

City of Mediapolis

**Independent Auditor's Report
Financial Statements and Supplementary Information
Independent Auditor's Reports on Internal Control and Compliance
Schedule of Findings**

June 30, 2007

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City of Mediapolis

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Larry Flaherty	Mayor	December, 2007
Bob Gerling	Council Member	December, 2007
Gina Riherd	Council Member	December, 2007
Todd Hilton	Council Member	December, 2009
Chuck Massner	Council Member	December, 2009
Rhonda Scott	Council Member	December, 2009
Julie Tribbey	City Clerk	Indefinite



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Independent Auditor's Report

Honorable Mayor and City Council of
the City of Mediapolis, 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 Mediapolis, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mediapolis's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2006.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2006, the financial statements referred to above present fairly, in all material respects, the respective financial position - cash basis of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mediapolis as of and for the year ended June 30, 2007, and the respective changes in financial position - cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 14, during the year ended June 30, 2007, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our reports dated January 14, 2008 on our consideration of the City of Mediapolis's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 read in conjunction with this report in considering the results of our audit.

Budgetary comparison information on page 14 and 15 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquires 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.

The City of Mediapolis, Iowa has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mediapolis's basic financial statements. Other supplementary information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2006, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CPA Associates PC

January 14, 2008

FINANCIAL STATEMENTS

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

	Disbursements	Program Receipts			Net (Disbursements) Receipts		
		Charges for Service and Sales	Operating Grants Contributions, and Restricted Interest	Capital Grants Contributions, and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Functions / Programs:							
Governmental activities:							
Public safety	\$ 75,799	\$ 3,638	\$ -	\$ -	\$ (72,161)	\$ -	\$ (72,161)
Public works	437,263	89,421	-	-	(347,842)	-	(347,842)
Health and social services	1,000	-	-	-	(1,000)	-	(1,000)
Culture and recreation	218,187	37,783	31,818	485,395	336,809	-	336,809
Community and economic development	-	-	-	-	-	-	-
General government	110,145	-	-	-	(110,145)	-	(110,145)
Debt service	100,470	-	-	-	(100,470)	-	(100,470)
Capital projects	688,143	-	-	-	(688,143)	-	(688,143)
Total government activities	<u>1,631,007</u>	<u>130,842</u>	<u>31,818</u>	<u>485,395</u>	<u>(982,952)</u>	<u>-</u>	<u>(982,952)</u>
Business type activities:							
Water	153,990	151,383	-	-	-	(2,607)	(2,607)
Sewer	105,233	134,055	-	-	-	28,822	28,822
Total business type activities	<u>259,223</u>	<u>285,438</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,215</u>	<u>26,215</u>
Total	<u>\$ 1,890,230</u>	<u>\$ 416,280</u>	<u>\$ 31,818</u>	<u>\$ 485,395</u>	<u>(982,952)</u>	<u>26,215</u>	<u>(956,737)</u>
General receipts:							
Property tax levied for:							
General purposes					318,556	-	318,556
Tax increment financing					46,634	-	46,634
Debt service					33,672	-	33,672
Local option sales tax					190,796	-	190,796
Road use tax					137,019	-	137,019
Unrestricted investment earnings					15,346	11,004	26,350
Bond proceeds					350,229	-	350,229
Transfers					33,011	(33,011)	-
Miscellaneous					122,415	7,743	130,158
Total general receipts and transfers					<u>1,247,678</u>	<u>(14,264)</u>	<u>1,233,414</u>
Change in cash balance					264,726	11,951	276,677
Cash balance beginning of year					<u>783,082</u>	<u>290,217</u>	<u>1,073,299</u>
Cash balance end of year					<u>\$ 1,047,808</u>	<u>\$ 302,168</u>	<u>\$ 1,349,976</u>
Cash Basis Net Assets							
Restricted:							
Streets					\$ 178,990	\$ -	\$ 178,990
Sales Tax					-	-	-
Other purposes					(60,543)	-	(60,543)
Unrestricted					<u>929,361</u>	<u>302,168</u>	<u>1,231,529</u>
Total cash basis net assets					<u>\$ 1,047,808</u>	<u>\$ 302,168</u>	<u>\$ 1,349,976</u>

See notes to financial statements.

