

CITY OF KEOKUK

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

JUNE 30, 2007

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CITY OF KEOKUK, IOWA

CITY OFFICIALS

June 30, 2007

<u>Name</u>	<u>Title</u>	<u>Term</u>
David A. Gudgel	Mayor	12/31/2007
Susan Dunek	Mayor Pro-tem	12/31/2009
Douglas Matlick	Council Member - At Large	12/31/2009
William Olmsted	Council Member - At Large	12/31/2007
Michael O'Connor	Council Member - Ward 1	12/31/2009
Scott Nichols	Council Member - Ward 2	12/31/2007
Michael Baum	Council Member - Ward 3	12/31/2009
Roger Bryant	Council Member - Ward 4	12/31/2007
Justin Tuck	Council Member - Ward 5	12/31/2009
Gary Stepp	Council Member - Ward 6	12/31/2007
Susan Dunek	Council Member - Ward 7	12/31/2009
Mark Wessel	Fire Chief	12/31/2007
Thomas Crew	Police Chief	12/31/2007
Donna Eilers	City Clerk	12/31/2007
Shirlee Laubersheimer	Assistant City Clerk	12/31/2007
Gordon Blankenship	City Treasurer	12/31/2007
Tom Marion	City Attorney	12/31/2007
Charles Pietscher	Water Pollution Control Superintendent	
Nate Buckner	Sanitation Manager	
Jeffrey Riter	Streets & Vehicle Maint. Manager	
Carl Lawson	Pretreatment Operations Manager & Sewer Department Supervisor	
Richard Blood	Water Pollution Control Chief Operator	
Vacant	Public Works Director	

City of Keokuk

JOHN A. RUSSELL, CPA PC
Certified Public Accountant

1013 Concert Street
Keokuk, IA 52632

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FAX: 319-524-8557

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Keokuk, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Keokuk's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 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 U.S. generally accepted accounting principles.

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 Keokuk As of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 6, 2008 on our consideration of the City of Keokuk's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 14 and 32 through 35 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 required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Keokuk'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 four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


JOHN A. RUSSELL, CPA PC

February 6, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Keokuk's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the City's financial statements that begin on Page 16.

FINANCIAL HIGHLIGHTS

- The City's total receipts surpassed total disbursements by \$4,680,763 for the year resulting in a net increase of total cash balances of 47.9 percent over the previous year. Total governmental activities increased by \$2,790,394. This increase is attributable to an increase in proceeds of long-term debt. Business type activities increased by \$1,890,369 as a result of unexpended debt proceeds.
- The City received local, state and federal grants in the amount of \$525,631.
- The City's General Fund ended the year with a cash balance of \$325,220, which represents a 1.2% increase in the balance of the Fund.
- The City of Keokuk continues to work with the Keokuk Habitat for Humanity to provide assistance in the construction of affordable housing. Keokuk also will be in receipt of monies through Southeast Iowa Regional Planning for restoration of homes in blighted areas, site specific, which has and will increase residential valuation and pride for our Keokuk citizens.
- In FY 2006-2007 the City of Keokuk, in the public safety sector, bonded for two (2) new police cars as well as one new fire truck for a total of \$1,184,503. Keokuk also expended monies to replace doors and a front driveway to our existing fire station facility for a total of \$32,384.50.
- In the area of waste treatment and storm water and sewer separation the City of Keokuk expended \$90,670 for professional services as well as \$236,262.71 for a digester and filter press project and an additional \$396,105.51 for parts and labor updating and retrofitting our waste treatment facility along with an additional \$350,000 coming from infrastructure funds which involved the aforementioned filter press, two (2) new pumps, one (1) new screw conveyor, replacement of heating and mixing equipment, new boiler, increasing the door width in the filter press facility, the removal of the motor control center and the installation of all new electrical wiring for the belt filter press.
- The City of Keokuk also budgeted and spent \$230,000 for our Bank Street Lift station as it pertains to storm and sewer water of which the aforementioned monies were derived from the Sewer Reserve Fund. In conjunction with this project an additional \$189,080.99 was expended for engineering and professional/construction fees.
- Leachate Control expenses incurred was \$69,269.42.

- Keokuk is pleased to have completed Phase 3 of our extensive Main Street reconstruction project for a total of \$356,254.17. The entire project consists of approximately 33 blocks of either street and/or sidewalk improvements including period lighting. Only two blocks remain of this overall project with hopes to complete such in the summer of 2008.
- In an area we call Joyce Park subdivision, Keokuk expended \$41,690.98 for work on lighting, road and storm sewer infrastructure.
- Using 2006 GO bonds, the City of Keokuk expended \$417,574.48 for residential High Street reconstruction.
- Needed constructional repair was necessary at our Keokuk City Hall of which (40%) infrastructure monies totaling \$7,000 along with an additional \$338 were expended for the replacement of windows.
- The City of Keokuk is very proud of our Municipal Airport and in FY 2006-2007 Keokuk received State grants totaling \$50,644 with a 15% local match for building rehabilitation. Also a Federal grant was received in the amount of \$1,045,000 for fencing and taxi lane reconstruction that necessitated a 5% local match.
- During FY 2006-2007 Keokuk received preliminary word that it will be the proposed site for a wind turbine tower facility. This facility, if built, will employ a minimum of 350 employees and will provide a significant boost to our local economy.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Government Accounting Standards Board (GASB) Statement No. 34. GASB 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's financial report.

