



CITY OF TAMA, IOWA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS**
June 30, 2007



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CITY OF TAMA

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Chris Bearden	Mayor	January 2008
Robert Tyynismaa	Council Member	January 2008
Don Rank	Council Member	January 2010
Steve Baier	Council Member	January 2008
Dan Zimmerman	Council Member	January 2010
Earl Rutledge	Council Member	January 2008
Judy Welch	City Clerk	Indefinite
Dan Rathjen	City Attorney	Indefinite

CITY OF TAMA

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Tama, Iowa

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 Tama, Iowa, as of and for the year ended June 30, 2007. These financial statements are the responsibility of the City of Tama's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Tama 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 a report dated December 7, 2007, on our consideration of the City of Tama'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 13 and 35 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Tama'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, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with another comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 8, 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 aforementioned basic financial statements taken as a whole.

Clifton Gunderson LLP

Cedar Rapids, Iowa
December 7, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Tama provides this Management's Discussion and Analysis (MD&A) of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ending June 30, 2007. We encourage readers to consider this information in conjunction with the City's financial statements and notes that follow. It should be also noted that the information contained here would provide information on both the governmental operations and the business type activities of the City.

Financial Highlights

- FY 2007 revenues increased by 56% from the previous year as bonds were sold for street and water improvements. Without taking proceeds from bonds into the figures the City's revenue increased 5.3%.
- Overall total disbursements increased by 15% or \$417,626 in FY 2007 from FY 2006. The increased expenditures occurred in construction projects, which will be explained in the financial analysis section of this report.
- The City's total cash basis net assets increased 22.42% or approximately \$709,9953 from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities increased approximately \$705,413 or 25% and the assets of the business type activities increased \$4,540 or less than 1%.
- The City of Tama's Downtown Revitalization Program helped four businesses with grant funds.
- Major street and water well improvements were underway for FY 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 City's financial activities.

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

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

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

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

Other supplementary information provides detailed information about the non-major governmental funds.

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

The Statement of Activities and Net Assets reports inform the reader of how the city is performing financially as a result of the year's activities. Over time increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

1. Governmental Activities include Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Debt Service and Capital Projects. Property tax, State and Federal grants, investment interest and charges for services finance most of these activities.
2. Business Type Activities include the Water and Sewer. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds which includes Road Use Tax; Urban Renewal Tax Increment and Trust and Agency, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. For the City of Tama this includes the Water and Sewer Funds, which are considered two major funds. The Sewer Fund includes funding for Sewer Rehabilitation, Sewer Replacement, and the Sewer Revenue Bond Fund. The required financial statements for the proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may service over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Revenues:			
Property tax	\$ 641,617	\$ 700,983	\$ 702,341
Tax increment financing	30,210	584	45,112
Other city tax	25,860	25,544	27,593
Local option tax	131,204	137,896	160,899
Use of money and property	118,227	101,270	133,508
Licenses and permits	19,794	18,908	19,356
Intergovernmental	364,766	328,713	304,191
Charges for services	223,582	205,672	220,532
Miscellaneous	<u>246,191</u>	<u>111,858</u>	<u>105,671</u>
Total revenues	<u>1,801,451</u>	<u>1,631,428</u>	<u>1,719,203</u>
Disbursements:			
Public safety	593,194	621,918	591,352
Public works	379,833	407,345	380,275
Health and social services	4,089	3,439	5,308
Culture and recreation	169,681	195,941	198,534
Community and economic development	22,205	24,990	26,434
General government	127,851	130,434	130,406
Debt service	186,362	249,958	244,857
Capital projects	<u>1,467,821</u>	<u>469,943</u>	<u>940,624</u>
Total disbursements	<u>2,951,036</u>	<u>2,103,968</u>	<u>2,517,790</u>
Other financing sources:			
Proceeds from debt	1,438,255	-	1,480,500
Sales of assets	<u>-</u>	<u>55,726</u>	<u>23,500</u>
Total other financing sources	<u>1,438,255</u>	<u>55,726</u>	<u>1,504,000</u>
Increase (decrease) in cash basis net assets	288,670	(416,814)	705,413
Cash basis net assets, beginning of year	<u>2,905,358</u>	<u>3,194,028</u>	<u>2,777,234</u>
Cash basis net assets, end of year	<u>\$3,194,028</u>	<u>\$2,777,214</u>	<u>\$3,482,647</u>

The City's total revenue for governmental activities increased by 5.3%, \$87,775 from FY 2006 to FY 2007. Tax Increment Financing (TIF) and Local Option Sales Tax (LOST) provided \$67,531 of additional revenue, which supports the Downtown Revitalization Projects and the Aquatic Center operation, bonds and interest. Revenue from investments increased by \$21,987 in FY 2007. In FY 2006 \$14,000 of investment interest was used to offset debt service expenditures as the taxes were increased by \$.49. FY 2007 required this additional \$14,000 of interest to be used in the General Fund to keep taxes at a \$.01 increase. A decrease of \$13,500 in intergovernmental funds was experienced by the decrease in Bureau of Indian Affairs reimbursement for wild land grass fires. In FY 2006 the city received revenue for the sale of residential lots in the amount of \$55,725. FY 2007 did not encounter the same financial gain with sales at \$23,500.

The total disbursement cost of all programs and services for governmental activities increased by 19.16% or \$413,822 from the FY 2006 disbursements. This increase was noted in Capital Projects as the city constructed a new roof for the civic center in the amount of \$100,000. A major street improvement project in the amount of \$667,124 was expended with a project completion date in FY 2008. The water improvements project has just begun and is being funded with general obligation bonds. A decrease in expenses for Public Safety and Public Works was due to a police vehicle being purchased in FY 2006 and additional expenses for storm sewer, culvert, and road rock expenses in FY 2006.

The city had retired two flood levy bonds in FY 2006 and in order to keep city tax levies from decreasing one year and increasing the next due to bond issues, the city issued general obligation bonds in the amount of \$1,500,000 to improve streets, a civic center roof and a new water well/controls. Since the water well and controls are being expended from general obligation funds, this project is considered a governmental activity.

The ending cash balances for FY 2007 for governmental activities indicates an increase in cash balances of \$705,413 or 25%. The additional revenue is due to the proceeds received from the bond issue that have not been fully expended in FY 2007 in the amount of \$639,026. The General Fund cash balance demonstrated a decrease due to unpaid property taxes of \$27,409. Also, local option sales tax revenue had not been transferred to the General Fund to support the operation of the aquatic center at close of FY 2007. Therefore, General Fund cash balances should see an increase in the coming year after delinquent taxes are received and transfers completed. Other cash balances did not experience a decrease in FY 2007, however due to the unpaid taxes cash balances for Employee Benefits and Debt Service were affected. Debt Service cash balances were supported by the investment interest of the bond proceeds which was not anticipated revenue and will be expended in FY 2008.