City of Mediapolis
Statement of Cash Transactions and Changes in Cash Balances
Governmental Funds
Year Ended June 30, 2007

	Special Revenue					Total
	General	Road Use	Urban Renewal TIF	Debt Service	Capital Projects	
Receipts:						
Property tax	\$ 318,556	\$ -	\$ -	\$ 33,672	\$ -	\$ 352,228
Tax increment financing collections	-	-	46,634	-	-	46,634
Other taxes	157,009	-	-	33,787	-	190,796
Use of money and property	37,403	-	-	-	-	37,403
Licenses and permits	3,638	-	-	-	-	3,638
Intergovernmental	28,209	137,019	-	-	485,395	650,623
Charges for services	127,204	-	-	-	-	127,204
Special assessments	250	-	-	-	-	250
Miscellaneous	75,069	-	-	-	-	75,069
Total receipts	747,338	137,019	46,634	67,459	485,395	1,483,845
Disbursements:						
Operating:						
Public safety	75,799	-	-	-	-	75,799
Public works	382,029	55,234	-	-	-	437,263
Health and social services	1,000	-	-	-	-	1,000
Culture and recreation	218,187	-	-	-	-	218,187
Community and economic development	-	-	-	-	-	-
General government	110,145	-	-	-	-	110,145
Debt service	-	-	-	100,470	-	100,470
Capital projects	-	-	-	-	688,143	688,143
Total disbursements	787,160	55,234	-	100,470	688,143	1,631,007
Excess (deficiency) of receipts over disbursements	(39,822)	81,785	46,634	(33,011)	(202,748)	(147,162)
Other financing sources (uses):						
Bond proceeds	56,738	-	-	-	293,491	350,229
Sale of real property	28,648	-	-	-	-	28,648
Operating transfers in (out)	485,045	-	(138,991)	33,011	(346,054)	33,011
Total other financing sources (uses)	570,431	-	(138,991)	33,011	(52,563)	411,888
Net change in cash balances	530,609	81,785	(92,357)	-	(255,311)	264,726
Balance beginning of year	398,752	97,205	92,357	-	194,768	783,082
Balance end of year	\$ 929,361	\$ 178,990	\$ -	\$ -	\$ (60,543)	\$ 1,047,808
Cash Basis Fund Balances						
Unreserved:						
General fund	\$ 929,361	\$ -	\$ -	\$ -	\$ -	\$ 929,361
Special revenue fund	-	178,990	-	-	-	178,990
Capital projects fund	-	-	-	-	(60,543)	(60,543)
Total cash basis fund balances	\$ 929,361	\$ 178,990	\$ -	\$ -	\$ (60,543)	\$ 1,047,808

See notes to financial statements.

City of Mediapolis
Statement of Cash Transactions and Changes in Cash Balances
Proprietary Funds
Year Ended June 30, 2007

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	
Receipts:			
Charges for service	\$ 151,383	\$ 134,055	\$ 285,438
Use of money and property	7,131	3,873	11,004
Customer deposits	2,600	-	2,600
Miscellaneous	<u>3,914</u>	<u>1,229</u>	<u>5,143</u>
Total receipts	<u>165,028</u>	<u>139,157</u>	<u>304,185</u>
Disbursements:			
Business type activities:			
Operations	<u>153,990</u>	<u>105,233</u>	<u>259,223</u>
Total business type activities	<u>153,990</u>	<u>105,233</u>	<u>259,223</u>
Excess of receipts over disbursements	11,038	33,924	44,962
Other financing sources (uses):			
Operating transfers in (out)	<u>30,000</u>	<u>(63,011)</u>	<u>(33,011)</u>
Net change in cash balances	41,038	(29,087)	11,951
Balance beginning of year	<u>151,458</u>	<u>138,759</u>	<u>290,217</u>
Balance end of year	<u>\$ 192,496</u>	<u>\$ 109,672</u>	<u>\$ 302,168</u>
 Cash Basis Fund Balances			
Unreserved	<u>\$ 192,496</u>	<u>\$ 109,672</u>	<u>\$ 302,168</u>
Total cash basis fund balances	<u>\$ 192,496</u>	<u>\$ 109,672</u>	<u>\$ 302,168</u>

See notes to financial statements.

City of Mediapolis
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The City of Mediapolis is a political subdivision of the State of Iowa located in Des Moines County. It was incorporated in 1875 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, recreation, community and economic development, and general government services. The City also provides water and sewer utilities and solid waste removal for its citizens.

Reporting Entity

For financial reporting purposes, the City of Mediapolis 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 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 or appoint representation to the following boards and commissions: Des Moines County Assessor's Conference Board, Des Moines County Emergency Management Commission, Des Moines County Joint E911 Service Board, Des Moines County Solid Waste Commission, Community Ambulance Service Agency and Northern Des Moines County Rural Fire District.

Basis of Presentation

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

City of Mediapolis
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

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

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

City of Mediapolis
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

The City reports the following major proprietary funds:

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

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

Measurement Focus and Basis of Accounting

The City of Mediapolis 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.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the capital projects fund.