Report Components

This annual report consists of five parts, as follows:

Government-wide Financial Statements: The Statement of Activities and Changes in Cash Balances (pages 17 -18) provide information about the activities of the City government-wide (or "as a whole") and present an overall view of the City's finances.

Fund Financial Statements: Fund financial statements (starting on Page 19) focus on the individual parts of the City government. Fund financial statements also report on the City's operations in more detail than the government-wide statements by providing information about the City's most significant ("major") funds. For *government activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary activities*, these statements offer short-term and long-term financial information about the activities the City operates like business, such as the sewer, sanitation and bridge services.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Information: The Management Discussion and Analysis and the General Funds Budgetary Comparison Schedule (starting on page 32) represent financial information required to be presented by the GASB. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements and notes (referred to as the 'basic financial statements').

Other Supplementary Information: This part of the annual report (starting on page 36) includes optional financial information such as combining statements for non-major funds (which are added together and shown in the fund financial statements in a single column), a schedule of federal and state awards, and schedules of compliance with certain debt covenants. This other supplemental financial information is provided to address certain specific needs of various users of the City's financial report.

Basis of Accounting

The City has elected to present its financial statements on a cash basis for accounting. This cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the city's cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions.

Reporting the City as a Whole

The Statement of Activities and Changes in Cash Balance presents information showing how the City's cash balance changed during the most recent fiscal year.

The City's governmental activities are displayed in the Statement of Activities and Changes in Cash Balance. 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.

The business-type activities of the City include the sewer, garbage and bridge systems. These activities are financed primarily by user charges.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Changes in Cash Balances

For the year ended June 30, 2007, net assets of the primary government changed as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Beginning Cash Balance	4,365,892	5,405,820	9,771,712
Increase in Cash Balance	2,790,394	1,890,369	4,680,763
Ending Cash Balance	7,156,286	7,296,189	14,452,475

This represents an increase of 47.9% in total activities, an increase of 63.9% for government activities and a 35.0 % decrease for business-type activities.

Reporting the City's Most Significant Funds

The Fund Financial Statements

The analysis of the City's major funds begin on Page 19 and provide detailed information about the most significant funds; not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other money.

The City has two kinds of funds:

Governmental funds account for most of the City's basic services. They focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax, Local Option Tax and Employee Benefit, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Other Non-major Governmental Funds. Governmental funds are reported on the basis of cash receipts and disbursements. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Financial records and reports are prepared on the basis of when cash is received and disbursed. The government fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Proprietary funds account for the City's Enterprise Funds and for the Internal Service Funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide statement of activities and changes in cash balance. The City maintains three enterprise funds to provide separate information for the sewer fund, solid waste fund and bridge fund, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The Internal Service Fund utilized by the City accounts for retirees, Keokuk Municipal Waterworks and Low Rent Housing group health insurance.

Permanent funds represent the fiduciary funds being held for our Oakland Cemetery's perpetual care.

Governmental Activities

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year the cash balance of the General Fund was \$325,220, an increase of \$3,874 from the prior year.
- The Road Use Tax fund cash balance decreased by \$97,069 to \$347,546 during the fiscal year. This occurred due to increased spending.
- The Local Option Sales Tax Fund cash balance increased by \$242,291 to \$1,426,069 during the fiscal year. This occurred to reserving funds for capital projects.
- The Capital Projects Fund increased by \$2,234,436 to \$2,558,214 due to unspent bond proceeds for pending capital projects.

Changes in Cash Basis Net Assets of Governmental Activities

	Year Ending June 30,	
	2007	2006
Receipts and Transfers:		
Program Receipts:		
Charges for Service and Sales	320,121	332,365
Operating Grants, Contributions and Restricted Interest	1,475,812	1,459,413
Capital Grants, Contributions and Restricted Interest	323,503	1,525,650
General Receipts:		
Property Tax Levied For:		
General Purposes	2,959,405	2,698,526
Tax Increment Financial	428,735	281,426
Debt Service	302,569	281,284
Local Option Sales Tax	1,175,031	1,046,501
Utility Excise Tax	755,064	703,131
Riverboat Gaming Tax	265,685	296,075
Hotel/Motel Taxes	228,530	207,803
Grants and Contributions Not Restricted To Specific Purposes	100,000	200,000
Unrestricted Investment Earnings	456,054	238,118
Sales of Property	331,605	246,793
Bond and Loan Proceeds	4,246,253	444,536
Transfers	-47,898	2,063
Total Receipts and Transfers	13,320,469	9,963,684
Disbursements:		
Public Safety	4,979,361	3,860,577
Public Works	1,370,174	1,368,488
Culture and Recreation	1,068,751	1,561,100
Community and Economic Development	369,692	155,532
General Government	493,278	524,435
Debt Service	916,686	788,247
Capital Projects	1,332,133	1,250,768
Total Disbursements	10,530,075	9,509,147
Increase/Decrease in Cash Basis Net Assets	2,790,394	454,537
Cash Basis Net Assets Beginning of Year	4,365,892	3,911,355
Cash Basis Net Assets End of Year	7,156,286	4,365,892

Business-type Activities

The cash balance of the Sewer Fund increased by \$1,909,048 to \$2,492,012 of which approximately 1,897,600 represents unspent bond proceeds for a major capital improvement. Sewer rates were increased effective July, 2005. The cash balance of the Solid Waste Fund increased by \$38,877 to \$66,180. Garbage rates were increased effective July 1, 2005. The cash balance in the Bridge Fund decreased by \$57,323. Transit rates (railroad tolls) will again be increased for the next fiscal year.