The city increased property taxes by \$.01 for FY 2007. FY 2006 - \$15.53 and FY 2007 - \$15.54. Taxable Valuation increased by approximately \$3.3 million from the previous year. The added taxable valuation came from new homes no longer receiving our three year tax abatement and added value from improvements to commercial businesses.

Changes in Cash Basis Net Assets of Business Type Activities

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Revenues:			
Charges for services:			
Water	\$ 222,862	\$ 221,259	\$ 224,436
Sewer	219,951	206,677	221,364
Sewer revenue bond	147,626	147,384	133,644
Capital grants, contributions			
Operating grants, contributions, interest	12,950	12,445	13,097
Other general revenue	<u>56,420</u>	<u>50,930</u>	<u>55,141</u>
Total revenues	<u>659,809</u>	<u>638,695</u>	<u>647,682</u>
Disbursements:			
Water	231,997	269,440	264,150
Sewer	290,945	229,838	245,346
Sewer revenue bond	<u>147,626</u>	<u>140,039</u>	<u>133,646</u>
Total disbursements	<u>670,568</u>	<u>639,317</u>	<u>643,142</u>
Increase (decrease) in cash balance	(10,759)	(622)	4,540
Cash basis net assets, beginning of year	<u>400,704</u>	<u>389,945</u>	<u>389,323</u>
Cash basis net assets, end of year	<u>\$ 389,945</u>	<u>\$ 389,323</u>	<u>\$ 393,863</u>

The business type revenue activities for FY 2007 were \$647,682 compared to \$638,695 in FY 2006. This increase in revenue of \$8,987 is due to the annual 2% increase in water rates each year. Anticipated increase in water sales should have been approximately \$4,425. However, the actual increase in revenue was \$3,180 for FY 2007. The city also received a reimbursement for a water main extension, which increased the "other general revenue" sales in FY 2007. No significant change in the combination of sewer and sewer revenue bond revenues. Disbursements in FY 2007 totaled \$643,142 where disbursements of FY 2006 were \$639,317 an increase of \$3,825.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City of Tama completed the year; its governmental funds reported a combined fund balance of \$3,482,647 an increase of \$705,413 from FY 2006 balance of \$2,777,234. The following are the major reasons for the changes in fund balances of the major funds.

The General Fund cash balance decreased in ending balances by \$41,240. FY 2007 - \$218,726; FY 2006 - \$259,966. The decrease is due to local option tax funds, to support the operation of the pool, not having been transferred until after FY 2007 ended. It is also noted that only 95% of property taxes had been paid in FY 2007 compared to 100% paid in FY 2005 and 99% in FY 2006. This 5% of unpaid property taxes amounted to approximately \$27,000.

Employee Benefits cash fund indicated a decrease as we expended carry over balances from FY 2006 to avoid a large increase in the tax levy to our citizens for FY 2007.

The Capital Project cash funds include cash balances from Capital Projects, Capital Projects - Community Development, Meat Pack Funds, Downtown Revitalization, Street Improvements '06, Water Projects Improvements, and the Aquatic Center Fund. FY 2006 \$2,155,817; FY 2007 \$2,846,159 an increase of \$690,342. This increase in cash balances is bond issue fund carry over for the water project improvements and street improvements that will be completed in FY 2008.

INDIVIDUAL MAJOR BUSINESS TYPE ANALYSIS

The Water Fund cash balances increased in FY 2007. FY 2007 - \$119,187 and FY 2006 - \$109,136 an increase of \$10,051. The city experienced a decrease in expenditures for water main breaks by 14% or \$9,351 and received a reimbursement for a water main extension project to help with the increase in the cash balance. The Water Fund supports the contracting of water services with Veolia Water the city contract increased 3% or \$4,616 for FY 2007.

The Sewer Fund cash balances demonstrated a decrease in cash balances in the amount of \$5,511. This overall decrease came from the city installing a slip liner in one of their sewer mains. This is a project the city would like to do every year to help improve sewer mains. To have funds available to improve sewer mains the city deposits \$25,000 each year into the Sewer Rehabilitation Fund. The city also deposits \$25,000 each year to the Sewer Replacement Fund to support major projects in the replacement of sewer equipment. Revenue is generated from the sewer charges. The city contracts the sewer services with Veolia Water and their contract service agreement for the year increased \$1,698, less than 1%.

BUDGETARY HIGHLIGHTS

May 21, 2007 the City amended the budget to increase expenditures for library computer repairs, aquatic center mowing and operation expenses. Additional expenses were also noted in economic development, street projects, civic center roof and downtown projects. Total increased budgeted expenses \$301,450. Revenues were increased due to proceeds from debt for street, water and civic center roof. Total increased budgeted revenue and other sources \$1,497,420.

DEBT ADMINISTRATION

As of June 30,2007, the City of Tama had \$3,653,000 in outstanding debt compared to \$2,387,000 at the end of June of 2006. A new bond was issued on August 1, 2006 in the amount of \$1,500,000 to fund water, street, and civic center roof improvements. This new bond issue kept the tax levy askings for debt service at the same amount as the Flood Control bond issues that had expired. Monies generated from local option taxes will pay for the Aquatic Bond issues. The Sewer Rev. Bond issue will continue until June of 2014. Aquatic Bond issues will mature June of 2024. The Improvement bond issue will mature June of 2021.

Outstanding Debt as of:	<u>6/30/05</u>	<u>6/30/06</u>	<u>6/30/07</u>
Flood Control, \$515,000, issued March 1993	\$ 60,000	\$ -	\$ -
Flood Control, \$575,000, issued March 1991	70,000	-	-
Sewer Revenue Bond, \$1,784,000, issued Dec. 1992	1,072,000	972,000	868,000
2004 A - Aquatic Bond, \$1,165,000, issued Aug. 1, 2004	1,165,000	,125,000	1,080,000
2004 B - Aquatic Bond, \$300,000, issued Aug. 1, 2004	300,000	290,000	280,000
General Obligation Bond, \$1,500,000, issued Aug. 1, 2006	<u>-</u>	<u>-</u>	<u>1,425,000</u>
Total outstanding debt	<u>\$2,667,000</u>	<u>\$2,387,000</u>	<u>\$3,653,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,785,000 is below the constitutional debit limit of \$4,305,541 for FY 2007.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

FY 2007 the Council approved \$26,537 worth of grant funds to four businesses for interior and exterior improvements. These businesses are in our tax increment financing district to help improve our downtown. The City demolished three downtown businesses in the amount of \$94,346 to make way for new business opportunities. Two new restaurants opened in the downtown area with hopes of major businesses being opened. To date the major businesses have not occurred, however, we have hopes for a better future in 2008.