Note 2. Deposits and Investments

The City's deposits 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 and the Treasurer of the State of Iowa; 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 are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all category 1 which means that the investments are insured or registered or the securities are held by the City or its agent in the City's name.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 40.

The City received \$26,350 interest income during the year.

City of Mediapolis
Notes to Financial Statements

Note 3. Bonds Payable and Lease Commitments

A summary of the City's June 30, 2007 general obligation bonds indebtedness is as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 383,491	\$ 20,490
2009	90,000	4,635
2010	<u>30,000</u>	<u>1,740</u>
	<u>\$ 503,491</u>	<u>\$ 26,865</u>

As of June 30, 2007, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

Actual valuation - 2006	<u>\$33,719,045</u>
Debt limit - 5% of total actual valuation	<u>\$ 1,685,952</u>
Debt applicable to debt limit:	
General obligation bonds outstanding	<u>503,491</u>
Total debt margin	<u>\$ 1,182,461</u>

The City leases office equipment under an operating lease arrangement. Minimum lease payments remaining for the equipment lease are \$430 for fiscal year ending June 30, 2008. Expenses charged to operations under this lease in 2007 totaled \$645.

Note 4. Pension and Retirement Benefits

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

Most 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. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2007 was \$14,920, equal to the required contribution for the year.

City of Mediapolis
Notes to Financial Statements

Note 5. Compensated Absences

City employees accumulate sick leave hours at a rate of 8 hours per month up to a maximum of 960 hours. Accumulated sick leave is not payable on termination, retirement or death.

Accumulated sick leave and vacation are not recognized as expenditures by the City until used or paid. The City's maximum liability for unrecognized accrued employee benefits as of June 30, 2007 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 11,455
Sick leave	<u>40,530</u>
	<u>\$ 51,985</u>

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

Note 6. Anticipatory Warrants

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

Although the City had funds available, the City issued \$56,738 of anticipatory warrants, at 5.00% interest per annum, for parking lot improvements. As of June 30, 2007, the unpaid balance is \$56,738.

Note 7. Related Party Transactions

The City had no business transactions between the City and City officials during the year ended June 30, 2007.

Note 8. Joint Venture

The City is a participant in the Northern Des Moines County Rural Fire District, a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the agreement is to provide fire protection for the townships of Yellow Springs, Franklin, Benton, Huron, Jackson and the City of Mediapolis. The City currently provides one member of the six-member Board.

The City is a participant in the Des Moines County Regional Solid Waste Commission, a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the agreement is to provide area governments with solid waste disposal sources. The City currently provides one member of their fifteen member board. Financial statements of the Waste Commission are available at the Commission office, 1818 West Burlington Ave, Burlington, Iowa. The City paid approximately \$58,652 in solid waste disposal and recycling fees in fiscal year 2007.

City of Mediapolis
Notes to Financial Statements

Note 9. Deficit Fund Balance

The Capital Projects Fund had a deficit balances at year end of \$60,543.

The deficit balance was a result of costs incurred prior to the transfer of funds. The deficit will be eliminated upon a transfer of funds.

Note 10. Risk Management

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

Note 11. 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	\$ 485,045
Debt service	Enterprise funds	<u>33,011</u>
		<u>\$ 518,056</u>

Note 12. Commitments

The City has committed to the following significant purchases as of June 30, 2007:

Municipal swimming pool	\$ 500,000
Parking lot and partial paving Rock Island Road	<u>375,000</u>
Total	<u>\$ 875,000</u>

Note 13. Archer Trust Agreement

The City received a gift of approximately 30 acres of land and established a non-expendable trust (Archer Trust) on August 16, 1985 with the Mediapolis Savings Bank of Mediapolis for the purpose of accumulating income for the benefit of the City. The Archer Trust terminates on January 1, 2026 or at the time when the value of the trust assets reaches \$2,000,000. The trust cash balance at June 30, 2007 was \$187,655. The City Council approved a Resolution on August 20, 2007 authorizing the transfer of realty from the Mediapolis Savings Bank, as Trustee, to the City of Mediapolis for consideration as a construction site for the new municipal swimming pool.

City of Mediapolis
Notes to Financial Statements

Note 14. Accounting Change

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences were implemented for the year ended June 30, 2007. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type.

Implementation of these standards had no effect on the beginning balances of the City.

