

**CITY OF VILLISCA**

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

**JUNE 30, 2006**

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditors' Report		5-6
Management's Discussion and Analysis		7-11
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	13-14
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	15-16
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	C	17
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	18
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	E	19
Notes to Financial Statements		21-28
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		30-31
Notes to Required Supplementary Information – Budgetary Reporting		32
Other Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	34
Schedule of Indebtedness	2	35-36
Bond and Note Maturities	3	37
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 <i>Government Auditing Standards</i>		39-40
Schedule of Findings		41-43

**City of Villisca**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Larry Figgins	Mayor	January 2008
Rita Kasha	Council Member	January 2008
Curtis Gaunt	Council Member	January 2008
Harold Hutchinson	Council Member	January 2008
Tom McAlpin	Council Member	January 2010
Janice Phillis	Council Member	January 2010
Elinor Brown	City Clerk	Indefinite
Duane Golden	Attorney	Indefinite

**City of Villisca**

October 19, 2006

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 primary government fund and the aggregate remaining fund information of the City of Villisca, 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 Villisca'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, 2005.

Continued...

October 19, 2006  
City of Villisca  
Independent Auditors' Report

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. 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, 2005, as discussed in the preceding paragraph, the aforementioned primary government financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the primary government of the City of Villisca as of and for the year ended June 30, 2006 on the basis of accounting described in Note 1. However, the primary government financial statements, because they do not include the financial data of component units of the City of Villisca, do not purport to, and do not, present fairly the results of transactions of the City of Villisca as of and for the year ended June 30, 2006, on the basis of accounting described in Note 1.

As described in Note 14, during the year ended June 30, 2006, 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 October 19, 2006 on our consideration of the City of Villisca’s internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 on 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 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the primary government financial statements that collectively comprise the City of Villisca’s basic financial statements. The supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2005, as discussed in the fifth preceding paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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City of Villisca 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.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

### **2006 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities were approximately \$633,000. Property taxes were approximately \$216,000 and intergovernmental receipts were \$167,000.
- Disbursements were approximately \$614,000. Public safety, public works and culture and recreation were \$192,000, \$153,000 and \$118,000 respectively.
- The City's total cash basis net assets increased 7.7% or approximately \$39,000 from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities increased approximately \$18,000 and the assets of the business type activities decreased by approximately \$20,000.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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

## **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results or 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, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-side Financial Statement*

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and 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 service. 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 Local Option Sales Tax, and 3) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial 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.

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

Reconciliations between the government-wide statement and the fund financial statements allow the fund financial statements.

## 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 \$261,000 to \$280,000. 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
Receipts and transfers:		
Program receipts:		
Charges for service	\$	174
Operating grants, contributions and restricted interest		59
Capital grants, contributions and restricted interest		3
General receipts:		
Property tax		225
Local option sales tax		77
Grants and contributions not restricted to specific purpose		90
Unrestricted investment earnings		5
Total receipts and transfers		<u>633</u>
Disbursements:		
Public safety		192
Public works		152
Culture and recreation		118
Debt service		76
General government		70
Capital projects		6
Total disbursements		<u>614</u>
Increase in cash basis net assets		19
Cash basis net assets beginning of year		<u>261</u>
Cash basis net assets end of year	\$	<u>280</u>

The cost of all governmental activities this year was \$614,626. As shown in the Statement of Activities and Net Assets the amount taxpayers ultimately financed for these activities was \$378,680 because some of the cost was paid by those directly benefited from the programs (\$173,858) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$62,088). The City paid the remaining "public benefit" portion of governmental activities with approximately \$225,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)	
	Year Ended June 30, 2006
Receipts and transfers:	
Program receipts:	
Charges for service:	
Water	\$ 209
Sewer	176
General receipts:	
Unrestricted interest on investments	3
Total receipts	<u>388</u>
Disbursements and transfers:	
Water	216
Sewer	152
Total disbursements and transfers	<u>368</u>
Increase in cash basis net assets	20
Cash basis net assets beginning of year	<u>238</u>
Cash basis net assets end of year	<u>258</u>

Total business type activities receipts for the fiscal year were \$388,000. The enterprise cash balance increased from the prior year because of a rate increase implements to build a reserve for required sanitation sewer treatment plant renovations. That project is scheduled for bid letting in the spring of 2007.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As City of Villisca completed the year, its governmental funds reported a combined fund balance of \$279,866, an increase of \$18,631 above last year's total of \$261,235. The following are the major reasons for the changes in fund balances of the major funds for the prior year.

