued)

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.

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

The City's investments at June 30, 2006 were certificates of deposit only.

(3) Bonds and Notes Payable

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

	General Obligation Bonds							
Year Ending	Sanitary Sewer Notes		Corporate Purpose Loan Notes		Corporate Purpose Bonds		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 50,000	$ 7,860	$ 35,000	$ 8,522	$ 50,000	$ 55,862	$ 135,000	$ 72,244
2008	60,000	5,610	35,000	7,840	55,000	51,635	150,000	65,085
2009	60,000	2,850	35,000	7,000	60,000	49,573	155,000	59,423
2010	-	-	35,000	6,055	65,000	47,292	100,000	53,347
2011	-	-	35,000	5,058	65,000	44,758	100,000	49,816
2012	-	-	35,000	3,955	65,000	42,190	100,000	46,145
2013	-	-	40,000	2,800	65,000	39,558	105,000	42,358
2014	-	-	40,000	1,420	70,000	36,892	110,000	38,312
2015	-	-	-	-	75,000	33,988	75,000	33,988
2016	-	-	-	-	80,000	30,837	80,000	30,837
2017	-	-	-	-	80,000	27,398	80,000	27,398
2018	-	-	-	-	80,000	23,917	80,000	23,917
2019	-	-	-	-	85,000	20,398	85,000	20,398
2020	-	-	-	-	95,000	16,615	95,000	16,615
2021	-	-	-	-	95,000	12,340	95,000	12,340
2022	-	-	-	-	30,000	8,018	30,000	8,018
2023	-	-	-	-	30,000	6,622	30,000	6,622
2024	-	-	-	-	35,000	5,198	35,000	5,198
2025	-	-	-	-	35,000	3,500	35,000	3,500
2026	-	-	-	-	35,000	1,767	35,000	1,767
Total	$ 170,000	$ 16,320	$ 290,000	$ 42,650	$1,250,000	$ 558,358	$1,710,000	$ 617,328

(3) Bonds and Notes Payable (continued)

Year Ending June 30,	Sewer Revenue Bonds Principal	Sewer Revenue Bonds Interest	Total General Obligation and Sewer Revenue Bonds Principal	Total General Obligation and Sewer Revenue Bonds Interest
2007	$ 49,000	$ 30,441	$ 184,000	$ 102,685
2008	51,000	27,876	201,000	92,961
2009	54,000	26,226	209,000	85,649
2010	56,000	24,490	156,000	77,837
2011	58,000	22,671	158,000	72,487
2012	60,000	20,812	160,000	66,957
2013	64,000	18,866	169,000	61,224
2014	66,000	16,835	176,000	55,147
2015	69,000	14,720	144,000	48,708
2016	72,000	12,521	152,000	43,358
2017	75,000	10,195	155,000	37,593
2018	79,000	7,826	159,000	31,743
2019	81,000	5,330	166,000	25,728
2020	84,000	2,707	179,000	19,322
2021	-	-	95,000	12,340
2022	-	-	30,000	8,018
2023	-	-	30,000	6,622
2024	-	-	35,000	5,198
2025	-	-	35,000	3,500
2026	-	-	35,000	1,767
Total	$ 918,000	$ 241,516	$2,628,000	$ 858,844

The general obligation corporate purpose bonds, series 2006, were issued for the purpose of defraying a portion of the costs of constructing water and sanitary sewer improvements, a fire station, and downtown projects (street, curb and gutter, sewer, and sidewalk), within the City and to pay the cost of issuance of the bonds. The bonds will constitute valid and legally binding general obligations of the City, payable both as to principal and interest from unlimited ad valorem taxes levied against all property in the City.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contributions requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were $18,489, $17,281, and $16,540 respectively, equal to the required contributions for each year.

(5) Compensated Absences

Full time City employees accumulate vacation and sick leave hours for subsequent use. These accumulations are not recognized as disbursements by the City until used or paid.