In FY 2004 the city opened two new streets and approximately 30 new housing lots. Ten new homes were built in FY 2005, seven more homes in FY 2006 and in FY 2007 three lots were purchased. These homes receive tax abatement for three years for the first \$75,000 of improved property valuation.

The City has volunteers who have been instrumental in providing a recreation trail 1.9 miles long between the City and our neighboring City- Toledo. This has been an asset to the City as many citizens take advantage of this trail. The City had acquired approximately 177 acres of land from a local paperboard plant. One area of this land encompasses a lake. The volunteers along with the city hope to establish the recreation trail around this lake. We hope to see development in the near future.

FY 2008 property tax levy will be at \$15.77, \$.23 higher than in FY 2007. This will generate \$739,930 in tax revenue and \$139,000 for TIF reimbursement.

CONTACTING THE CITY'S FINANCIAL DEPARTMENT

The financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any question about this report or need additional financial information contact the Tama City Clerk Judy Welch, 305 Siegel Street, Tama, Iowa 52339.

BASIC FINANCIAL STATEMENTS

CITY OF TAMA

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2007

	<u>Disbursements</u>	<u>Program Receipts</u>	
		<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Public safety	\$ 591,352	\$ 202,280	\$ 75,621
Public works	380,275	21,134	228,129
Health and social services	5,308	-	-
Culture and recreation	198,534	11,141	15,283
Community and economic development	26,434	-	-
General government	130,406	24,225	355
Debt service	244,857	-	-
Capital projects	940,624	-	-
Total governmental activities	<u>2,517,790</u>	<u>258,780</u>	<u>319,388</u>
Business type activities:			
Water	264,150	271,123	3,079
Sewer	378,992	363,462	10,018
Total business type activities	<u>643,142</u>	<u>634,585</u>	<u>13,097</u>
Total	<u>3,160,932</u>	<u>893,365</u>	<u>332,485</u>
GENERAL RECEIPTS:			
Property Taxes levied for:			
General purposes			
Employee benefits			
Tax increment financing			
Debt service			
Other city tax			
Local option sales tax			
Grants and contributions not restricted to specific purpose			
Unrestricted interest on investments			
Miscellaneous			
Proceeds from debt issued			
Sale of assets			
Total general receipts			

<u>Net (Disbursements) Receipts and Change in Cash Basis Net Assets</u>			
<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ -	\$ (313,451)	\$ -	\$ (313,451)
-	(131,012)	-	(131,012)
-	(5,308)	-	(5,308)
-	(172,110)	-	(172,110)
-	(26,434)	-	(26,434)
-	(105,826)	-	(105,826)
-	(244,857)	-	(244,857)
<u>62,683</u>	<u>(877,941)</u>	<u>-</u>	<u>(877,941)</u>
<u>62,683</u>	<u>(1,876,939)</u>	<u>-</u>	<u>(1,876,939)</u>
-	-	10,052	10,052
<u>-</u>	<u>-</u>	<u>(5,512)</u>	<u>(5,512)</u>
-	-	4,540	4,540
<u>-</u>	<u>-</u>	<u>4,540</u>	<u>4,540</u>
<u>62,683</u>	<u>(1,876,939)</u>	<u>4,540</u>	<u>(1,872,399)</u>
	414,156	-	414,156
	167,890	-	167,890
	45,112	-	45,112
	120,294	-	120,294
	27,594	-	27,594
	160,899	-	160,899
	25,976	-	25,976
	115,934	-	115,934
	497	-	497
	1,480,500	-	1,480,500
	<u>23,500</u>	<u>-</u>	<u>23,500</u>
	<u>2,582,352</u>	<u>-</u>	<u>2,582,352</u>

(continued)

CITY OF TAMA

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2007

	<u>Program Receipts</u>	
	<u>Charges for</u>	<u>Operating Grants,</u>
	<u>Services</u>	<u>Contributions,</u>
		<u>and Restricted</u>
	<u>Disbursements</u>	<u>Interest</u>
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		
Unrestricted		
TOTAL CASH BASIS NET ASSETS		

<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Net (Disbursements) Receipts and Change in Cash Basis Net Assets</u>		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
	705,413	4,540	709,953
	<u>2,777,234</u>	<u>389,323</u>	<u>3,166,557</u>
	<u>\$ 3,482,647</u>	<u>\$ 393,863</u>	<u>\$ 3,876,510</u>
	\$ 203,679	\$ -	\$ 203,679
	33,630	231,535	265,165
	<u>3,245,338</u>	<u>162,328</u>	<u>3,407,666</u>
	<u>\$ 3,482,647</u>	<u>\$ 393,863</u>	<u>\$ 3,876,510</u>

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

CITY OF TAMA

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

As of and for the year ended June 30, 2007

	Capital Projects		
	General	Pack	2006 Street Improvement
RECEIPTS:			
Property tax	\$ 414,157	\$ -	\$ -
Tax increment financing collections	-	-	-
Other city tax	16,256	-	-
Licenses and permits	19,356	-	-
Use of money and property	81,866	-	-
Intergovernmental	73,420	-	-
Charges for services	220,532	-	-
Miscellaneous	27,390	-	3,817
	<u>852,977</u>	<u>-</u>	<u>3,817</u>
Total receipts			
DISBURSEMENTS:			
Operating:			
Public safety	584,423	-	-
Public works	176,962	-	-
Health and social services	5,308	-	-
Culture and recreation	191,148	-	-
Community and economic development	26,434	-	-
General government	128,685	-	-
Debt service	-	-	-
Capital projects	-	-	667,124
	<u>1,112,960</u>	<u>-</u>	<u>667,124</u>
Total disbursements			
Excess (deficiency) of receipts over (under) disbursements	<u>(259,983)</u>	<u>-</u>	<u>(663,307)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from debt issued	-	-	980,500
Sale of assets	-	-	-
Transfers in	218,743	-	-
Transfers out	-	-	(61,755)
	<u>218,743</u>	<u>-</u>	<u>918,745</u>
Net other financing sources (uses)			

Exhibit B

Water Project	Other Nonmajor Governmental Funds	Totals
\$ -	\$ 288,184	\$ 702,341
-	45,112	45,112
-	172,236	188,492
-	-	19,356
-	51,642	133,508
-	230,771	304,191
-	-	220,532
-	74,464	105,671
-	862,409	1,719,203
-	6,929	591,352
-	203,313	380,275
-	-	5,308
-	7,386	198,534
-	-	26,434
-	1,721	130,406
-	244,857	244,857
16,411	257,089	940,624
16,411	721,295	2,517,790
(16,411)	141,114	(798,587)
400,000	100,000	1,480,500
-	23,500	23,500
-	176,793	395,536
-	(333,781)	(395,536)
400,000	(33,488)	1,504,000