- The General Fund cash balance increased \$18,631 from the prior year to \$132,530. This increase was due to less being spent for nuisance abatement in public safety.
- The Road Use Fund cash balance increased \$5,419 to \$9,838 due to timing of projects.
- The Sewer fund increased \$26,669 to \$186,567 due to increase of rates to build the reserved for a sewer plant renovation.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment resulted in an increase in the public safety due to the purchase of a police vehicle and a pre owned fire van.

#### **DEBT ADMINISTRATION**

At June 30, 2006 the City had \$30,000 in general obligation notes compared to \$100,000 last year.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

City of Villisca'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. Some of the major items addressed in the budget included proposed street work, plans to finalize the water main replacement and a major wastewater treatment plant renovation.

When looking at the budget the City tries to hold down any increases in taxes as much as possible. We have had some growth in the community that will help increase our property tax receipts without raising the percentage.

The final payment on the general obligation bond will be paid this year, but a major wastewater treatment plant renovation is scheduled for bid letting the spring of 2007. This will be financed by a combination of revenue/general obligation bonds. The cost of operation of the new system after it is up and operating is not known at this time. That would be partially dependent on the cost of supplies and electricity.

The property tax receipts are projected to have a slight increase due to increase in valuation. The estimated tax levy is down for the 2007 budget from 15.82683% to 12.99878% largely due to the general obligation payments on the principal in 2006 reducing the debt from \$100,000 to \$30,000.

The outside work force was reduced during the year and plans are to combine billing and possible other duties with the municipal power plant office. New computer programs are being considered to increase the efficiency of the bookkeeping.

## **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 Elinor Brown, City Clerk 318 S. 3<sup>rd</sup> Ave. Villisca, Iowa 50864.

## **Basic Financial Statements**

City of Villisca  
Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2006

	Disbursements	<b>Program</b> Charges for Service
<b>Functions/Programs:</b>		
Governmental activities:		
Public safety	\$ 191,789	31,760
Public works	152,679	119,979
Culture and recreation	118,295	20,108
General government	70,053	2,011
Debt service	75,710	-
Capital projects	6,100	-
Total governmental activities	614,626	173,858
Business type activities:		
Water	215,992	208,367
Sewer	151,658	176,000
Total business type activities	367,650	384,367
 Total	\$ 982,286	558,225

**General Receipts:**

Property tax levied for:  
    General purposes  
    Debt service  
Local option sales tax  
Unrestricted interest on investments  
Miscellaneous  
Sale of assets  
    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  
    Local option sales tax  
    Capital projects  
    Debt service  
    Other purposes  
    Permanent fund  
Unrestricted

    Total cash basis net assets

See notes to financial statements

<b>Receipts</b>		<b>Net (Disbursement) Receipts and Changes in Cash Basis Net Assets</b>		
<u>Operating Grants Contributions and Restricted Interest</u>	<u>Capital Grants Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
33,458	-	(126,571)	-	(126,571)
5,717	-	(26,983)	-	(26,983)
9,735	-	(88,452)	-	(88,452)
10,362	-	(57,680)	-	(57,680)
-	-	(75,710)	-	(75,710)
-	2,816	(3,284)	-	(3,284)
<u>59,272</u>	<u>2,816</u>	<u>(378,680)</u>	<u>-</u>	<u>(378,680)</u>
-	-	-	(7,625)	(7,625)
-	-	-	24,342	24,342
-	-	-	16,717	16,717
<u>59,272</u>	<u>2,816</u>	<u>(378,680)</u>	<u>16,717</u>	<u>(361,963)</u>
		\$ 153,201	-	153,201
		71,909	-	71,909
		77,259	-	77,259
		4,923	3,302	8,225
		88,814	-	88,814
		1,205	-	1,205
		<u>397,311</u>	<u>3,302</u>	<u>400,613</u>
		18,631	20,019	38,650
		<u>261,235</u>	<u>237,683</u>	<u>498,918</u>
		<u>\$ 279,866</u>	<u>257,702</u>	<u>537,568</u>
		\$ 9,838	-	9,838
		70,994	-	70,994
		4,170	-	4,170
		213	-	213
		6,529	-	6,529
		55,527	-	55,527
		<u>132,595</u>	<u>257,702</u>	<u>390,297</u>
		<u>\$ 279,866</u>	<u>257,702</u>	<u>537,568</u>