REQUIRED SUPPLEMENTARY INFORMATION

City of Mediapolis
Required Supplementary Information
Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget
Year Ended June 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted	Total	Budget Original	Budget Final	Final to Total Variance Favorable (Unfavorable)
Receipts:							
Property tax	\$ 352,228	\$ -	\$ -	\$ 352,228	\$ 339,223	\$ 339,223	\$ 13,005
Tax increment financing collections	46,634	-	-	46,634	46,571	46,571	63
Other taxes	190,796	-	-	190,796	120,386	145,771	45,025
Use of money and property	37,403	11,004	-	48,407	9,000	40,414	7,993
Licenses and permits	3,638	-	-	3,638	1,225	3,048	590
Intergovernmental	650,623	-	-	650,623	566,287	876,537	(225,914)
Charges for services	127,204	285,438	-	412,642	401,101	501,101	(88,459)
Special assessments	250	-	-	250	-	-	250
Miscellaneous	75,069	7,743	-	82,812	53,283	91,608	(8,796)
Total receipts	<u>1,483,845</u>	<u>304,185</u>	<u>-</u>	<u>1,788,030</u>	<u>1,537,076</u>	<u>2,044,273</u>	<u>(256,243)</u>
Disbursements:							
Public safety	75,799	-	-	75,799	93,012	93,012	17,213
Public works	437,263	-	-	437,263	464,822	552,222	114,959
Health and social services	1,000	-	-	1,000	1,000	1,000	-
Culture and recreation	218,187	-	-	218,187	230,121	230,121	11,934
Community and economic development	-	-	-	-	-	-	-
General government	110,145	-	-	110,145	101,188	116,837	6,692
Debt service	100,470	-	-	100,470	103,363	103,363	2,893
Capital projects	688,143	-	-	688,143	483,900	685,653	(2,490)
Business type	-	259,223	-	259,223	301,674	313,619	54,396
Total disbursements	<u>1,631,007</u>	<u>259,223</u>	<u>-</u>	<u>1,890,230</u>	<u>1,779,080</u>	<u>2,095,827</u>	<u>205,597</u>
Excess (deficiency) of receipts over disbursements	(147,162)	44,962	-	(102,200)	(242,004)	(51,554)	50,646
Other financing sources	411,888	(33,011)	-	378,877	-	-	(378,877)
Net changes	264,726	11,951	-	276,677	(242,004)	(51,554)	(328,231)
Balance beginning of year	783,082	290,217	-	1,073,299	724,422	724,422	(348,877)
Balance end of year	<u>\$ 1,047,808</u>	<u>\$ 302,168</u>	<u>\$ -</u>	<u>\$ 1,349,976</u>	<u>\$ 482,418</u>	<u>\$ 672,868</u>	<u>\$ (677,108)</u>

See accompanying independent auditor's report.

City of Mediapolis
Required Supplementary Information
Notes to Required Supplementary Information - Budgetary Reporting
Year Ended 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 blended component units, internal service, non-expendable trust, and agency funds (when they exist). 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 disbursement 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 permanent 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, budget amendments increased budgeted disbursements by \$316,747. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the capital projects function.

OTHER SUPPLEMENTARY INFORMATION

**City of Mediapolis
Statement of Indebtedness
Year Ended June 30, 2007**

<u>Obligation</u>	<u>Date of Issuance</u>	<u>Interest Rate</u>	<u>Amount Originally Issued</u>	<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>
General obligation bonds:									
Sewer Improvement	06/01/98	4.60-4.90%	\$ 305,000	\$ 120,000	\$ -	\$ 30,000	\$ 90,000	\$ 5,790	\$ -
Storm & Sanitary	12/01/94	6.60-7.00%	600,000	180,000	-	60,000	120,000	4,680	-
Main Street Project Note	09/21/06	4.00%	300,000	-	293,491	-	293,491	-	-
Total			\$ 300,000	\$ 300,000	\$ 293,491	\$ 90,000	\$ 503,491	\$ 10,470	\$ -
Anticipatory warrants:									
Parking lot	11/26/06	5.00%	\$ 56,738	\$ -	\$ 56,738	\$ -	\$ 56,738	\$ -	\$ -
Total			\$ -	\$ -	\$ 56,738	\$ -	\$ 56,738	\$ -	\$ -
Total of all debt			\$ 300,000	\$ 300,000	\$ 350,229	\$ 90,000	\$ 560,229	\$ 10,470	\$ -

See accompanying independent auditor's report.