(continued)

CITY OF TAMA

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

As of and for the year ended June 30, 2007

	<u>Capital Projects</u>		
	<u>General</u>	<u>Pack</u>	<u>2006 Street Improvement</u>
NET CHANGE IN CASH BALANCES	(41,240)	-	255,438
CASH BALANCES, BEGINNING OF YEAR	<u>259,966</u>	<u>1,773,308</u>	<u>-</u>
CASH BALANCES, END OF YEAR	<u>\$ 218,726</u>	<u>\$ 1,773,308</u>	<u>\$ 255,438</u>
CASH BASIS FUND BALANCES:			
Reserved:			
Debt service	\$ -	\$ -	\$ -
Streets	-	-	-
Unreserved:			
General	218,726	-	-
Special revenue funds	-	-	-
Capital project funds	-	1,773,308	255,438
Permanent fund	-	-	-
Total cash basis fund balance	<u>\$ 218,726</u>	<u>\$ 1,773,308</u>	<u>\$ 255,438</u>

Exhibit B

<u>Water Project</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Totals</u>
383,589	107,626	705,413
-	743,960	2,777,234
<u>\$ 383,589</u>	<u>\$ 851,586</u>	<u>\$ 3,482,647</u>
-	33,630	33,630
-	203,679	203,679
-	-	218,726
-	125,544	125,544
383,589	433,824	2,846,159
-	54,909	54,909
<u>\$ 383,589</u>	<u>\$ 851,586</u>	<u>\$ 3,482,647</u>

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

CITY OF TAMA

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

As of and for the year ended June 30, 2007

	<u>Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor Enterprise Funds</u>	
OPERATING RECEIPTS:				
Charges for services	\$ 236,031	\$ 179,788	\$ 183,660	\$ 599,479
Miscellaneous	35,091	15	-	35,106
	<u>271,122</u>	<u>179,803</u>	<u>183,660</u>	<u>634,585</u>
OPERATING DISBURSEMENTS:				
Business-type activities:				
Water	264,150	-	-	264,150
Sewer	-	213,260	32,086	245,346
	<u>264,150</u>	<u>213,260</u>	<u>32,086</u>	<u>509,496</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>6,972</u>	<u>(33,457)</u>	<u>151,574</u>	<u>125,089</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	3,079	10,018	-	13,097
Debt service	-	-	(133,646)	(133,646)
	<u>3,079</u>	<u>10,018</u>	<u>(133,646)</u>	<u>(120,549)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>10,051</u>	<u>(23,439)</u>	<u>17,928</u>	<u>4,540</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	20,000	-	20,000
Transfers out	-	-	(20,000)	(20,000)
	<u>-</u>	<u>20,000</u>	<u>(20,000)</u>	<u>-</u>
Net other financing sources (uses)	<u>-</u>	<u>20,000</u>	<u>(20,000)</u>	<u>-</u>

Exhibit C

	<u>Enterprise Funds</u>			<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor Enterprise Funds</u>	
NET CHANGE IN CASH BALANCES	10,051	(3,439)	(2,072)	4,540
CASH BALANCES, BEGINNING OF YEAR	<u>109,136</u>	<u>46,580</u>	<u>233,607</u>	<u>389,323</u>
CASH BALANCES, END OF YEAR	<u>\$ 119,187</u>	<u>\$ 43,141</u>	<u>\$ 231,535</u>	<u>\$ 393,863</u>
CASH BASIS FUND BALANCES:				
Reserved for debt service	\$ -	\$ -	\$ 231,535	\$ 231,535
Unreserved	<u>119,187</u>	<u>43,141</u>	<u>-</u>	<u>162,328</u>
Total cash basis fund balances	<u>\$ 119,187</u>	<u>\$ 43,141</u>	<u>\$ 231,535</u>	<u>\$ 393,863</u>

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

CITY OF TAMA

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

The City of Tama, a political subdivision of the State of Iowa, is located in Tama County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer services for its customers.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, account groups, 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.

These financial statements present the City of Tama (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The following component unit is an entity which is legally separate from the City, but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the appropriate funds.

The Oak Hill Cemetery Association is a nonprofit corporation established under Title 3, Chapter 5 of the City of Tama Code to beautify, adorn, and keep in good order the Oak Hill Cemetery. Although the association is legally separate from the City, it is controlled, managed, and supervised by the City of Tama, City Council. The Oak Hill Cemetery Association is reported as a fiduciary fund type.

CITY OF TAMA

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest by the participating governments. City officials are members of the following Boards and Commissions: Tama County Assessor's Conference Board, Tama County Emergency Management Commission, Tama County E911 Service Board, Tama County Solid Waste Disposal Commission, Tama County Economic Development Commission, and Tama-Toledo Swimming Pool Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

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 receipts are reported instead as general receipts.

CITY OF TAMA

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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 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.

The Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

The City of Tama 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.

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.

CITY OF TAMA

Notes to Financial Statements

June 30, 2007

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

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 not exceed the amounts budgeted.

(2) **Cash and 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.

At June 30, 2007, the City had the following investments:

	<u>Carrying Amount</u>	<u>Market Value</u>
United States Savings Bonds Series H	\$ 37,000	\$ 37,000

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 12 months of receipt) in instruments that mature within 365 days. Funds not identified as operating funds may be invested in investments with maturities longer than 365 days but the maturities shall be consistent with the needs and use of the City.

CITY OF TAMA

Notes to Financial Statements

June 30, 2007

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, sewer revenue bonds, and state revolving fund loan notes are as follows:

Year Ending June 30	General Obligation Bonds		State Revolving Fund Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 135,000	\$ 120,186	\$ 109,000	\$ 26,040	\$ 244,000	\$ 146,226
2009	135,000	115,316	113,000	22,770	248,000	138,086
2010	145,000	110,296	118,000	19,380	263,000	129,676
2011	150,000	104,751	124,000	15,840	274,000	120,591
2012	155,000	99,214	129,000	12,120	284,000	111,334
2013	165,000	92,599	135,000	8,250	300,000	100,849
2014	170,000	85,801	140,000	4,200	310,000	90,001
2015	175,000	78,671	-	-	175,000	78,671
2016	180,000	71,216	-	-	180,000	71,216
2017	190,000	63,416	-	-	190,000	63,416
2018	200,000	55,051	-	-	200,000	55,051
2019	210,000	46,096	-	-	210,000	46,096
2020	220,000	36,546	-	-	220,000	36,546
2021	235,000	26,386	-	-	235,000	26,386
2022	100,000	15,363	-	-	100,000	15,363
2023	105,000	10,563	-	-	105,000	10,563
2024	115,000	5,525	-	-	115,000	5,525
Total	\$ 2,785,000	\$ 1,136,996	\$ 868,000	\$ 108,600	\$ 3,653,000	\$ 1,245,596

The sewer bond resolution provides that the revenue bond principal and interest must be paid solely out of the net earnings of the sewage works and facilities. It also provides a sum equal to one-twelfth of the principal of all bonds maturing on the succeeding June 1, plus a sum equal to one-sixth of the interest coming due on the succeeding December 1, be deposited in the Enterprise Fund - Sewer Revenue Bond in monthly installments prior to such June 1 and December 1. In addition, the resolution establishes an initial reserve balance of \$60,000 to be deposited from cash on hand. As of June 30, 2007, the City was in compliance with the deposit requirements of the resolution.