Budgetary Highlights

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget was amended once during the course of the year on May 17, 2007. The City had sufficient cash balances to absorb these additional costs. None of the amendments made during the 2007 fiscal year should have any impact on the 2008 fiscal year budget.

Long-Term Debt

At year-end the City had \$12,420,000 in General Obligation Bond debt compared to \$5,680,000 last year. This represents a 119% increase. The City's long-term debt is comprised of the following:

Issue 2002 Capital Loan Notes	\$ 2,990,000
Issue 1996 General Obligation Bonds	100,000
Issue 2005 General Obligation Bonds	2,030,000
Issue 2007A General Obligation Capital Loan Notes	1,300,000
Issue 2007B General Obligation Capital Loan Notes	3,000,000
Issue 2006 General Obligation Capital Loan Notes	3,000,000
	<u>\$ 12,420,000</u>

The 1996 General Obligation Bonds are paid from Tax Increment Financing revenue to pay the required debt service for floodwall improvements by the City. All revenues derived from the Twin Rivers TIF district are directed toward debt service payments on the 2002 Capital Loan Notes. All revenues derived from Keokuk Senior Housing TIF are directed toward debt service payments on the 2005 General Obligation Bonds.

The City's general obligation bond rating continues to be A₃, a rating that has been assigned by Moody's Investor Services. The City's outstanding debt is below the 5% limit of the 100% assessed property value.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The continued poor economy, high unemployment regionally, the State of Iowa's fiscal woes, the additional rollback and the decrease in the Utility Excise Tax has caused the City to continue to experience cuts in revenues resulting in decreased operating revenues for the City especially in general fund departmental operations. However, with the event of the Port Authority renewed interest in industrial development is being experienced along with interest in commercial endeavors. There is still concern regarding future property tax revenues resulting from 2007 State legislation which could overhaul the property tax system but it is not likely to happen in this session. This does not come into play immediately but could impact the City in future years.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City Clerk's office at 415 Blondeau Street, Keokuk, Iowa 52632 or telephone at 319.524.2050.

City of Keokuk

Basic Financial Statements

CITY OF KEOKUK

Statement of Activities and Net Assets-Cash Basis Year Ended June 30, 2007

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service and Sales	Operating Grants, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
Governmental activities:				
Public safety	\$ 4,979,361	101,715	229,156	-
Public works	1,370,174	66,655	995,286	-
Culture and recreation	1,068,751	57,337	58,202	-
Community and economic development	369,692	-	139,522	-
General government	493,278	94,414	34,631	-
Debt service	916,686	-	-	-
Capital projects	1,332,133	-	19,015	323,503
Total governmental activities	10,530,075	320,121	1,475,812	323,503
Business-type activities:				
Sewer	2,879,192	1,802,379	595	-
Solid waste	582,874	563,728	65	-
Bridge	373,344	108,772	6,384	-
Total business-type activities	3,835,410	2,474,879	7,044	-
Total	\$ 14,365,485	2,795,000	1,482,856	323,503

General Receipts:

- Property tax levied for:
 - General purposes
 - Tax increment financing
 - Debt service
- Local option sales tax
- Utility excise tax
- Riverboat gaming tax
- Hotel/Motel tax
- Grants and contributions not restricted to specific purpose
- Unrestricted investment earnings
- Sale of property
- Loan proceeds
- Bond proceeds
- Transfers

Total general receipts and transfers
 Change in cash basis net assets
 Cash basis net assets beginning of year
 Cash basis net assets end of year

Cash basis net assets

- Restricted
 - Streets
 - Debt Service
 - Employee Benefits
 - Other
- Unrestricted
- Total cash basis net assets**

See notes to financial statements.

 Net (Disbursements) Receipts

Governmental Activities	Business-Type Activities	Total
(4,648,490)	-	(4,648,490)
(308,233)	-	(308,233)
(953,212)	-	(953,212)
(230,170)	-	(230,170)
(364,233)	-	(364,233)
(916,686)	-	(916,686)
(989,615)	-	(989,615)
(8,410,639)	-	(8,410,639)
-	(1,076,218)	(1,076,218)
-	(19,081)	(19,081)
-	(258,188)	(258,188)
-	(1,353,487)	(1,353,487)
(8,410,639)	(1,353,487)	(9,764,126)

2,959,405	-	2,959,405
428,735	-	428,735
302,569	-	302,569
1,175,031	-	1,175,031
755,064	-	755,064
265,685	-	265,685
228,530	-	228,530
100,000	-	100,000
456,054	218,428	674,482
331,605	-	331,605
17,556	-	17,556
4,228,697	2,977,530	7,206,227
(47,898)	47,898	-
11,201,033	3,243,856	14,444,889
2,790,394	1,890,369	4,680,763
4,365,892	5,405,820	9,771,712
\$ 7,156,286	7,296,189	14,452,475

\$ 347,546	-	347,546
721,490	-	721,490
964,119	-	964,119
2,247,018	-	2,247,018
2,876,113	7,296,189	10,172,302
\$ 7,156,286	7,296,189	14,452,475