Vacation hours not used as of June 30 each year are forfeited. The City has no liability for earned vacation payable to employees at June 30, 2006.

Sick leave is payable only when used and not upon retirement or death.

(6) Related Party Transactions

The City had business transactions between the City and a City official, totaling $2,297 during the year ended June 30, 2006.

(7) Anticipatory Warrants

Anticipatory warrants are the warrants which are legally drawn on City funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented for redemption.

There was not any anticipatory warrant activity for the year ended June 30, 2006.

(8) Construction Commitments

During the year ended June 30, 2006, the City approved various construction projects totaling $911,145. At June 30, 2006, $366,846 of these projects had been completed, $242,354 had been paid, $124,492 is owed. The remaining contract balances are to be completed and paid after June 30, 2006.

(9) Risk Management

The City of Parkersburg 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.

The City has been involved in litigation regarding civil rights complaints filed by two former employees. The City settled both lawsuits in December, 2006 for approximately $1,000 each.

(10) Component Unit

The Statement of Activities and Net Assets - Cash Basis includes the discretely presented financial information of the City's component unit, Parkersburg Economic Development, whose relationship to the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. Parkersburg Economic Development is governed by an eight-member board.

Included in the receipts of the component unit is $33,000 which is from the City of Parkersburg. Likewise, in the financial statements of the City, disbursements of $33,000 are included in the Special Revenue, Urban Renewal Tax Increment fund, under the community and economic development function.

Below, a condensed financial statement for the Parkersburg Economic Development is presented:

Receipts:	
Use of money and property	$ 9,463
Intergovernmental	33,000
Miscellaneous	55,096
Total	97,559
Disbursements:	
Operating:	
Community and economic development	126,522
Total	126,522
Net change in cash balances	(28,963)
Cash balances beginning of year	84,519
Cash balances end of year	$ 55,556

(11) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to:		Transfer from:	
General	$ 17,439	Special Revenue: Local Option Sales Tax	$ 17,439
Proprietary: Enterprise: Sewer Rental	69,757	Special Revenue: Local Option Sales Tax	69,757
Total	$ 87,196		$ 87,196

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

(11) Interfund Transfers (continued)

The detail of interfund transfers for the year ended June 30, 2006 is as follows (continued):

Special Revenue:		General	
Urban Renewal	$ 343,805		$ 343,805
Proprietary:			
Enterprise:		General	
Sewer Rental	392,920		392,920
Total	$ 736,725		$ 736,725

This transfer moved money received from bond proceeds to the specific project that the bond was for.

(12) Deficit Fund Balance

The Special Revenue, CDBG Grant fund had a deficit balance of $25,307 at June 30, 2006. This is primarily due to funds being disbursed before requests for reimbursements are received.

The Special Revenue, Road Use Tax fund had a deficit balance of $81,089 at June 30, 2006. The City is investigating ways to eliminate this deficit.

Required Supplementary Information

CITY OF PARKERSBURG
PARKERSBURG, IOWA

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

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	$ 419,154	$ -	$ -
Tax increment financing collections	319,977	-	-
Other city tax	105,552	-	-
Licenses and permits	2,562	-	-
Use of money and property	19,483	-	-
Intergovernmental	245,016	-	-
Charges for service	208,989	170,128	-
Miscellaneous	11,405	-	-
Total receipts	1,332,138	170,128	-
Disbursements:			
Public safety	238,251	-	-
Public works	351,046	-	-
Health and social services	5,332	-	-
Culture and recreation	196,486	-	-
Community and economic development	444,721	-	-
General government	221,612	-	-
Debt service	104,503	-	-
Capital projects	-	-	-
Business type activities	-	446,948	-
Total disbursements	1,561,951	446,948	-
Deficiency of receipts under disbursements	(229,813)	(276,820)	-
Other financing sources, net	765,198	462,677	-
Deficiency of receipts and other financing sources over disbursements and other financing uses	535,385	185,857	-
Balances beginning of year	374,068	164,724	58,473
Balances end of year	$ 909,453	$ 350,581	$ 58,473

See accompanying independent auditor's report.