CITY OF TAMA

Notes to Financial Statements

June 30, 2007

(4) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.08% and 9.12%, respectively. For the year ended June 30, 2006, the contribution rates for police employees and the City were 6.16% and 9.23%, respectively, and for the year ended June 30, 2005, the contribution rates for police employees and the City were 6.16% and 9.23%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$33,769, \$31,209, and \$31,033, respectively, equal to the required contributions for each year.

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent employees, permits them to defer a portion of the salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

(5) Compensated Absences

City employees accumulate vacation and sick leave hours based on the length of employment. Sick leave is not a vested benefit. It is payable when used and may be accumulated to a maximum of 90 days. Vacation is payable when used and is cumulative only in isolated cases specifically approved by the City Council. These accumulations are not recognized as disbursements by the City until used or paid. The City was liable for \$12,868 in accumulated vacation time. This liability has been computed based on the rate of pay as of June 30, 2007.

CITY OF TAMA

Notes to Financial Statements

June 30, 2007

(6) Commitments

The City has entered into a management service contract with Veolia Water for management of the water and sewer plants at a cost of \$347,028 per year, subject to review annually. The City or Veolia Water may terminate the agreement with thirty days written notice.

The City has entered into an agreement for street improvements. Estimated costs of the project are \$673,944 of which \$83,693 has not been paid at June 30, 2007.

The City has entered into an agreement for water control panel improvements with an estimated cost of \$82,255.

The City has entered into an agreement for the search and testing of a new well. Estimated costs of the search are \$79,480, of which \$63,069 has not been paid at June 30, 2007.

(7) Landfill Commitment

The City of Tama participates in a 28E organization with Tama County and other cities in Tama County. This organization is the Tama County Solid Waste Disposal Commission. The estimated cost of closure and postclosure care as of June 30, 1998, the most recent date for which such information is available, is approximately \$726,575, all of which has been funded.

(8) 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	Employee benefit	\$ 185,617
	Capital projects - economic development	<u>33,126</u>
		<u>218,743</u>
Capital projects	Capital projects - street improvements	<u>61,755</u>
Debt service	Capital projects - new pool	<u>115,038</u>
Sewer	Sewer Revenue Bond	<u>20,000</u>
		<u>\$ 415,536</u>

CITY OF TAMA

Notes to Financial Statements

June 30, 2007

(9) Risk Management

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

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

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2007 were \$16,249.

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

CITY OF TAMA

Notes to Financial Statements

June 30, 2007

(9) Risk Management (continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

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

The City also carries commercial insurance purchased from other insurers for coverage associated with Nationwide Insurance. The City assumes liability for any deductible and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Inter-fund Loans

During the fiscal year, a loan was made to the Special Revenue, Urban Renewal Tax Increment fund from the Capital Projects - Downtown Revitalization Fund in order to fund urban renewal projects. The loan will be repaid, along with interest at 5.25%, as property taxes (tax incremental financing) are received. At June 30, 2007, the loan amount outstanding totals \$136,776.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TAMA

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

Year Ended June 30, 2007

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Less Funds not Required to be Budgeted</u>
RECEIPTS:			
Property tax	\$ 702,341	\$ -	\$ -
Tax increment financing collections	45,112	-	-
Other city tax	188,492	-	-
Licenses and permits	19,356	-	-
Use of money and property	133,508	13,097	18
Intergovernmental	304,191	-	-
Charges for services	220,532	599,479	-
Miscellaneous	105,671	35,106	887
	<u>1,719,203</u>	<u>647,682</u>	<u>905</u>
Total receipts			
DISBURSEMENTS:			
Public safety	591,352	-	-
Public works	380,275	-	-
Health and social services	5,308	-	-
Culture and recreation	198,534	-	-
Community and economic development	26,434	-	-
General government	130,406	-	-
Debt service	244,857	-	-
Capital projects	940,624	-	-
Business-type activities	-	643,142	-
	<u>2,517,790</u>	<u>643,142</u>	<u>-</u>
Total disbursements			
Excess (deficiency) of receipts over (under) disbursements	(798,587)	4,540	905
OTHER FINANCING SOURCES, NET			
	<u>1,504,000</u>	<u>-</u>	<u>-</u>
Excess of receipts and other financing sources over (under) disbursements and other financing uses	705,413	4,540	905
BALANCES, BEGINNING OF YEAR	<u>2,777,234</u>	<u>389,323</u>	<u>54,004</u>
BALANCES, END OF YEAR	<u>\$ 3,482,647</u>	<u>\$ 393,863</u>	<u>\$ 54,909</u>

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
\$ 702,341	\$ 755,931	\$ 755,931	\$ (53,590)
45,112	42,786	42,786	2,326
188,492	159,157	176,077	12,415
19,356	3,500	3,500	15,856
146,587	98,125	98,125	48,462
304,191	320,381	320,381	(16,190)
820,011	878,546	878,546	(58,535)
139,890	70,450	70,450	69,440
<u>2,365,980</u>	<u>2,328,876</u>	<u>2,345,796</u>	<u>20,184</u>
591,352	636,191	636,191	44,839
380,275	423,072	423,072	42,797
5,308	7,000	7,000	1,692
198,534	196,295	207,545	9,011
26,434	27,000	29,000	2,566
130,406	137,146	138,346	7,940
244,857	252,350	252,350	7,493
940,624	1,030,000	1,317,000	376,376
643,142	1,198,181	1,198,181	555,039
<u>3,160,932</u>	<u>3,907,235</u>	<u>4,208,685</u>	<u>1,047,753</u>
(794,952)	(1,578,359)	(1,862,889)	1,067,937
<u>1,504,000</u>	<u>15,000</u>	<u>1,495,500</u>	<u>8,500</u>
709,048	(1,563,359)	(367,389)	1,076,437
<u>3,112,553</u>	<u>4,221,882</u>	<u>3,166,537</u>	<u>(53,984)</u>
<u>\$ 3,821,601</u>	<u>\$ 2,658,523</u>	<u>\$ 2,799,148</u>	<u>\$ 1,022,453</u>

See accompanying independent auditor's report.

