

**BREMER-WAVERLY LAW ENFORCEMENT BOARD**

**Independent Auditor's Report  
Financial Statements  
Auditor's Report on Compliance  
& Internal Control**

**June 30, 2007 & 2006**

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BREMER-WAVERLY LAW ENFORCEMENT BOARD

BOARD OF DIRECTORS

At June 30, 2007

**VOTING MEMBERS:**

Gaylord Hinderaker	Chairman	Member-Bremer County Board of Supervisors
Gary Boorum	Vice-Chairman	Member-Waverly City Council
Herb Clemen	Board Member	Member-at-Large (effective January 1, 2007)
Daryl Behnke	Board Member	Member-at-Large (thru December 31, 2006)
Steve Reuter	Board Member	Member-Bremer County Board of Supervisors
Fred Ribich	Board Member	Member-Waverly City Council

**NON-VOTING ADVISORY MEMBERS:**

Duane Hildebrandt	Secretary/Treasurer	Bremer County Sheriff
Richard Pursell	Advisory Member	Waverly Chief of Police

## Independent Auditor's Report

To the Board of Directors  
Bremer-Waverly Law Enforcement Board

I have audited the accompanying financial statements of the governmental activities which comprise the Board's basic financial statements listed as exhibits in the table of contents of this report, of the Bremer-Waverly Law Enforcement Board as of June 30, 2007 and for the years ended June 30, 2007 and 2006. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audits.

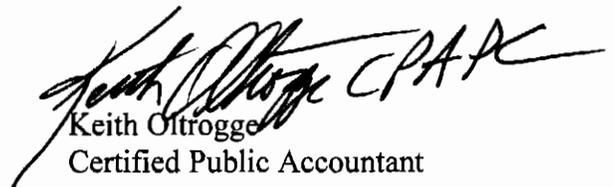
I conducted my audits in accordance with U.S. generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements 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. I believe that my audits provide a reasonable basis for my opinion.

The Organization has not maintained a record of its general fixed assets at cost and, accordingly, a statement of general fixed assets at cost, required by U.S. generally accepted accounting principles, is not included. Also, as described in Note 1, the Organization's financial statements are prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly in all material respects except for fixed asset balances, the respective cash basis financial position of the governmental activities and the major fund of the Bremer-Waverly Law Enforcement Board at June 30, 2007, and the respective changes in cash basis financial position for the years ended June 30, 2007 and 2006 on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated September 21, 2007 on my consideration of Bremer-Waverly Law Enforcement Board's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 7 and 13 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

  
Keith Oltrogge  
Certified Public Accountant

September 21, 2007

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

Bremer-Waverly Law Enforcement Board provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the Board's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- Revenues of the Board's governmental activities increased 12%, or approximately \$20,191, from fiscal 2006 to fiscal 2007. Bremer County support increased approximately \$9,800 and City of Waverly support increased approximately \$9,800.
- Disbursements increased 46%, or approximately \$58,024, in fiscal 2007 from fiscal 2006. Equipment maintenance increased by \$25,000 and contract labor increased by \$28,000, approximately.
- The Board's total cash basis net assets decreased 2%, or approximately \$1,800, from June 30, 2006 to June 30, 2007.

### **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 Board'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 Board as a whole and presents an overall view of the Board's finances.

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 Board's budget for the year.

## **Basis of Accounting**

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

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

### *Government-wide Financial Statement*

One of the most important questions asked about the Board's finances is, "Is the Board 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 Board's net assets. Over time, increases or decreases in the Board's net assets may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The Statement of Activities and Net Assets is from one activity:

- Governmental Activities include public safety, general government, and capital projects. County and City grants finance most of these activities.

### *Fund Financial Statements*

The Board has one fund:

- A governmental general fund accounts for all of the Board's basic services. This fund focuses on how money flows into and out of the fund, and the balance at year-end that is available for spending. The governmental fund is the General Fund. The governmental fund financial statements provide a detailed, short-term view of the Board'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 Board's programs.

The required financial statements for governmental 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 Board's cash balance decreased from a year ago, decreasing from \$116,141 to \$114,303. The analysis that follows focuses on the changes in cash balances.