CITY OF KEOKUK

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
Year Ended June 30, 2007

	General	Special Revenue		
		Road Use Tax	Local Option Sales Tax	Employee Benefits
Receipts:				
Property tax	\$ 1,932,718	-	-	965,966
Tax increment financing collections	-	-	-	-
Other city tax	945,971	-	1,175,032	226,299
Licenses and permits	153,330	-	-	-
Use of money and property	297,673	-	20,260	-
Intergovernmental	335,962	952,382	-	-
Charges for service	186,465	-	-	-
Miscellaneous	107,890	-	-	1,366
Total receipts	3,960,009	952,382	1,195,292	1,193,631
Disbursements:				
Governmental activities:				
Public safety	4,978,881	-	-	-
Public works	554,831	815,246	-	-
Culture and recreation	1,068,664	-	-	-
Community and economic development	99,843	-	-	-
General government	493,239	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	7,195,458	815,246	-	-
Excess (deficiency) of receipts over (under) disbursements	(3,235,449)	137,136	1,195,292	1,193,631
Other financing sources (uses):				
Bond proceeds	1,285,174	-	-	-
Loan proceeds	-	-	-	-
Sale of capital assets	323,905	-	-	-
Operating transfers in	1,880,119	2,495	33,172	317,781
Operating transfers out	(249,875)	(236,700)	(986,173)	(1,382,171)
Total other financing sources (uses)	3,239,323	(234,205)	(953,001)	(1,064,390)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,874	(97,069)	242,291	129,241
Cash balance beginning of year	321,346	444,615	1,183,778	834,878
Cash balance end of year	\$ 325,220	347,546	1,426,069	964,119
Cash basis fund balances				
Reserved for debt service	\$ -	-	371,948	-
Unreserved:				
General fund	325,220	-	-	-
Special revenue funds	-	347,546	1,054,121	964,119
Capital projects fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 325,220	347,546	1,426,069	964,119

See notes to financial statements.

Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total
302,568	-	60,722	3,261,974
-	-	428,735	428,735
62,811	-	14,199	2,424,312
-	-	-	153,330
13,551	120,569	4,000	456,053
-	323,503	121,659	1,733,506
-	-	7,700	194,165
-	19,015	17,863	146,134
378,930	463,087	654,878	8,798,209
-	-	-	4,978,881
-	-	-	1,370,077
-	-	-	1,068,664
-	-	269,835	369,678
-	-	-	493,239
916,686	-	-	916,686
-	1,332,133	-	1,332,133
916,686	1,332,133	269,835	10,529,358
(537,756)	(869,046)	385,043	(1,731,149)
-	2,943,523	-	4,228,697
-	17,556	-	17,556
-	-	-	323,905
580,058	148,962	427,555	3,390,142
-	(6,559)	(576,562)	(3,438,040)
580,058	3,103,482	(149,007)	4,522,260
42,302	2,234,436	236,036	2,791,111
307,240	323,778	956,861	4,372,496
349,542	2,558,214	1,192,897	7,163,607
349,542	-	-	721,490
-	-	-	325,220
-	-	816,745	3,182,531
-	2,558,214	-	2,558,214
-	-	376,152	376,152
349,542	2,558,214	1,192,897	7,163,607

CITY OF KEOKUK

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, 2007

Total governmental funds cash balances (page 20) \$ 7,163,607

*Amounts reported for governmental activities in the Statement of
Activities and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

(7,321)

Cash basis net assets of governmental activities (page 18) \$ 7,156,286

Net change in cash balances (page 20) \$ 2,791,111

*Amounts reported for governmental activities in the Statement of Activities
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change on net assets of the Internal Service Fund is reported with governmental activities.

(717)

Change in cash balance of governmental activities (page 18) \$ 2,790,394

See accompanying independent auditor's report.

CITY OF KEOKUK

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
 Proprietary Funds
 Year Ended June 30, 2007

	Enterprise Funds			
	Solid Waste	Sewer	Bridge	Total
Receipts:				
Charges for service	\$ 563,728	1,799,789	108,772	2,472,289
Use of money, property and interest	-	17,594	200,834	218,428
Licenses and permits	-	2,590	-	2,590
Miscellaneous	65	595	6,384	7,044
Total receipts	563,793	1,820,568	315,990	2,700,351
Disbursements:				
Business-type activities:				
Operations	582,814	2,879,050	373,313	3,835,177
Governmental activities:				
Non-program	-	-	-	-
Total disbursements	582,814	2,879,050	373,313	3,835,177
(Deficiency) of receipts (under) disbursements	(19,021)	(1,058,482)	(57,323)	(1,134,826)
Other financing sources (uses):				
Bond proceeds	-	2,977,530	-	2,977,530
Operating transfers in	81,069	-	-	81,069
Operating transfers out	(23,171)	(10,000)	-	(33,171)
Total other financing sources	57,898	2,967,530	-	3,025,428
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	38,877	1,909,048	(57,323)	1,890,602
Cash balance beginning of year	27,303	582,964	4,829,264	5,439,531
Cash balance end of year	\$ 66,180	2,492,012	4,771,941	7,330,133
Cash basis fund balances				
Unreserved:	\$ 66,180	2,492,012	4,771,941	7,330,133
Total cash basis fund balances	\$ 66,180	2,492,012	4,771,941	7,330,133

See notes to financial statements.

Internal
Service Fund
Employee
Health

314,210

-

-

-

314,210

-

315,160

315,160

(950)

-

-

-

-

(950)

(40,315)

(41,265)

(41,265)

(41,265)

CITY OF KEOKUK

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, 2007

Total enterprise funds cash balances (page 22) \$ 7,330,133

*Amounts reported for business type activities in the Statement of
Activities and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

(33,944)

Cash basis net assets of business type activities (page 18)

\$ 7,296,189

Net change in cash balances (page 22)

\$ 1,890,602

*Amounts reported for business type activities in the Statement of Activities
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit to individual funds. The change in net assets of the Internal Service Fund is reported with business type activities.