CITY OF TAMA

Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similarly statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities, and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, 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 by fund. During the year, a budget amendment increased budgeted receipts by \$1,497,420 and disbursements by \$301,450. The budget amendment is reflected in the final budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

CITY OF TAMA

**Schedule of Cash Receipts, Disbursements,
and Changes in Cash Balances**

Nonmajor Governmental Funds

As of and for the year ended June 30, 2007

	Special Revenue			
	Civic Center	Road Use Tax	Employee Benefit	Trust & Agency
RECEIPTS:				
Property tax	\$ -	\$ -	\$ 167,890	\$ -
Tax increment financing collections	-	-	-	-
Other city tax	-	-	6,605	-
Use of money and property	75	-	1,610	3,271
Intergovernmental	670	227,615	-	2,486
Miscellaneous	7	-	-	32,276
	752	227,615	176,105	38,033
Total receipts				
DISBURSEMENTS:				
Operating:				
Public safety	-	-	-	6,929
Public works	-	203,313	-	-
Culture and recreation	-	-	-	7,386
General government	490	-	-	1,231
Debt service	-	-	-	-
Capital projects	-	-	-	-
	490	203,313	-	15,546
Total disbursements				
Excess (deficiency) of receipts over (under) disbursements	262	24,302	176,105	22,487
OTHER FINANCING SOURCES (USES):				
Proceeds from debt issued	-	-	-	-
Sale of assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(185,617)	-
	-	-	(185,617)	-
Net other financing sources (uses)				

Schedule 1

Debt Service	Capital Projects				New Pool	Permanent Cemetery Perpetual Care	Totals
	Capital Projects	Community Development	Downtown				
\$ 120,294	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 288,184
-	45,112	-	-	-	-	-	45,112
4,732	-	-	-	160,899	-	-	172,236
22,661	11,689	-	5,884	6,434	18	-	51,642
-	-	-	-	-	-	-	230,771
-	12,853	12,117	13,563	2,761	887	-	74,464
<u>147,687</u>	<u>69,654</u>	<u>12,117</u>	<u>19,447</u>	<u>170,094</u>	<u>905</u>	<u>-</u>	<u>862,409</u>
-	-	-	-	-	-	-	6,929
-	-	-	-	-	-	-	203,313
-	-	-	-	-	-	-	7,386
-	-	-	-	-	-	-	1,721
244,857	-	-	-	-	-	-	244,857
-	121,639	3,147	130,768	1,535	-	-	257,089
<u>244,857</u>	<u>121,639</u>	<u>3,147</u>	<u>130,768</u>	<u>1,535</u>	<u>-</u>	<u>-</u>	<u>721,295</u>
<u>(97,170)</u>	<u>(51,985)</u>	<u>8,970</u>	<u>(111,321)</u>	<u>168,559</u>	<u>905</u>	<u>-</u>	<u>141,114</u>
-	100,000	-	-	-	-	-	100,000
-	-	23,500	-	-	-	-	23,500
115,038	61,755	-	-	-	-	-	176,793
-	(33,126)	-	-	(115,038)	-	-	(333,781)
<u>115,038</u>	<u>128,629</u>	<u>23,500</u>	<u>-</u>	<u>(115,038)</u>	<u>-</u>	<u>-</u>	<u>(33,488)</u>

(continued)

CITY OF TAMA

Schedule of Cash Receipts, Disbursements,
and Changes in Cash Balances

Nonmajor Governmental Funds

As of and for the year ended June 30, 2007

	<u>Special Revenue</u>			
	<u>Civic Center</u>	<u>Road Use Tax</u>	<u>Employee Benefit</u>	<u>Trust & Agency</u>
NET CHANGE IN CASH BALANCE	262	24,302	(9,512)	22,487
CASH BALANCES, BEGINNING OF YEAR	<u>2,769</u>	<u>179,377</u>	<u>11,465</u>	<u>98,073</u>
CASH BALANCES, END OF YEAR	<u>\$ 3,031</u>	<u>\$ 203,679</u>	<u>\$ 1,953</u>	<u>\$ 120,560</u>
CASH BASIS FUND BALANCE:				
Reserved:				
Debt Service	\$ -	\$ -	\$ -	\$ -
Streets	-	203,679	-	-
Unreserved:				
Special revenue funds	3,031	-	1,953	120,560
Capital project funds	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	<u>\$ 3,031</u>	<u>\$ 203,679</u>	<u>\$ 1,953</u>	<u>\$ 120,560</u>

Schedule 1

<u>Debt Service</u>	<u>Capital Projects</u>				<u>Permanent</u>	<u>Totals</u>
	<u>Capital Projects</u>	<u>Community Development</u>	<u>Downtown</u>	<u>New Pool</u>	<u>Cemetery Perpetual Care</u>	
17,868	76,644	32,470	(111,321)	53,521	905	107,626
<u>15,762</u>	<u>27,206</u>	<u>39,475</u>	<u>168,262</u>	<u>147,567</u>	<u>54,004</u>	<u>743,960</u>
<u>\$ 33,630</u>	<u>\$ 103,850</u>	<u>\$ 71,945</u>	<u>\$ 56,941</u>	<u>\$ 201,088</u>	<u>\$ 54,909</u>	<u>\$ 851,586</u>
\$ 33,630	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,630
-	-	-	-	-	-	203,679
-	-	-	-	-	-	125,544
-	103,850	71,945	56,941	201,088	-	433,824
-	-	-	-	-	54,909	54,909
<u>\$ 33,630</u>	<u>\$ 103,850</u>	<u>\$ 71,945</u>	<u>\$ 56,941</u>	<u>\$ 201,088</u>	<u>\$ 54,909</u>	<u>\$ 851,586</u>