City of Villisca  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2006

		Special Revenue	
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 128,810	-	-
Other city tax	5,403	-	77,259
Licenses and permits	2,011	-	-
Use of money and property	7,634	-	783
Intergovernmental	51,487	112,527	-
Charges for service	57,403	-	-
Miscellaneous	95,327	-	-
Total receipts	348,075	112,527	78,042
Disbursements:			
Operating:			
Public safety	173,020	-	-
Public works	45,671	107,008	-
Culture and recreation	118,295	-	-
General government	70,053	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	407,039	107,008	-
Excess (deficiency) of receipts over (under) Disbursements	(58,964)	5,519	78,042
Other financing sources:			
Operating transfers in	74,603	-	-
Operating transfers out	-	-	(78,603)
Total other financing sources (uses)	74,603	-	(78,603)
Net change in cash balances	15,639	5,519	(561)
Cash balances, beginning of year	116,956	4,319	71,555
Cash balances, end of year	\$ 132,595	9,838	70,994
<b>Cash Basis Fund Balances</b>			
Reserved:			
Debt service	\$ -	-	-
Unreserved:			
General fund	132,595	-	-
Special revenue funds	-	9,838	70,994
Capital projects fund	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	\$ 132,595	9,838	70,994

See notes to financial statements

**Exhibit B**

Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
	69,014	18,223	216,047
	2,895	765	86,322
-	-	-	2,011
16	-	-	8,433
2,800	-	-	166,814
-	-	-	57,403
-	-	900	96,227
<u>2,816</u>	<u>71,909</u>	<u>19,888</u>	<u>633,257</u>
-	-	18,769	191,789
-	-	-	152,679
-	-	-	118,295
-	-	-	70,053
-	75,710	-	75,710
6,100	-	-	6,100
<u>6,100</u>	<u>75,710</u>	<u>18,769</u>	<u>614,626</u>
(3,284)	(3,801)	1,119	18,631
-	4,000	-	78,603
-	-	-	(78,603)
-	<u>4,000</u>	-	-
(3,284)	199	1,119	18,631
<u>7,454</u>	<u>14</u>	<u>60,937</u>	<u>261,235</u>
<u>4,170</u>	<u>213</u>	<u>62,056</u>	<u>279,866</u>
-	213	-	213
-	-	-	132,595
-	-	6,529	87,361
4,170	-	-	4,170
-	-	55,527	55,527
<u>4,170</u>	<u>213</u>	<u>62,056</u>	<u>279,866</u>

City of Villisca  
 Reconciliation of the Statement of Cash Receipts,  
 Disbursements and Changes in Cash Balances to the  
 Statement of Activities and Net Assets -  
 Governmental Funds  
 As of and for the year ended June 30, 2006

<b>Total governmental funds cash balances</b>	\$	279,866
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*Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:*

None		-
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<b>Cash basis net assets of governmental activities</b>	\$	279,866
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<b>Net change in cash balances</b>	\$	18,631
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*Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:*

None		-
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<b>Change in cash balance of governmental activities</b>	\$	18,631
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City of Villisca  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2006

	<b>Enterprise Funds</b>			<b>Internal Service Fund</b>
	Water	Sewer	Total	Payroll Revolving
Operating receipts:				
Use of money and property	\$ 975	2,327	3,302	-
Charges for service	204,242	176,000	380,242	-
Miscellaneous	4,125	-	4,125	292,299
Total operating receipts	209,342	178,327	387,669	292,299
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	65,251
Public works	-	-	-	56,468
Culture and recreation	-	-	-	35,199
General government	-	-	-	23,076
Business type activities	215,992	151,658	367,650	112,305
Total operating disbursements	215,992	151,658	367,650	292,299
Net change in cash balances	(6,650)	26,669	20,019	-
Cash balances, beginning of year	77,785	159,898	237,683	-
Cash balances, end of year	\$ 71,135	186,567	257,702	-
 <b>Cash Basis Fund Balances</b>				
Unreserved	\$ 71,135	186,567	257,702	-
Total cash basis fund balances	\$ 71,135	186,567	257,702	-

See notes to financial statements

City of Villisca  
 Reconciliation of the Statement of Cash Receipts,  
 Disbursements and Changes in Cash Balances to the  
 Statement of Activities and Net Assets -  
 Proprietary Funds  
 As of and for the year ended June 30, 2006

<b>Total enterprise funds cash balances</b>	\$	257,702
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*Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:*

None		-
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<b>Cash basis net assets of business type activities</b>	\$	257,702
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<b>Net change in cash balances</b>	\$	20,019
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*Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:*

None		-
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<b>Change in cash balance of business type activities</b>	\$	20,019
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**City of Villisca**

City of Villisca  
Notes to Financial Statements  
June 30, 2006

**NOTE (1) Summary of Significant Accounting Policies**

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

A. Reporting Entity

These financial statements include only the financial activities of the City of Villisca, primary government. A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. Financial activities of other component units that form the reporting entity are not included.