(233)

Change in cash balance of business type activities (page 18)

\$ 1,890,369

See accompanying independent auditor's report.

City of Keokuk
Notes to Financial Statements
June 30, 2007

1) Summary of Significant Accounting Policies

The City of Keokuk is a political subdivision of the State of Iowa located in Lee County. It was first incorporated in 1847 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 solid waste pick-up and sewer utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

The City also 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: Great River Regional Waste Authority and Keokuk Economic Development Corporation.

B. Basis of Presentation

Government-Wide and Fund 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.

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.

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 local option sales tax receipts.

The Employee Benefits Fund is used to account for the employee benefits paid.

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

The Capital Projects Fund is used to account for construction projects and infrastructure improvements.

The City reports the following major proprietary funds:

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste system.

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

The Bridge Fund accounts for the operation and maintenance of the City's bridge.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements did exceed the amounts budgeted in the culture and recreation function but did not exceed the amounts budgeted in the business type activities functions.

2) **Cash and Pooled Investments**

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

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

The City's investments at June 30, 2007 are as follows:

Type	Carrying Amount	Fair Value	Maturity
Federal National Mortgage Association (FNMA)	\$1,240,769	\$1,195,372	07/21/2011 to 04/15/2013
Federal Home Loan Board (FHLB)	\$3,226,286	\$3,138,925	08/19/2010 to 11/26/2012

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$5,700,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

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.

Credit risk – The City’s investment in the Iowa Public Agency Investment Trust is unrated.

3) Long-Term Debt

Bonds Payable

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

Year Ending June 30,	General Obligation Bonds		Total
	Principal	Interest	
2008	905,000	542,238	1,447,238
2009	3,830,000	486,219	4,316,219
2010	655,000	328,144	983,144
2011	690,000	300,791	990,791
2012	720,000	271,731	991,731
2013-2017	3,410,000	900,904	4,310,904
2018-2022	1,125,000	389,411	1,514,411
2023-2026	1,085,000	122,320	1,207,320
Total	<u>12,420,000</u>	<u>3,341,758</u>	<u>15,761,758</u>

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

Notes Payable Bank

On August 20, 2003, the City entered into a note agreement with Keokuk Savings Bank in the amount of \$68,934 for the purchase of a CAT End loader. The note is at 2.65% and is due in 4 equal installments on \$18,389 each beginning August 21, 2004. Annual payment requirements are as follows:

June 30,	Principal	Interest	Total
2008	17,920	469	18,389
Total	<u>17,920</u>	<u>469</u>	<u>18,389</u>

On November 3, 2006, the City entered into a note agreement with Keokuk Savings Bank in the amount of \$470,119.62 to complete streets and lighting on North Main Street industrial development project. The note is at 4.78% and is due in 8 annual varying installments beginning November 3, 2007. The loan is to be repaid by TIF from the incremental value of the development. Annual payment requirements are as follows:

June 30,	Principal	Interest	Total
2008	50,000	22,784	72,784
2009	50,000	20,416	70,416
2010	50,000	17,937	67,937
2011	60,000	15,514	75,514
2012	60,000	12,606	72,606
2013	60,000	9,725	69,725
2014	60,000	6,791	66,791
2015	80,120	3,883	84,003
Total	<u>470,120</u>	<u>109,656</u>	<u>579,776</u>

4) Pension and Retirement Benefits

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by State statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The above report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th St., Des Moines, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate based upon an actuarially determined normal contribution rate can not be less than 17% of earnable compensation. Contribution requirements are established by State statute. The City's contribution to the Plan for the years ended June 30, 2007, 2006, and 2005 were \$464,345, \$483,477 and \$421,846 respectively, which met the required minimum contribution.

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.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$144,170, \$143,209, and \$143,822, respectively, equal to the required contributions for each year.

5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or normal retirement. Upon retirement each employee is entitled to 100% of his accumulated sick leave up to a maximum of 71 days or 568 hours. City management employees may accumulate a maximum of 90 days or 720 hours. Firemen are entitled to 900 hours of accumulated sick leave due to their longer average work week. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

This liability has been computed based on rates of pay as of June 30, 2007.

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$339,865
Sick Leave	813,594
Total	<u>\$1,153,459</u>

6) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 154,179
	Road Use Tax	236,700
	Employee Benefits	1,382,171
	Tax Increment Financing	3,331
	Emergency Fund	74,921
	perpetual Care	22,258
	Capital Projects	6,559
		<u>1,880,119</u>
Local Option Sales Tax	Sewer	10,000
	Solid Waste	23,172
		<u>33,172</u>
Debt Service	Local Option Sales Tax	285,687
	Tax Increment Financing	294,371
		<u>580,058</u>
Capital Projects	Local Option Sales Tax	148,962
Sewer	Local Option Sales Tax	81,069
Employee Benefits	Local Option Sales Tax	313,781
	Police and Fire Retirement	4,000
		<u>317,781</u>
Economic Development	General	249,875
	Tax Increment Financing	177,680
		<u>427,555</u>
Road Use Tax	Local Option Sales Tax	2495
		<u>2495</u>
	Total	<u>\$ 3,471,211</u>

7) Risk Management

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

8) Industrial Development Revenue Bonds

The City has issued \$8,745,000 of industrial development revenue bonds of which \$6,550,000 is outstanding at June 30, 2007, for the purposes of constructing privately owned manufacturing and other related facilities within the City. These bonds are not either direct or contingent liabilities of the City, as the revenue from lease agreements and property purchased with the bond proceeds are pledged for the total payment of principal and interest on the bonds and the bondholders can look only to those sources for repayment.