CITY OF TAMA

Schedule of Cash Receipts, Disbursements,
and Changes in Cash Balances

Nonmajor Enterprise Funds

As of and for the year ended June 30, 2007

	<u>Sewer Rehabilitation</u>	<u>Sewer Replacement</u>	<u>Sewer Revenue Bond</u>	<u>Totals</u>
OPERATING RECEIPTS:				
Charges for services	\$ 25,008	\$ 25,008	\$ 133,644	\$ 183,660
OPERATING DISBURSEMENTS:				
Business-type activities:				
Sewer	32,086	-	-	32,086
Excess (deficiency) of operating receipts over (under) operating disbursements	(7,078)	25,008	133,644	151,574
NONOPERATING RECEIPTS (DISBURSEMENTS):				
Debt service	-	-	(133,646)	(133,646)
Excess (deficiency) of receipts over (under) disbursements	(7,078)	25,008	(2)	17,928
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(20,000)	(20,000)
NET CHANGE IN CASH BALANCES	(7,078)	25,008	(20,002)	(2,072)
CASH BALANCES, BEGINNING	49,659	78,378	105,570	233,607
CASH BALANCES, ENDING	<u>\$ 42,581</u>	<u>\$ 103,386</u>	<u>\$ 85,568</u>	<u>\$ 231,535</u>
Cash Basis Fund Balances:				
Unreserved	<u>\$ 42,581</u>	<u>\$ 103,386</u>	<u>\$ 85,568</u>	<u>\$ 231,535</u>

CITY OF TAMA

Schedule of Indebtedness

Year ended June 30, 2007

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Corporate purpose bond Series 2006	August 1, 2006	4.00-4.63%	\$ 1,500,000
Aquatic Center Series 2004 A	August 1, 2004	2.25-4.75%	1,165,000
Aquatic Center Series 2004 B	August 1, 2004	2.75-5.00%	300,000
Total			
State Revolving Fund Notes:			
Loan notes	Oct. 1, 1993	3.00%	\$ 1,828,000

Schedule 3

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ -	\$ 1,500,000	\$ 75,000	\$ 1,425,000	\$ 54,220	\$ -
1,125,000	-	45,000	1,080,000	46,872	-
<u>290,000</u>	<u>-</u>	<u>10,000</u>	<u>280,000</u>	<u>12,765</u>	<u>-</u>
<u>\$ 1,415,000</u>	<u>\$ 1,500,000</u>	<u>\$ 130,000</u>	<u>\$ 2,785,000</u>	<u>\$ 113,857</u>	<u>\$ -</u>
<u>\$ 972,000</u>	<u>\$ -</u>	<u>\$ 104,000</u>	<u>\$ 868,000</u>	<u>\$ 29,160</u>	<u>\$ -</u>

CITY OF TAMA

Bond and Note Maturities

June 30, 2007

Year Ending June 30,	General Obligation Bonds						Total
	Aquatic Center Series 2004A Issued Aug. 1, 2004		Aquatic Center Series 2004B Issued Aug. 1, 2004		Corporate Purpose Bond Series 2006 Issued Aug. 1, 2006		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2008	3.00 %	\$ 45,000	3.20 %	\$ 10,000	4.00 %	\$ 80,000	\$ 135,000
2009	3.20	45,000	3.40	10,000	4.05	80,000	135,000
2010	3.40	50,000	3.60	10,000	4.10	85,000	145,000
2011	3.60	50,000	3.80	15,000	4.15	85,000	150,000
2012	3.75	50,000	4.00	15,000	4.20	90,000	155,000
2013	3.90	55,000	4.10	15,000	4.25	95,000	165,000
2014	4.00	55,000	4.20	15,000	4.30	100,000	170,000
2015	4.10	60,000	4.30	15,000	4.35	100,000	175,000
2016	4.20	60,000	4.40	15,000	4.40	105,000	180,000
2017	4.30	65,000	4.50	15,000	4.45	110,000	190,000
2018	4.40	65,000	4.60	20,000	4.50	115,000	200,000
2019	4.50	70,000	4.70	20,000	4.55	120,000	210,000
2020	4.60	75,000	4.80	20,000	4.60	125,000	220,000
2021	4.75	80,000	4.90	20,000	4.63	135,000	235,000
2022	4.75	80,000	5.00	20,000	-	-	100,000
2023	4.75	85,000	5.00	20,000	-	-	105,000
2024	4.75	90,000	5.00	25,000	-	-	115,000
Total		<u>\$1,080,000</u>		<u>\$ 280,000</u>		<u>\$1,425,000</u>	<u>\$2,785,000</u>

Year Ending June 30,	State Revolving Fund Notes	
	Interest Rates	Amount
2008	4.37 %	\$ 109,000
2009	4.37	113,000
2010	4.37	118,000
2011	4.37	124,000
2012	4.37	129,000
2013	4.37	135,000
2014	4.37	<u>140,000</u>
Total		<u>\$ 868,000</u>

CITY OF TAMA

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

For the Last Five Years

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
RECEIPTS:					
Property tax	\$ 702,341	\$ 700,983	\$ 641,617	\$ 669,969	\$ 705,032
Tax increment financing collections	45,112	584	30,210	14,471	5,809
Other city tax	188,492	163,440	157,064	133,376	33,298
Licenses and permits	19,356	18,908	19,794	19,788	22,477
Use of money and property	133,508	101,270	118,227	106,243	72,016
Intergovernmental	304,191	328,713	364,766	271,417	804,352
Charges for service	220,532	205,672	223,582	184,486	183,942
Miscellaneous	105,671	111,858	246,191	229,661	74,559
Total	<u>\$ 1,719,203</u>	<u>\$ 1,631,428</u>	<u>\$ 1,801,451</u>	<u>\$ 1,629,411</u>	<u>\$ 1,901,485</u>
DISBURSEMENTS:					
Operating:					
Public safety	\$ 591,352	\$ 621,918	\$ 593,193	\$ 501,974	\$ 449,528
Public works	380,275	407,346	386,834	530,715	386,698
Health and social services	5,308	3,439	4,089	4,814	3,011
Culture and recreation	198,534	195,941	169,609	176,179	140,647
Community and economic development	26,434	24,990	22,277	22,028	-
General government	130,406	130,434	127,852	124,930	118,362
Debt service	244,857	249,958	186,362	178,885	176,842
Capital projects	940,624	469,942	1,460,820	798,672	563,366
Total	<u>\$ 2,517,790</u>	<u>\$ 2,103,968</u>	<u>\$ 2,951,036</u>	<u>\$ 2,338,197</u>	<u>\$ 1,838,454</u>

See accompanying independent auditor's report.