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: Montgomery County Assessor's Conference Board, and Montgomery County Development Board.

B. Basis of Presentation

Government-wide Financial Statements - 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 services.

City of Villisca  
Notes to Financial Statements  
June 30, 2006

**NOTE (1) Summary of Significant Accounting Policies - Continued**

B. Basis of Presentation - Continued

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

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

City of Villisca  
Notes to Financial Statements  
June 30, 2006

**NOTE (1) Summary of Significant Accounting Policies - Continued**

B. Basis of Presentation - Continued

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 that are not paid from other funds.

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for receipts from tax authorized by referendum and used for community betterment projects.

The Capital Project Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through enterprise funds.

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

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 Villisca 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.

City of Villisca  
Notes to Financial Statements  
June 30, 2006

**NOTE (1) Summary of Significant Accounting Policies – Continued**

C. Measurement Focus and Basis of Accounting – Continued

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, 2006, disbursements exceeded the amounts budgeted in the public safety and capital project functions.

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2004, to compute the amounts which became liens on property on July 1, 2005. These taxes were due and payable in two installments on September 30, 2005 and March 31, 2006, at the Montgomery County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

**NOTE (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.

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.

City of Villisca  
Notes to Financial Statements  
June 30, 2006

**NOTE (2) Cash and Pooled Investments - Continued**

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$537,568.

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.

**NOTE (3) Bonds and Notes Payable**

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

Year Ending June 30,	<b>General Obligation Bonds</b>	
	Principal	Interest
2007	\$ <u>30,000</u>	<u>1,560</u>

The City has a legal debt limit of approximately \$700,000, which was not exceeded during the year ended June 30, 2006.

**NOTE (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. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2006 was \$17,144, equal to the required contribution for the year.

City of Villisca  
Notes to Financial Statements  
June 30, 2006

**NOTE (5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation benefits payable to employees at June 30, 2006, primarily relating to the General Fund was \$11,853. This liability has been computed based on rates of pay in effect at June 30, 2006.

**NOTE (6) Interfund Transfers**

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

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 74,603
Debt Service	Special Revenue: Local Option Sales Tax	<u>4,000</u>
Total		<u>\$ 78,603</u>

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

**NOTE (7) Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

City of Villisca  
Notes to Financial Statements  
June 30, 2006

**NOTE (7) Risk Management – Continued**

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2006 were \$33,640.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

City of Villisca  
Notes to Financial Statements  
June 30, 2006

**NOTE (8) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$1,450 during the year ended June 30, 2006.

**NOTE (9) Accounting Change and Restatements**

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, 2006. 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.

The government-wide financial statement reports the City’s governmental and business type activities. The accounting change had no effect on beginning net assets.

**Required Supplementary Information**

City of Villisca  
 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
	<u>        </u>	<u>        </u>
Receipts:		
Property tax	\$ 216,047	-
Other city tax	86,322	-
Licenses and permits	2,011	-
Use of money and property	8,433	2,868
Intergovernmental	166,814	-
Charges for service	57,403	380,676
Miscellaneous	96,227	4,125
Total receipts	<u>633,257</u>	<u>387,669</u>
Disbursements:		
Public safety	191,789	-
Public works	152,679	-
Culture and recreation	118,295	-
Community and economic development	-	-
General government	70,053	-
Debt service	75,710	-
Capital projects	6,100	-
Business type activities	-	367,650
Total disbursements	<u>614,626</u>	<u>367,650</u>
Excess (deficiency) of receipts over (under) disbursements	18,631	20,019
Other financing sources, net	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	18,631	20,019
Balances, beginning of year	<u>261,235</u>	<u>237,683</u>
Balances, end of year	<u>\$ 279,866</u>	<u>257,702</u>