	<u>Changes in Cash Basis Net Assets</u>	
	<u>Year Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Receipts	\$ 182,482	\$ 162,291
Disbursements	\$ 184,320	\$ 126,296
Increase (decrease) in cash basis net assets	\$ -1,838	\$ 35,995
Cash basis net assets beginning of year	<u>116,141</u>	<u>80,146</u>
Cash Basis Net Assets End of Year	<u>\$ 114,303</u>	<u>\$ 116,141</u>

The Board's total receipts increased by 12%, or \$20,191. The total cost of all services increased by \$58,024, or 46%. The Law Center Building construction project was finished last year. The increase in expenses was primarily the result of a increased contract labor and maintenance and support agreements now in place for security systems and software for a fully operational law center.

## NEXT YEAR'S BUDGET

The Bremer-Waverly Law Enforcement Board expects revenues from the City of Waverly and Bremer County to be similar to this year. Revenues and expenditures are expected to increase approximately 15% or \$27,000. If these estimates are realized, the Board's cash balance is expected to remain approximately the same by year-end June 30, 2008.

## **CONTACTING THE BOARD'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Duane Hildebrandt, Bremer County Sheriff, 111 4<sup>th</sup> Street NE, Waverly IA 50677.

BREMER-WAVERLY LAW ENFORCEMENT BOARD  
Waverly, Iowa

STATEMENT OF ACTIVITIES AND NET ASSETS-CASH BASIS  
At June 30, 2007

Functions/Programs	Disburse- ments	Program Receipts		Net
		Charges For Services	Operating Grants	
Governmental Activities:				
Public Safety	\$ 184,320	\$ 2,261	\$ 180,221	\$ -1,838
Cash Basis Net Assets-Beginning of Year-Unrestricted				<u>116,141</u>
Cash Basis Net Assets-End of Year- Unrestricted				<u>\$ 114,303</u>

The accompanying notes to the financial statements are an integral part of this exhibit.

BREMER-WAVERLY LAW ENFORCEMENT BOARD  
Waverly, Iowa

STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH  
BALANCES ARISING FROM CASH TRANSACTIONS  
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Receipts:		
Operating Grants:		
Bremer County	\$ 122,181	\$ 112,363
City of Waverly	58,040	48,156
Charges for Services:		
Drivers Records and Miscellaneous	2,261	1,772
	<u>182,482</u>	<u>162,291</u>
Total Receipts	\$	\$
Disbursements:		
Public Safety:		
Supplies - Custodial	\$ 6,177	\$ 5,082
Office Supplies & Postage	3,200	3,812
Telephone	11,788	12,748
Utilities	47,887	43,420
Repairs & Maintenance	31,626	6,534
Insurance	9,063	10,116
Audit Fee	1,100	1,050
Miscellaneous	405	192
Equipment Purchased	5,928	4,790
Contract Labor & Benefits	59,930	31,805
Computer Support	7,216	6,747
	<u>184,320</u>	<u>126,296</u>
Total Disbursements	\$	\$
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ -1,838	\$ 35,995
Cash Balance-Beginning of Year	116,141	80,146
	<u>114,303</u>	<u>116,141</u>
Cash Balance-End of Year	\$	\$

The accompanying notes to the financial statements are an integral part of this exhibit.

BREMER-WAVERLY LAW ENFORCEMENT BOARD  
Waverly, Iowa

NOTES TO FINANCIAL STATEMENTS  
June 30, 2007 and 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The Law Enforcement Board is a non-profit organization established as the owner and caretaker of the Bremer-Waverly Law Center Building as a joint undertaking of Bremer County and the City of Waverly as authorized by Chapter 28E of the Code of Iowa. The Law Center Building was reconstructed in 2005 and 2006, at a cost of \$3.7 million. Cost of reconstruction was funded by local option sales tax revenue bonds being administered by Bremer County. Bond activity and repayment is reflected at the County level.

The Law Enforcement Board is exempt from income tax under the Internal Revenue Code and the Iowa income tax law, which provide tax exemption for governmental entities.

B. Basis of Presentation

Government-wide Financial Statements-The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the Board. For the most part, the effect of inter-fund activity has been removed from this statement.

The Statement of Activities and Net Assets presents the Board's non-fiduciary 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. Other items not included among program receipts are reported instead as general receipts.