9) Commitments

The City has entered into various contracts for street, sewer, airport and bridge projects. The total amount of contracts awarded is \$5,688,230. Work completed on these contracts is \$1,114,969 of which \$1,075,147 has been paid as of June 30, 2007.

10) Subsequent Events

The City entered into contracts for the construction of a wildlife fence at the airport for \$1,012,554 to be 95% financed from an FAA grant.

Required Supplementary Information

CITY OF KEOKUK
 Budgetary Comparison Schedule
 of Receipts, Disbursements and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
 Year Ended June 30, 2007

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 3,261,974	-	-
Tax increment financing collections	428,735	-	-
Other city tax	2,424,312	-	-
Licenses and permits	153,330	2,590	-
Use of money and property	456,053	218,428	-
Intergovernmental	1,733,506	-	-
Charges for services	194,165	2,786,499	314,210
Miscellaneous	146,134	7,044	-
Total receipts	<u>8,798,209</u>	<u>3,014,561</u>	<u>314,210</u>
Disbursements:			
Public safety	4,978,881	-	-
Public works	1,370,077	-	-
Culture and recreation	1,068,664	-	-
Community and economic development	369,678	-	-
General government	493,239	-	-
Debt service	916,686	-	-
Capital projects	1,332,133	-	-
Business-type	-	3,835,177	-
Non-program	-	315,160	315,160
Total disbursements	<u>10,529,358</u>	<u>4,150,337</u>	<u>315,160</u>
Excess (deficiency) of receipts over (under) disbursements	(1,731,149)	(1,135,776)	(950)
Other financing sources, net	<u>4,522,260</u>	<u>3,025,428</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,791,111	1,889,652	(950)
Balances beginning of year	<u>4,372,496</u>	<u>5,399,216</u>	<u>(40,315)</u>
Balances end of year	<u>\$ 7,163,607</u>	<u>7,288,868</u>	<u>(41,265)</u>

See accompanying independent auditor's report.

Net	Budgeted Original	Amounts Final	Final to Actual Variance - Positive (Negative)
3,261,974	3,386,147	3,386,147	(124,173)
428,735	259,391	429,391	(656)
2,424,312	2,261,338	2,281,338	142,974
155,920	140,180	143,180	12,740
674,481	475,285	605,285	69,196
1,733,506	2,308,843	2,308,843	(575,337)
2,666,454	2,294,786	2,394,786	271,668
153,178	472,678	472,678	(319,500)
11,498,560	11,598,648	12,021,648	(523,088)
4,978,881	3,652,277	5,452,277	473,396
1,370,077	1,438,170	1,538,170	168,093
1,068,664	1,004,237	1,054,237	(14,427)
369,678	159,724	434,724	65,046
493,239	528,834	528,834	35,595
916,686	816,566	936,566	19,880
1,332,133	1,270,001	1,770,001	437,868
3,835,177	3,571,995	5,076,995	1,241,818
-	-	-	-
14,364,535	12,441,804	16,791,804	2,427,269
(2,865,975)	(843,156)	(4,770,156)	1,904,181
7,547,688	-	7,638,811	(91,123)
4,681,713	(843,156)	2,868,655	1,813,058
9,812,027	8,822,788	8,822,788	989,239
14,493,740	7,979,632	11,691,443	2,802,297

City of Keokuk

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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 ten major classes of disbursements known as functions, not by fund or fund type. 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 and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, one budget amendment increased budgeted disbursements by \$4,350,000. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the culture and recreation function but did not exceed the amount budgeted in the business-type functions.

Other Supplementary Information

CITY OF KEOKUKCombining Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
Year Ended June 30, 2007

	Special		
	Economic Development	Fire/Police Retirement	Tax Increment Financing
Receipts:			
Property tax	\$ -	-	-
Tax increment financing collections	-	-	428,735
Other city tax:			
Utility tax replacement excise tax	-	-	-
Use of money and property:			
Interest on investments	-	4,000	-
Intergovernmental:			
Grant	119,925	-	1,734
Charge for service	-	-	-
Miscellaneous	17,696	-	167
Total receipts	137,621	4,000	430,636
Disbursements:			
Community and economic development	261,022	-	8,813.00
Excess (deficiency) of receipts over (under) disbursements	(123,401)	4,000	421,823
Other financing sources (uses):			
Operating transfers in:	427,555	-	-
Operating transfers out:	-	(4,000)	(475,383)
Total other financing sources (uses)	427,555	(4,000)	(475,383)
Excess (deficiency) of receipts over (under) disbursements and other financing uses	304,154	-	(53,560)
Cash balance beginning of year	242,465	-	323,686
Cash balance end of year	\$ 546,619	-	270,126
Cash Basis Fund Balances			
Unreserved:			
Special Revenue Funds	\$ 546,619	-	270,126
Permanent Funds	-	-	-
Total cash basis fund balances	\$ 546,619	-	270,126

See accompanying independent auditor's report.