See accompanying notes to financial statement

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
216,047	231,800	231,800	(15,753)
86,322	91,804	91,804	(5,482)
2,011	2,500	2,500	(489)
11,301	2,000	2,000	9,301
166,814	658,000	658,000	(491,186)
438,079	452,650	452,650	(14,571)
100,352	55,000	55,000	45,352
<u>1,020,926</u>	<u>1,493,754</u>	<u>1,493,754</u>	<u>(472,828)</u>
191,789	157,000	188,603	(3,186)
152,679	236,900	236,900	84,221
118,295	158,003	158,003	39,708
-	500	500	500
70,053	148,800	148,800	78,747
75,710	75,710	75,710	-
6,100	-	-	(6,100)
<u>367,650</u>	<u>2,160,000</u>	<u>2,160,000</u>	<u>1,792,350</u>
<u>982,276</u>	<u>2,936,913</u>	<u>2,968,516</u>	<u>1,986,240</u>
38,650	(1,443,159)	(1,474,762)	1,513,412
-	1,300,000	1,300,000	(1,300,000)
38,650	(143,159)	(174,762)	213,412
<u>498,918</u>	<u>540,094</u>	<u>540,094</u>	<u>(41,176)</u>
<u>537,568</u>	<u>396,935</u>	<u>365,332</u>	<u>172,236</u>

City of Villisca  
Notes to Required Supplementary Information – Budgetary Reporting  
June 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board (GASB) 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 is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, culture and recreation, community and economic development, general government, capital projects, debt service and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$31,603. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public safety and capital project functions.

**Other Supplementary Information**

City of Villisca  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds  
As of and for the year ended June 30, 2006

	<u>Special Revenue</u> <u>Employee</u> <u>Benefits</u>	<u>Permanent</u> <u>Cemetery</u> <u>Perpetual Care</u>	<u>Total</u>
Receipts:			
Property tax	\$ 18,223	-	18,223
Other city tax	765	-	765
Miscellaneous	-	900	900
Total receipts	<u>18,988</u>	<u>900</u>	<u>19,888</u>
Disbursements:			
Operating:			
Public safety	18,769	-	18,769
Total disbursements	<u>18,769</u>	<u>-</u>	<u>18,769</u>
Net change in cash balances	219	900	1,119
Cash balances, beginning of year	<u>6,310</u>	<u>54,627</u>	<u>60,937</u>
Cash balances, end of year	<u>\$ 6,529</u>	<u>55,527</u>	<u>62,056</u>

**Cash Basis Fund Balances**

Unreserved:			
Special revenue funds	\$ 6,529	-	6,529
Permanent fund	-	55,527	55,527
	<u>\$ 6,529</u>	<u>55,527</u>	<u>62,056</u>

See accompanying independent auditors' report

City of Villisca  
Schedule of Indebtedness  
June 30, 2006

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Water Improvements	Sep 1, 1999	5.10 – 5.20 %	\$ 100,000
Building Demolition	Mar 1, 1998	4.70 %	160,000
Total			

See accompanying independent auditors' report

**Schedule 2**

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 45,000	-	15,000	30,000	2,325	-
<u>55,000</u>	<u>-</u>	<u>55,000</u>	<u>-</u>	<u>2,585</u>	<u>-</u>
<u>\$ 100,000</u>	<u>-</u>	<u>70,000</u>	<u>30,000</u>	<u>4,910</u>	<u>-</u>

City of Villisca  
 Bond and Note Maturities  
 June 30, 2006

Year Ending June 30,	<b>General Obligation Bonds</b>		
	Water Improvement Issued Mar 1, 1999		
	Interest Rates	Amount	Total
2007	5.20 %	\$ 30,000	\$ 30,000

See accompanying independent auditors' report

**City of Villisca**

October 19, 2006

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 primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Villisca, 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 October 19, 2006. Our report expressed a qualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting as we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2005. Except as noted in the Independent Auditors' 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 Villisca'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 a certain matter involving the internal control over financial reporting and its operation that we consider to be reportable condition. 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 the City of Villisca's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in Part I of the accompanying Schedule of Findings.

Continued...

City of Villisca  
Report on Internal Control

A material weakness is a 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 described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Villisca'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 that are described in Part II of the accompanying Schedule of Findings.

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.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Villisca 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.

City of Villisca  
Schedule of Findings  
Year ended June 30, 2006

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

I-A-06     Records of Accounts – The City maintains several checking accounts established for various City improvements and activities. The transactions and the resulting balances of these accounts are not recorded in the Clerk’s records. Chapter 384.20 of the Code of Iowa states in part that “a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.”