CITY OF TAMA

Schedule of Sewer Service Charges

Year ended June 30, 2007

	<u>Category A</u>	<u>Category B</u>
Criteria:	Users who discharge normal domestic strength wastewater	Users who discharge concentration levels greater than Category A users
Allowable concentration levels:	BOD* no greater than 300 mg/l Suspended solids no greater than 350 mg/l Ammonia nitrogen no greater than 40 mg/l	
Fixed monthly charge:	\$7.00	\$7.00
Volume charge:	\$4.27/1,000 gallons	\$4.27/1,000 gallons
Surcharge for concentration Levels exceeding Category A:		BOD* \$0.32/lb suspended solids \$0.17/lb ammonia nitrogen \$1.16/lb

*Biochemical oxygen demand

CITY OF TAMA
Schedule of Insurance in Force
Year ended June 30, 2007

<u>Insurer</u>	<u>Policy Number</u>	<u>Type of Coverage</u>
Nationwide Mutual Insurance Company	ACP WC 7130261971	Workers' Compensation Employer's Liability
Nationwide Mutual Insurance Company	ACP 7130261971	Commercial property Auto Commercial Inland Marine and scheduled property Fidelity bond
Iowa Communities Assurance Pool	0019	General Liability/ Officials Liability Law Enforcement Liability

<u>Policy period</u>	<u>Exposure Coverage</u>	<u>Amount of Coverage</u>
4/1/07 to 4/1/08	Workers' Compensation All Employees	Statutory \$100,000/Accident \$100,000/Employee \$500,000/Policy Limit
4/1/07 to 4/1/08 4/1/07 to 4/1/08	Property Damage Auto Liability	90% of value \$1,000,000 Liability
4/1/07 to 4/1/08 1/1/07 to 1/1/08	Non Real Estate Property Employee Performance	Replacement Value \$50,000
4/1/07 to 4/1/08	General Liability Officials Liability Law Enforcement Liability	\$2,000,000 \$2,000,000 \$2,000,000

CITY OF TAMA

Schedule of Legal Debt Margin

June 30, 2007

Valuation of City as of January 1, 2006	\$ 86,486,771
Legal debt limitation percentage	<u>5%</u>
Legal debt limitation	4,324,339
General obligation indebtedness outstanding as of June 30, 2007	<u>2,785,000</u>
Legal Debt Margin	<u>\$ 1,539,339</u>

**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
Tama, Iowa

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 Tama, 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 December 7, 2007. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with 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 Tama's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Tama's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Tama'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 and other deficiencies we consider to be material weaknesses.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-B-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Tama'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*.

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 Tama's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Tama'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 Tama and other parties to whom City of Tama may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Clifton Henderson LLP

Cedar Rapids, Iowa
December 7, 2007

CITY OF TAMA
Schedule of Findings
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 accounting principles generally accepted in the United States of America.
- (b) Significant deficiencies internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-07: Segregation of Duties

Criteria:

The City should have adequate segregation of duties to provide for the accuracy and reliability of the financial statements.

Condition:

The City does not have adequate segregation of duties over all accounting transactions.

Context:

Internal controls that are in place could be averted, overridden, or not consistently implemented.

Effect:

As result of this condition, there is a higher risk that errors or irregularities could occur and not be detected within a timely period.

Cause:

The City has a limited number of personnel performing accounting functions.

CITY OF TAMA

Schedule of Findings

Year ended June 30, 2007

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

II-A-07: Segregation of Duties (continued)

Recommendation:

When this condition exists, management's close supervision and review of accounting information is the best means of preventing or detecting errors and irregularities. We recommend the City review its operating procedures to obtain the maximum internal control possible under the circumstances.

Management Response:

With a limited number of office employees, segregation of duties is sometimes difficult. Management is aware of the lack of segregation of duties and has considered alternatives to improve the situation. Management is monitoring the situation and is segregating accounting duties where practical.

Conclusion:

Response accepted.

II-B-07: Preparation of Financial Statements

Criteria:

The City Council and management share the ultimate responsibility for the City's financial statements, including disclosures.

Condition:

The City has not implemented procedures, to the degree necessary, to perform a review and assume responsibility of the City's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors that are less than material, but more than inconsequential, would be identified and corrected.

Context:

While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The independent auditor cannot be considered part of the City's internal control system. The City has implemented procedures to review the financial statements and disclosures but has not utilized review aids, such as a disclosure checklist, and may not have monitored recent accounting developments to the extent necessary to provide a high level of assurance that financial statement omissions or other errors would be identified and corrected.

Effect:

As a result of this condition, there is a higher risk that financial statement omissions or other errors could occur and not be detected.

CITY OF TAMA

Schedule of Findings

Year ended June 30, 2007

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

II-B-07: Financial Statement Preparation (continued)

Cause:

The City has relied on the independent auditor to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated.

Recommendation:

We recommend that sufficient financial statement and disclosure review procedures be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the City's activities and operations.

Management Response:

The City does not have the resources to employ staff possessing the detailed understanding of applicable generally accepted accounting principles to the extent required to utilize such a disclosure checklist. We understand the list of GAAP requirements in these disclosure checklists exceeds 50 pages in length. As a result, the City of Grundy Center has relied on the independent auditor to identify disclosures required in the financial statements.

Conclusion:

Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

PART III: FINDINGS RELATED TO STATUTORY REPORTING

- III-A-06 Certified Budget - Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted. 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.
- III-B-06 Questionable Disbursements - We noted no disbursements that fail to meet the requirements of public purposes as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-06 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

CITY OF TAMA

Schedule of Findings

Year ended June 30, 2007

PART III: FINDINGS RELATED TO STATUTORY REPORTING (CONTINUED)

- III-D-06 Business Transactions - There were no business transactions between the City and City officials.
- III-E-06 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-06 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-06 Revenue Bonds - The sewer revenue bond resolution provides that revenue bond principal and interest must be paid solely out of the net earnings of the sewage works and facilities. It also provides a sum equal to one-twelfth of the principal of all bonds maturing on the succeeding June 1, plus a sum equal to one-sixth of the interest coming due on succeeding December 1, be deposited in the Enterprise Fund - Sewer Rental Bond in monthly installments prior to such June 1 and December 1. In addition, the resolution establishes an initial reserve balance of \$60,000 to be deposited from cash on hand. As of June 30, 2007, the City was in compliance with the deposit requirements of the resolution.
- III-H-06 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- III-I-06 Compliance with Loan and Grant Agreements - During the year ended June 30, 2007, the City had a loan balance through the state revolving fund. The loan agreement contained certain provisions with which the City must comply. It appears the City has complied with all provisions, except the following:

Comment - The City has not provided a balance sheet in its financial statements and has not prepared the financial statements using the accrual method of accounting as of June 30, 2007.

Recommendation - The City should either comply with the provisions to provide a balance sheet in its financial statements and also prepare its financial statements on the accrual basis of accounting or obtain a waiver from complying with these provisions.

Response - The City will try to obtain a waiver from these provisions.

Conclusion - Response accepted.

CITY OF TAMA

Audit Staff

This audit was performed by:

William Murray, CPA, Partner

William Vincent, CPA, Partner

Jim Fitzpatrick, CPA, Senior Associate

Megan McDermott, CPA, Senior Associate

Josh Barta, Associate