BREMER-WAVERLY LAW ENFORCEMENT BOARD  
Waverly, Iowa

NOTES TO FINANCIAL STATEMENTS  
June 30, 2007 and 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fund Financial Statements-Separate financial statements are provided for governmental funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Board reports the following major governmental fund:

The General Fund is the general operating fund of the Board. All receipts are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs.

C. Measurement Focus and Basis of Accounting

Basis of accounting refers to when receipts and disbursements are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Bremer-Waverly Law Enforcement Board maintains its financial records on the cash 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 such funds in accordance with U.S. generally accepted accounting principles.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**NOTE 2 – RELATED PARTIES**

The Bremer-Waverly Law Enforcement Board establishes an operating budget each year for the Law Center Building operating expenses. The City of Waverly and Bremer County share the operating expenses. The City of Waverly pays approximately 30% of the budget and Bremer County pays approximately 70% of the budget for the Law Center Building. Two City Council members and two County Board of Supervisors members are members of the Law Enforcement Board's Board of Directors.

BREMER-WAVERLY LAW ENFORCEMENT BOARD  
Waverly, Iowa

NOTES TO FINANCIAL STATEMENTS  
June 30, 2007 and 2006

**NOTE 3 – CONCENTRATION OF CREDIT RISK**

The Law Enforcement Board's deposits at June 30, 2007 exceeded federally insured limits by \$14,303. The Board believes it is not exposed to any significant credit risk on cash.

**NOTE 4 – RISK MANAGEMENT**

The Bremer-Waverly Law Enforcement Board 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

BREMER-WAVERLY LAW ENFORCEMENT BOARD  
Waverly, Iowa

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCE  
Year Ended June 30, 2007

	2007 Actual	2007 Budgeted Amounts	Net Variance	Actual % Of Budget
Receipts	\$ 182,482	\$ 180,220	\$ 1,262	101%
Disbursements:				
Support Services-Administration:				
Supplies	\$ 6,177	\$ 6,000	\$ -177	103%
Office Supplies & Postage	3,200	5,425	2,225	59%
Telephone	11,788	15,000	3,212	79%
Utilities	47,887	42,000	-5,887	114%
Repairs & Maintenance	31,626	25,751	-5,875	123%
Insurance	9,063	10,900	1,837	83%
Audit Fee	1,100	950	-150	116%
Miscellaneous	405	1,124	719	36%
Equipment Purchased	5,928	4,950	-978	120%
Contract Labor	59,930	61,370	1,440	98%
Computer Support	7,216	6,750	-466	107%
Total Disbursements	<u>\$ 184,320</u>	<u>\$ 180,220</u>	<u>\$ -4,100</u>	102%
Excess (Deficiency) of Receipts Over (Under)Disbursements	\$ -1,838	<u>\$ -</u>	<u>\$ -1,838</u>	
Balance Beginning of Year	<u>116,141</u>			
Balance End of Year	<u>\$ 114,303</u>			

Notes to Required Supplementary Information-Budgetary Reporting. The Law Enforcement Board annually adopts a budget on the cash basis, which is submitted to the City of Waverly and Bremer County for their funding approvals.

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

To the Board of Directors  
Bremer-Waverly Law Enforcement Board

I have audited the accompanying financial statements of the governmental activities and the major fund of the Bremer-Waverly Law Enforcement Board as of and for the year ended June 30, 2007, which collectively comprise the Board's basic financial statements listed in the table of contents and have issued my report thereon dated September 21, 2007. My report expressed qualified opinions on the financial statements due to the omission of fixed assets, which were prepared in conformity with an other comprehensive basis of accounting. I conducted my 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 my audit, I considered the Bremer-Waverly Law Enforcement Board's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the Bremer-Waverly Law Enforcement Board's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Bremer-Waverly Law Enforcement Board's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Bremer-Waverly Law Enforcement Board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Bremer-Waverly Law Enforcement Board's financial statements that is more than inconsequential will not be prevented or detected by the Bremer-Waverly Law Enforcement Board's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Bremer-Waverly Law Enforcement Board's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bremer-Waverly Law Enforcement Board's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Bremer County and the City of Waverly and other parties to whom the Bremer-Waverly Law Enforcement Board 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.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the Bremer-Waverly Law Enforcement Board during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

  
Keith Oltrogge  
Certified Public Accountant

September 21, 2007