Revenue	Permanent Cemetery Perpetual Care	Total
Emergency	Care	
60,722	-	60,722
-	-	428,735
14,199	-	14,199
-	-	4,000
-	-	121,659
-	7,700	7,700
-	-	17,863
74,921	7,700	654,878
-	-	269,835
74,921	7,700	385,043
-	-	427,555
(74,921)	(22,258)	(576,562)
(74,921)	(22,258)	(149,007)
-	(14,558)	236,036
-	390,710	956,861
-	376,152	1,192,897
-	-	816,745
-	376,152	376,152
-	376,152	1,192,897

CITY OF KEOKUK

Schedule of Indebtedness

Year Ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate Purpose	Jun 1, 1996	5.00 %	1,000,000
Refunding Capital Notes	May 1, 2002	3.85-4.80	4,685,000
Refunding Capital Notes	Nov 1, 2005	3.70-4.00	2,440,000
Corporate Purpose	Aug 1, 2006	4.20-6.00	3,000,000
Corporate Purpose	May 1, 2007	4.00	3,000,000
Corporate Purpose	May 1, 2007	4.00-4.25	1,300,000
Note Payable bank:			
CAT End Loader	Aug 20, 2003	2.65 %	68,934
Industrial Development Project	Nov 3, 2006	4.78	470,120

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
200,000	-	100,000	100,000	10,000	-
3,230,000	-	240,000	2,990,000	139,422	-
2,250,000	-	220,000	2,030,000	87,050	-
-	3,000,000	-	3,000,000	116,314	-
-	3,000,000	-	3,000,000	-	-
-	1,300,000	-	1,300,000	-	-
<u>\$ 5,680,000</u>	<u>7,300,000</u>	<u>560,000</u>	<u>12,420,000</u>	<u>352,786</u>	<u>-</u>
35,375	-	17,455	17,920	934	-
444,536	25,584	-	470,120	-	-
<u>\$ 479,911</u>	<u>25,584</u>	<u>17,455</u>	<u>488,040</u>	<u>934</u>	<u>-</u>

CITY OF KEOKUK
Bond and Note Maturities
June 30, 2007

Year Ending June 30,	General Obligation Bonds					
	Corporate Purpose		Refunding		Refunding	
	Issued June 1, 1996		Issued May 1, 2002		Issued November 1, 2005	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2008	5.00	100,000	3.85	250,000	4.00	225,000
2009	-	-	4.00	255,000	4.00	235,000
2010	-	-	4.10	265,000	4.00	245,000
2011	-	-	4.20	280,000	4.00	260,000
2012	-	-	4.30	290,000	4.00	270,000
2013	-	-	4.35	300,000	3.55	280,000
2014	-	-	4.45	315,000	3.65	290,000
2015	-	-	4.60	330,000	3.70	225,000
2016	-	-	4.70	345,000	-	-
2017	-	-	4.80	360,000	-	-
Total		<u>\$ 100,000</u>		<u>\$ 2,990,000</u>		<u>\$ 2,030,000</u>

Year Ending June 30,	Corporate Purpose		Corporate Purpose		Corporate Purpose	
	Issued August 1, 2006		Issued May 1, 2007		Issued May 1, 2007	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2008	6.00	220,000	4.25	110,000	-	-
2009	6.00	230,000	4.25	110,000	4.00	3,000,000
2010	6.00	30,000	4.25	115,000	-	-
2011	6.00	30,000	4.25	120,000	-	-
2012	6.00	35,000	4.25	125,000	-	-
2013	4.20	35,000	4.25	130,000	-	-
2014	4.25	25,000	4.00	140,000	-	-
2015	4.30	85,000	4.05	145,000	-	-
2016	4.35	50,000	4.10	150,000	-	-
2017	4.40	50,000	4.15	155,000	-	-
2018	4.25	205,000	-	-	-	-
2019	4.30	215,000	-	-	-	-
2020	4.30	225,000	-	-	-	-
2021	4.35	235,000	-	-	-	-
2022	4.375	245,000	-	-	-	-
2023	4.40	255,000	-	-	-	-
2024	4.40	265,000	-	-	-	-
2025	4.40	265,000	-	-	-	-
2026	4.40	300,000	-	-	-	-
Total		<u>\$ 3,000,000</u>		<u>\$ 1,300,000</u>		<u>\$ 3,000,000</u>

Year Ending June 30,	Other Debt			
	Bank Note Dated August 20, 2003		Bank Note Dated November 3, 2006	
	Interest Rates	Amount	Interest Rates	Amount
2008	2.65	17,920	4.78	50,000
2009	-	-	4.78	50,000
2010	-	-	4.78	50,000
2011	-	-	4.78	60,000
2012	-	-	4.78	60,000
2013	-	-	4.78	60,000
2014	-	-	4.78	60,000
2015	-	-	4.78	80,120
Total		<u>\$ 17,920</u>		<u>\$ 470,120</u>

See accompanying independent auditor's report.