Net	Budgeted Amounts Original	Budgeted Amounts Final	Final to Net Variance
$ 419,154	$ 421,041	$ 421,041	$ (1,887)
319,977	235,000	235,000	84,977
105,552	92,387	92,387	13,165
2,562	2,850	2,850	(288)
19,483	11,800	11,800	7,683
245,016	362,171	362,171	(117,155)
379,117	351,900	351,900	27,217
11,405	26,500	26,500	(15,095)
1,502,266	1,503,649	1,503,649	(1,383)
238,251	221,976	1,021,976	(783,725)
351,046	366,226	716,226	(365,180)
5,332	9,590	9,590	(4,258)
196,486	194,796	194,796	1,690
444,721	438,000	538,000	(93,279)
221,612	221,794	221,794	(182)
104,503	59,985	59,985	44,518
-	-	-	-
446,948	198,626	598,626	(151,678)
2,008,899	1,710,993	3,360,993	(1,352,094)
(506,633)	(207,344)	(1,857,344)	1,350,711
1,227,875	-	1,650,000	(422,125)
721,242	(207,344)	(207,344)	928,586
480,319	480,319	480,319	-
$ 1,201,561	$ 272,975	$ 272,975	$ 928,586

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Government 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 except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control for the certified budget is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects 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, a budget amendment increased budgeted disbursements by $1,650,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the culture and recreation and debt service functions.

Other Supplementary Information

CITY OF PARKERSBURG
PARKERSBURG, IOWA

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

As of and for the year ended June 30, 2006

	Special Revenue	
	CDBG Rehabilitation Grant	Local Option Sales Tax
Receipts:		
Property tax	$ -	$ -
Tax increment financing collections	-	-
Other city tax	-	87,196
Licenses and permits	-	-
Use of money and property	-	-
Intergovernmental	65,971	-
Charges for service	-	-
Miscellaneous	-	-
Total receipts	65,971	87,196
Disbursements:		
Operating:		
Public safety	-	-
Public works	-	-
Health and social services	-	-
Culture and recreation	-	-
Community and economic development	72,611	-
General government	-	-
Debt service	-	-
Total disbursements	72,611	-
Excess (deficiency) of receipts over (under) disbursements	(6,640)	87,196
Other financing sources (uses):		
Operating transfers in	-	-
Operating transfers out	-	(87,196)
Total other financing sources (uses)	-	(87,196)
Net change in cash balances	(6,640)	-
Cash balances beginning of year	(18,667)	-
Cash balances end of year	$ (25,307)	$ -

See accompanying independent auditors' report.

Capital Projects	Permanent	
Capital Projects	Cemetery Perpetual Care	Total
$ -	$ -	$ -
-	-	-
-	-	87,196
-	-	-
-	-	-
-	-	65,971
-	-	-
-	-	-
-	-	153,167
-	-	-
-	-	-
-	-	-
-	-	-
-	-	72,611
-	-	-
-	-	-
-	-	72,611
-	-	80,556
-	-	-
-	-	(87,196)
-	-	(87,196)
-	-	(6,640)
38,552	58,473	78,358
$ 38,552	$ 58,473	$ 71,718

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Schedule of Indebtedness

Year ended June 30, 2006

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds:			
Sanitary sewer notes	January 1, 2002	4.50% - 4.75%	$ 340,000
Corporate purpose loan notes, Series 2003	December 1, 2003	1.95% - 3.55%	$ 350,000
Corporate purpose bonds, Series 2006	May 1, 2006	3.70% - 5.05%	$ 1,250,000
Sewer Revenue Bonds, State Revolving Loan Fund:			
Series 2000A	July 5, 2000	4.23%	$ 1,032,000
Series 2000B	July 5, 2000	4.23%	$ 144,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
$ 220,000	$ -	$ 50,000	$ 170,000	$ 10,385	$ -
$ 325,000	$ -	$ 35,000	$ 290,000	$ 9,118	$ -
$ -	$ 1,250,000	$ -	$ 1,250,000	$ -	$ -
$ 848,000	$ -	$ 42,000	$ 806,000	$ 24,622	$ -
$ 118,000	$ -	$ 6,000	$ 112,000	$ 5,050	$ -

