

CITY OF SHEFFIELD, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

- Prepared By -

Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616-2036
Phone (641)257-4222

CITY OF SHEFFIELD, IOWA

TABLE OF CONTENTS

	<u>PAGE</u>
<u>OFFICIALS</u>	1
<u>INDEPENDENT AUDITOR'S REPORT</u>	2-3
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	4-8
 <u>BASIC FINANCIAL STATEMENTS:</u>	
	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets - Cash Basis	A 9-12
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances	B 13-14
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and	
Changes in Cash Balances	C 15-16
Notes to Financial Statements	17-23
 <u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Budgetary Comparison Schedule of Receipts, Disbursements and	
Changes in Balances - Budget and Actual (Cash Basis) -	
All Governmental Funds and Proprietary Funds	24-25
Notes to Required Supplementary Information	
- Budgetary Reporting	26
 <u>OTHER SUPPLEMENTARY INFORMATION:</u>	
	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in	
Cash Balances - Nonmajor Governmental Funds	1 27-28
Schedule of Cash Receipts, Disbursements and Changes in	
Cash Balances - Nonmajor Proprietary Funds	2 29
Schedule of Indebtedness	3 30-31
Bond and Note Maturities	4 32
Schedule of Receipts by Source and Disbursements by	
Function - All Governmental Funds	5 33
 <u>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER</u>	
<u>FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS</u>	
<u>BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN</u>	
<u>ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</u>	
	34-35
 <u>SCHEDULE OF FINDINGS</u>	 36-38

CITY OF SHEFFIELD, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
James Saylor	Mayor	January 2008
Dave O'Connor	Mayor Pro tem	Resigned
Shirley Brady	Mayor Pro tem	January 2010
Jane Etnier	Council Member (Appointed)	January 2008
Pat Mondt	Council Member	January 2008
Norene Schwierjohann	Council Member	January 2008
Larry Olk	Council Member	January 2010
Debra Hartman, CMC	Clerk/Treasurer	January 2008
Brian Miller	Attorney	January 2008



Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616

E-mail: rlp@fiai.net

(641) 257-4222
or (641) 228-2812
Fax (641) 228-1513

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

I 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 Sheffield, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Sheffield's management. My responsibility is to express opinions on these financial statements based on my audit.

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

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

In my 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 Sheffield 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, I have also issued my report dated December 19, 2007 on my consideration of the City of Sheffield's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 24 through 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sheffield's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5 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 my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Larry Pump".

December 19, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Sheffield provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 31%, or approximately \$267,000 from fiscal 2006 to fiscal 2007. Capital grants increased approximately \$88,000, note proceeds increased approximately \$353,000 and transfers in decreased \$50,000.

Disbursements of the City's governmental activities increased 18%, or approximately \$183,000, in fiscal 2007 from fiscal 2006. Public safety, public works and debt service disbursements decreased approximately \$42,000, \$171,000 and \$125,000, respectively. However, capital projects increased approximately \$649,000.

The City's total cash basis net assets decreased 4.5%, or approximately \$24,000, from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities decreased approximately \$41,000 and the assets of the business type activities increased by approximately \$17,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results 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, readers 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

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

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

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

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic 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, such as Road Use Tax and Tax Increment Financing, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent 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 statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains several Enterprise Funds to provide separate information for the water and sewer funds.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$297,000 to approximately \$256,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2007	2006
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 29	\$ 41
Operating grants, contributions and restricted interest	125	167
Capital grants, contributions and restricted interest	125	37
General receipts:		
Property tax	275	321
Local option sales tax	40	22
Unrestricted interest on investments	5	5
Note proceeds	424	71
Other general receipts	15	57
Transfers, net	100	150
Total receipts and transfers	\$1,138	\$ 871
Disbursements:		
Public safety	\$ 140	\$ 182
Public works	136	307
Culture and recreation	159	173
Community and economic development	-	115
General government	54	53
Debt service	41	166
Capital projects	649	-
Total disbursements	\$1,179	\$ 996
Change in cash basis net assets	\$ (41)	\$ (125)
Cash basis net assets beginning of year	297	422
Cash basis net assets end of year	\$ 256	\$ 297

The City's total receipts for governmental activities increased by 31%, or approximately \$267,000. The total cost of all programs and services increased by approximately \$183,000, or 18%. Disbursements decreased in all functions with the exception of the capital projects disbursements, which increased by approximately \$649,000 due to the wastewater treatment facility project.