Recommendation – For better accountability, financial and budgetary control, and for the City Council’s awareness, the financial activity and balances of all City accounts should be recorded in the Clerk’s records and included on the City’s Annual Report to the State.

Response – We will attempt to comply with the recommendations and include all City accounts in our records.

Conclusion – Response acknowledged.

City of Villisca  
 Schedule of Findings  
 Year ended June 30, 2006

**Part II: Other Findings Related to Statutory Reporting:**

II-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the public safety and capital project functions. 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 sufficiently 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 sufficiently amended in the future, if applicable.

Conclusion – Response accepted.

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Larry Figgins, Mayor Employee of Villisca Elevator	Supplies	\$ 1,183
Rita Kasha, Council Member spouse of owner of Kasha Garage	Repairs	267

In accordance with Chapter 362.5(10) of the Code of Iowa, the above transactions with the Mayor and a Council Member do not appear to represent a conflict of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

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.

II-G-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.

City of Villisca  
Schedule of Findings  
Year ended June 30, 2006

**Part II: Other Findings Related to Statutory Reporting:**

II-H-06      Revenue Notes – The City has no revenue debt.

II-I-06      Excess Balances – The cash balance in the Enterprise Fund, Sewer account at June 30, 2006 was in excess of the disbursements made from the fund during the year.

Recommendation – The City should consider the necessity of maintaining the excess balance, and where financially feasible, consider reducing the balance in an orderly manner through revenue reductions.

Response – We are accumulating funds in the Sewer account to finance a future sewer improvement project.

Conclusion – Response accepted.

II-J-06      Use of Local Option Sales Tax Receipts – The City expended local option sales tax receipts in a manner that may not meet the criteria established by the ballot authorizing the local option tax.

Recommendation – The City should review the criteria established by the ballot and document how all expenditures meet that criteria.

Response – We will do this.

Conclusion – Response accepted.

# **NEWS RELEASE**

SCHROER & ASSOCIATES, P.C. today released an audit report on the City of Villisca, Iowa.

The City has implemented new reporting standards for the year ended June 30, 2006, 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 \$1,020,926 for the year ended June 30, 2006. The receipts included \$225,110 in property tax, \$558,225 from charges for service, \$59,272 from operating grants, contributions and restricted interest, \$2,816 from capital grants, contributions and restricted interest, \$77,259 from local option sales tax, \$8,225 from unrestricted investment earnings and \$90,019 from other general receipts.

Disbursements for the year totaled \$982,276, and included \$191,789 for public safety, \$152,679 for public works, and \$118,295 for culture and recreation. Also, disbursements for business type activities totaled \$367,650.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

November 16, 2006

Elinor  
City of Villisca  
318 S. 3<sup>rd</sup> Avenue  
Villisca, IA 50864

Dear Elinor:

Enclosed is a draft copy of the audit for the City of Villisca. Please review and let me know if we need to make any changes.

We will still need to insert the MD & A when you get it completed.

Please call me with questions.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Barbara Mass  
Shareholder

BM  
Enc.

December 5, 2006

David Vaudt  
Office of State Auditor  
State Capitol Building  
Des Moines, IA 50319

Dear Sir:

We have enclosed for your records the following information regarding the audit of the City of Villisca for the year ended June 30, 2006.

- 1 copy of the audit report
- 1 copy of the news release
- 1 copy of the number of hours worked
- 1 copy of the invoice

Sincerely,

SCHROER & ASSOCIATES, P.C.

Barbara Mass  
Shareholder

BM/sh  
Enc.

City of Villisca

Hours Worked: 47.75

December 5, 2006

Elinor Brown  
City of Villisca  
318 S. 3<sup>rd</sup> Avenue  
Villisca, IA 50864

Dear Elinor:

We have filed the required copy of your audit report with the Office of Auditor of State. A filing fee is required to be paid based on your final amended budget according to the following schedule:

<u>Budgeted Expenditures (In millions of dollars)</u>	<u>Fee Amount</u>
Under 1	\$100.00
At least 1, but less than 3	\$175.00
At least 3, but less than 5	\$250.00
At least 5, but less than 10	\$425.00
At least 10, but less than 25	\$625.00
25 and over	\$850.00

You are required to send the appropriate filing fee. The check should be made payable to "Auditor of State" and mailed to Office of Auditor of State, State Capitol Building, Des Moines, IA 50319-0004.

If you have any questions, please do not hesitate to call me at 712-322-8734.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Barbara Mass  
Shareholder

BM/sh