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Bond and Note Maturities

Year ended June 30, 2006

General Obligation Bonds
Sewer
Issued January 1, 2002

Year Ending June 30,	Interest Rates	Amount
2007	4.50%	$ 50,000
2008	4.60%	60,000
2009	4.75%	60,000
		$ 170,000

Corporate Purpose Loan Notes, Series 2003
Issued December 1, 2003

Year Ending June 30,	Interest Rates	Amount
2007	1.95%	$ 35,000
2008	2.40%	35,000
2009	2.70%	35,000
2010	2.85%	35,000
2011	3.15%	35,000
2012	3.30%	35,000
2013	3.45%	40,000
2014	3.55%	40,000
		$ 290,000

General Obligation Bonds
Corporate Purpose Bonds, Series 2006
Issued May 1, 2006

Year Ending June 30,	Interest Rates	Amount
2007	3.70%	$ 50,000
2008	3.75%	55,000
2009	3.80%	60,000
2010	3.90%	65,000
2011	3.95%	65,000
2012	4.05%	65,000
2013	4.10%	65,000
2014	4.15%	70,000
2015	4.20%	75,000
2016	4.30%	80,000
2017	4.35%	80,000
2018	4.40%	80,000
2019	4.45%	85,000
2020	4.50%	95,000
2021	4.55%	95,000
2022	4.65%	30,000
2023	4.75%	30,000
2024	4.85%	35,000
2025	4.95%	35,000
2026	5.05%	35,000
		$ 1,250,000

Sewer Revenue Bonds

Series 2000 A			Series 2000 B			
Year Ending June 30,	Interest Rates	Amount	Year Ending June 30,	Interest Rates	Amount	Total
2007	4.23%	$ 43,000	2007	4.23%	$ 6,000	$ 49,000
2008	4.23%	45,000	2008	4.23%	6,000	51,000
2009	4.23%	47,000	2009	4.23%	7,000	54,000
2010	4.23%	49,000	2010	4.23%	7,000	56,000
2011	4.23%	51,000	2011	4.23%	7,000	58,000
2012	4.23%	53,000	2012	4.23%	7,000	60,000
2013	4.23%	56,000	2013	4.23%	8,000	64,000
2014	4.23%	58,000	2014	4.23%	8,000	66,000
2015	4.23%	61,000	2015	4.23%	8,000	69,000
2016	4.23%	63,000	2016	4.23%	9,000	72,000
2017	4.23%	66,000	2017	4.23%	9,000	75,000
2018	4.23%	69,000	2018	4.23%	10,000	79,000
2019	4.23%	71,000	2019	4.23%	10,000	81,000
2020	4.23%	74,000	2020	4.23%	10,000	84,000
		$ 806,000			$ 112,000	$ 918,000

See accompanying independent auditors' report.

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Schedule of Receipts by Source and Disbursements by Function
All Governmental Funds