CITY OF KEOKUK
 Schedule of Receipts By Source and
 Disbursements By Function
 All Governmental Funds
 For the Last Four Years

	2007	2006	2005	2004
Receipts:				
Property and other City tax	\$ 5,686,286	5,233,320	5,233,320	5,151,427
Tax increment financing collections	428,735	281,426	281,426	394,507
Licenses and permits	153,330	150,293	150,293	163,742
Use of money and property	456,053	238,818	238,818	187,059
Intergovernmental	1,733,506	2,325,377	2,325,377	2,161,785
Charges for service	194,165	212,194	212,194	241,114
Miscellaneous	146,134	835,057	835,057	269,090
Total	8,798,209	9,276,485	9,276,485	8,568,724
Disbursements:				
Public safety	4,978,881	3,858,498	3,858,498	3,856,541
Public works	1,370,077	1,367,974	1,367,974	1,326,854
Culture and recreation	1,068,664	1,560,772	1,560,772	1,132,176
Community and economic development	369,678	155,496	155,496	114,447
General government	493,239	524,259	524,259	512,685
Debt service	916,686	788,247	788,247	993,122
Capital projects	1,332,123	1,250,768	1,250,768	895,264
Total	\$ 10,529,348	9,506,014	9,506,014	8,831,089

See accompanying independent auditor's report.

City of Keokuk
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2007

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditure
Direct:			
Department of Transportation:			
Airport Improvement Program	20.106	3-19-0050-14	164,659
		3-19-0050-16	98,718
			<u>263,377</u>
Indirect:			
Department of Justice:			
Governor's Office of Drug Control Policy:			
Byrne Formula Grant Program	16.579	06-JAG/HS-A15	93,291
Edward Byrne Justice Assistance Grant Program	16.738	2005-DJX-0014	874
	16.738	2006-DJ-BX-0441	17,432
			<u>111,597</u>
Direct:			
U.S. Department of Justice:			
Office of Community Oriented Policing Services			
Public Safety Partnership and Comm. Policing Grants	16.710	2004-SH-WX-0142	47,884
Department of Transportation:			
Iowa Department of Transportation Highway			
Planning & Construction	20.205	STP-U-3942(609)-27-56	266,230
Governor's Traffic Safety Bureau			
State and Community Highway Safety Program	20.600	Police Traffic Services, Pap 07-04, Task 08	10,516
	20.600	Police Traffic, Pap 06-163 Task 36	5,585
	20.600	OWI Prevention, PAP 07-163, Task 44	7,436
			<u>23,537</u>
Total			<u><u>\$ 712,625</u></u>

Basis of Presentation-

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Keokuk, Iowa and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

City of Keokuk

JOHN A. RUSSELL, CPA PC

Certified Public Accountant

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Keokuk, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 6, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with another comprehensive basis of accounting. 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 Keokuk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Keokuk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Keokuk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of controlled deficiencies, that adversely affects City of Keokuk's ability to initiate, authorize, record, process, or report financial data reliably in accordance with another comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of City of Keokuk's financial statements that is more than inconsequential will not be prevented or detected by City of Keokuk's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiency described above, we believe none are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Keokuk's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Keokuk's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusion on the City's responses, we did not audit City of Keokuk's responses and accordingly we do not express an opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Keokuk and other parties to whom the City of Keokuk 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 assistance extended to us by personnel of City of Keokuk 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.

 CPA PC
JOHN A. RUSSELL, CPA PC

February 6, 2008

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
In Accordance with OMB Circular A-133**

City of Keokuk

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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of City of Keokuk, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2007. City of Keokuk's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of City of Keokuk's management. Our responsibility is to express an opinion on City of Keokuk's compliance based on our audit.

We conducted our audit of compliance 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; and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Keokuk's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Keokuk's compliance with those requirements.

In our opinion, City of Keokuk complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of City of Keokuk is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered City of Keokuk's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Keokuk's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance.

A control deficiency in the City's internal control over compliance 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 non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies that adversely affects the City's ability to administer a federal program such that is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item III-A-07 to be a significant deficiency.

A material weakness is a significant deficiency, or a combination significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not prevented or detected by the City's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings as item III-A-07 not to be a material weakness.

City of Keokuk's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the City's responses, we did not audit City of Keokuk's responses and, accordingly, we express no opinion on them.

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



JOHN A. RUSSELL, CPA PC

February 6, 2008

City of Keokuk

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements which 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.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510 (a).
- (g) The major program was CFDA Number 20.205 Surface Transportation Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Keokuk did qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

Significant Deficiencies:

II-A-07 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts, cash disbursements, bank reconciliations and postings to general ledger are performed by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Instances of Non-Compliance:

No matters were noted.

City of Keokuk

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

Part II: Findings Related to the Financial Statements

Instance of Non-Compliance:

No matters were noted.

Significant Deficiency:

No material weaknesses in internal control over financial reporting were identified.

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were noted.

Significant Deficiency:

III-A-07 Segregation of Duties over Federal Receipts and Disbursements – The City did not properly segregate cash receipts, cash disbursements, reconciling and general ledger posting functions, including those related to federal programs. See item II-A-07.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted for Culture and Recreation. 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 be amended prior to disbursement of funds when those disbursements will exceed the original or amended budget.

Response – The budget will be amended prior to expenditure of funds in the future.

Conclusion – Response accepted.

IV-B-07 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

City of Keokuk

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting (cont)

IV-C-07 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-07 Business Transactions – No business transactions between the City and City officials or employees were noted.

IV-E-07 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

IV-F-07 Council Minutes – No transactions were found that we believe should have been approved in the Board minutes, but were not.

The council went into closed session twice to discuss a personnel matter. The official minutes did not document a roll call vote for either closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open meetings law.

In addition, two instances were found where minutes were not timely published.

Recommendation – The City Council should comply with Chapter 21 of the Code of Iowa.

Response – We will comply with the Code requirements for closed sessions and publishing of council minutes timely.

Conclusion – Response accepted.

IV-G-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.