**City of Mediapolis
Bond and Note Maturities
June 30, 2007**

General Obligation Bonds						
Year Ending June 30,	Sewer Improvement		Storm & Sanitary		Main Street Project Note	
	Issued June 1, 1998	Amount	Issued December 1, 1994	Amount	Issued September 21, 2006	Amount
	Interest Rate		Interest Rate		Interest Rate	Amount
2008	4.80%	\$ 30,000	7.00%	\$ 60,000	4.00%	\$ 293,491
2009	4.85%	30,000	7.00%	60,000		-
2010	4.90%	30,000		-		-
		<u>\$ 90,000</u>		<u>\$ 120,000</u>		<u>\$ 293,491</u>
						<u>\$ 503,491</u>

Anticipatory Warrants

	Parking Lot	
Year Ending	Issued November 26, 2006	
June 30,	Interest Rate	Amount
2008	5.00%	\$ <u>56,738</u>

See accompanying independent auditor's report.



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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**

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 City of Mediapolis, 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 January 14, 2008. 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 City of Mediapolis'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 City of Mediapolis's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Mediapolis'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 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 Mediapolis'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 Mediapolis's financial statements that is more than inconsequential will not be prevented or detected by City of Mediapolis's internal control. We consider the deficiencies in internal control described in Part I 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 Mediapolis'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 I-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Mediapolis'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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 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 Mediapolis'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 Mediapolis'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 Mediapolis and other parties to whom City of Mediapolis may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Mediapolis 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 Associates PC

January 14, 2008

**City of Mediapolis
Schedule of Findings
Year Ended June 30, 2007**

Part I: Findings Related to the Financial Statements

Significant Deficiencies:

I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. 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 could 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.

Part II: Other Findings Related to Required Statutory Reporting

II-A-07 Official Depositories - A resolution naming official depositories has been adopted by the Council. The maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2007.

Recommendation - The resolution naming official depositories should be reviewed and adjusted to cover anticipated balances at all approved depositories.

Response - The resolution naming official depositories will be reviewed.

Conclusion - Response accepted.

II-B-07 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

II-C-07 Business Transactions - No business transactions between City and City officials or employees were noted.

City of Mediapolis
Schedule of Findings
Year Ended June 30, 2007

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

II-D-07 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

Five certificates of deposits held by the City through the Archer Trust did not receive the minimum statutory interest rate during the year ended June 30, 2007. Also, interest was added to other certificates of deposit held by the City but was not recorded in the City's financial records.

Recommendation - The City should ensure investments receive at least the minimum rate of interest set by the State Rate Setting Committee and should record all interest added to certificates of deposit when received.

Response - We will make sure the bank gives us the statutory rates in the future and will record all interest.

Conclusion - Response accepted.

II-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 insure that the coverage is adequate for current operations.

II-F-07 Council Minutes - We noted a certain transaction we believe should have been approved in the Council minutes but was not, the authorization of the Anticipatory Warrants of \$56,738 for parking lot improvements.

Recommendation - The Council should approve all loans and anticipatory warrants as required.

Response - We will make sure all loans and anticipatory warrants are approved.

Conclusion - Response accepted.

The Council held a meeting on November 13, 2006. The minutes from the meeting were not published as required by Chapter 21 of the Code of Iowa.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa and should publish the minutes as required.

Response - We will publish the minutes as required.

Conclusion - Response accepted.

City of Mediapolis
Schedule of Findings
Year Ended June 30, 2007

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

The City did publish individual salaries but they were not the actual gross salaries as required for all employees in accordance with Chapter 372.13 of the Code of Iowa and Attorney General's opinion dated April 12, 1978.

Recommendation - The City should comply with Chapter 372.13 of the Code of Iowa and Attorney General's opinion dated April 12, 1978 and publish the actual gross salaries.

Response - We will publish the actual gross salaries.

Conclusion - Response accepted.

II-G-07 Certified Budget - Disbursements during the year ended June 30, 2007, exceeded the amounts budgeted in the capital projects function. Chapter 384.20 of the Code of Iowa states in part that monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

II-H-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-I-07 Financial Condition - The Capital Projects Fund had a deficit balance at June 30, 2007 of \$60,543.

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

Response - The deficit was due to project costs or program costs incurred prior to a transfer. This deficit will be eliminated.

Conclusion - Response accepted.

City of Mediapolis
Schedule of Findings
Year Ended June 30, 2007

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

II-J-07 Separately Maintained Records - The City of Mediapolis Library maintains separate checking and money market accounts. These accounts are separate from the City's accounts allowing transactions to go unrecorded. Accordingly, certain donations and expenditures from this account are not being appropriately included on the City's financial statements. The expenditures may not meet the requirements of public purpose and may not be appropriately included within the budget as required by the Code of Iowa.

Recommendation - Chapter 384.20 of the Code of Iowa states, in part, "A City shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the Council on a monthly basis.

Response - We will meet with the Library and establish appropriate procedures.

Conclusion - Response accepted.