For the Last Four Years

	2006	2005	2004	2003
Receipts:				
Property tax	$ 419,154	$ 421,344	$ 418,955	$ 436,913
Tax increment financing collections	319,977	179,965	171,733	176,951
Other city tax	105,552	105,208	91,216	86,632
Licenses and permits	2,562	2,419	3,682	2,747
Use of money and property	19,483	8,845	11,709	16,888
Intergovernmental	245,016	406,221	271,635	222,626
Charges for service	208,989	186,558	195,070	169,131
Miscellaneous	11,405	26,103	32,199	28,323
Total	$ 1,332,138	$ 1,336,663	$ 1,196,199	$ 1,140,211
Disbursements:				
Operating:				
Public safety	$ 238,251	$ 205,499	$ 236,808	$ 163,742
Public works	351,046	322,919	285,723	317,277
Health and social services	5,332	3,342	7,664	6,336
Culture and recreation	196,486	190,838	172,847	149,170
Community and economic development	444,721	238,725	686,526	164,592
General government	221,612	192,283	190,728	148,766
Debt service	104,503	101,138	131,722	135,860
Capital projects	-	-	-	-
Total	$ 1,561,951	$ 1,254,744	$ 1,712,018	$ 1,085,743

See accompanying independent auditor's report.

CARNEY,
ALEXANDER,
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Independent Auditors' 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 of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Parkersburg, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated March 16, 2007. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Parkersburg's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City of Parkersburg's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition listed to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Parkersburg'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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part I and Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior audit statutory comments have been resolved or are described in Part II of the accompanying Schedule of Findings.

The report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Parkersburg and other parties to whom the City of Parkersburg 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 Parkersburg 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.

Carney, Alexander, Marold & Co., L.L.P.

March 16, 2007

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Schedule of Findings and Questioned Costs
Year ended June 30, 2006

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

None noted

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees. Recordkeeping is basically done by the City Clerk and the Deputy City Clerk. Because of the limited number of employees, they perform some cash-related duties that are incompatible.

Recommendation - We realize segregation of duties is difficult, if not impossible, in a small office and that certain previous recommendations for internal checks have been established; however, we feel that a reminder of this is justified so as to provide attention to these areas throughout the year and that operating procedures be reviewed so as to obtain the maximum internal control possible under the circumstances.

Response - The City will continue to have the financial records checked monthly by an independent CPA and do everything possible to comply.

Conclusion - Response accepted.

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Schedule of Findings and Questioned Costs
Year ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

II-A-06 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in that resolution were not exceeded during the year ended June 30, 2006.

II-B-06 Certified Budget - Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the Culture and Recreation and Debt Service programs. Chapter 384.20 of the Code of Iowa states in part that 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 - Expenditures will be monitored more closely so that the budget can be amended if needed.

Conclusion - Response accepted.

II-C-06 Entertainment Expense - We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-D-06 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-06 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 that the coverage is adequate for current operations.

II-F-06 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

The minutes of Council proceedings were published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Part II: Other Findings Related to Statutory Reporting (continued):

II-G-06 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction/ Description	Amount
Nicole Maitland, Council Member	Pool Manager services	$1,847
	Council member pay	450
		$ 2,297

The City has been advised that the exception provided by Chapter 352.5(11) of the Code of Iowa allows compensation for services to a related party up to $2,500 for a City with a population of 2,500 or less.

Name, Title and Business Connection	Transaction/ Description	Amount
Nicole Maitland, Council Member	Pool Manager services	Unknown

In prior years, the Council Member was reportably compensated by the City Public Works Director for pool manager services. These payments were not paid from City funds. This arrangement was not approved by the Council in the minutes. In the calendar year 2004, the Public Works Director received a salary increase of $4,022, representing a 9% increase from the prior year.

This arrangement may be in violation of Chapter 372.13(8) of the Code of Iowa.

II-H-06 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-I-06 Financial Condition - The Special Revenue, CDBG Grant fund had a deficit balance at June 30, 2006 of $25,307.

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

Response - When all projects under the grant are completed, the City will transfer money from economic development to eliminate this deficit. The City agreed to a 4% in-kind participation for this grant.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting (continued):

II-J-06 Financial Condition - The Special Revenue, Road Use Tax fund had a deficit balance at June 30, 2006 of $81,809.

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

Response - The City is reducing its expenditures in the FY 2008 budget to help eliminate this deficit.

Conclusion - Response accepted.

CITY OF PARKERSBURG
PARKERSBURG, IOWA

Audit Staff

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