The cost of all governmental activities this year was approximately \$1,179,000 compared to approximately \$996,000 last year. However, as shown in the Statement of Activities and Net Assets on pages 9-12, the amount taxpayers ultimately financed for these activities was only \$900,191 because some of the cost was paid by those directly benefited from the programs (\$28,857) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest \$(250,260). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$315,098 in tax (some of which could only be used for certain programs) \$424,402 in note proceeds, and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities
(Expressed in Thousands)

	Year ended June 30,	
	2007	2006
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 93	\$ 79
Sewer	201	88
Other	-	1
General receipts:		
Local option sales tax	31	34
Unrestricted interest on investments	5	1
Loan proceeds	-	30
Total receipts	\$ 330	\$ 233
Disbursements and transfers:		
Water	\$ 100	\$ 130
Sewer	113	95
Other	-	1
Transfers, net	100	150
Total disbursements and transfers	\$ 313	\$ 376
Change in cash basis net assets	\$ 17	\$ (143)
Cash basis net assets beginning of year	238	381
Cash basis net assets end of year	\$ 255	\$ 238

Total business type activities receipts for the fiscal year were approximately \$330,000 compared to approximately \$233,000 last year. This increase was due primarily to sewer receipts. Total disbursements and transfers for the fiscal year decreased by 17% to a total of approximately \$313,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Sheffield completed the year, its governmental funds reported a combined fund balance of \$255,866, a decrease of \$41,427 from last year's total of \$297,293. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$14,755 from the prior year to \$66,467. This decrease was due mainly to revenues being less than operating disbursements.

The Road Use Tax Fund cash balance decreased by \$45,394 to \$(16,913) during the fiscal year. This decrease was attributable to timing of the completion of certain road projects for the fiscal year.

At the end of the fiscal year, the Tax Increment Financing Fund cash balance was \$51,390, an increase of \$187 from the previous year due to additional receipts.

The Local Option Sales Tax Fund was set up during the year. The cash balance increased to \$19,658.

The Employee Benefits Fund cash balance decreased by \$22,837 to \$45,221 in 2007 due to an increase in disbursements and transfers out.

The Debt Service Fund cash balance increased by \$842 to \$6,903 due primarily to fewer debt payments.

During the fiscal year, the Block Grant Fund cash balance remained the same, as note proceeds and operating grants covered scheduled disbursements.

At the end of the fiscal year, the Fire Improvement Fund cash balance was \$28,750, an increase of \$7,000 from the previous year due to a transfer in.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance increased by \$6,808 to \$61,648, due primarily to a decrease in operating expenses.

The Sewer Rental Fund cash balance increased by \$105,552 to \$153,627, due primarily to an increase in operating receipts.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice. The first amendment was approved on April 24, 2007 and increased disbursements by \$1,426,000. The second amendment was approved on June 5, 2007. This amendment increased disbursements by \$7,132. The City had sufficient cash balances to absorb \$56,000 of these additional costs, and budgeted \$1,300,000 for note proceeds. The City exceeded the amount budgeted in the culture and recreation function.

DEBT ADMINISTRATION

At June 30, 2007, the City had approximately \$625,000 in bonds and other long-term debt outstanding, compared to approximately \$255,000 last year, as shown below:

Outstanding Debt at Year-End
(Expressed in Thousands)

	June 30,	
	2007	2006
General obligation bonds	\$ 170	\$ 200
Revenue notes	425	-
Notes payable	30	51
Capital lease	-	4
Total	\$ 625	\$ 255

The City incurred new debt during 2007 of \$424,902. Principal and interest payments were made as scheduled. 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 \$170,000 is significantly below its constitutional debt limit of \$1,918,277.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Sheffield's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Deb Hartman, City Clerk, City of Sheffield.

CITY OF SHEFFIELD, IOWA
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 Service</u>	<u>Contributions and Restricted Interest</u>	<u>Operating Grants, Capital Grants, Contributions and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 140,155	\$ 5,897	\$ 18,762	\$ -
Public works	136,165	-	77,511	-
Culture and recreation	159,073	21,145	29,312	-
General government	53,568	1,545	-	-
Debt service	41,000	-	-	-
Capital projects	<u>649,077</u>	<u>-</u>	<u>-</u>	<u>124,675</u>
Total governmental activities	<u>\$1,179,038</u>	<u>\$ 28,587</u>	<u>\$ 125,585</u>	<u>\$ 124,675</u>
Business type activities:				
Water	\$ 99,887	\$ 93,223	\$ -	\$ -
Sewer rental	113,263	201,817	-	-
Other	<u>300</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$ 213,450</u>	<u>\$ 295,040</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$1,392,488</u>	<u>\$ 323,627</u>	<u>\$ 125,585</u>	<u>\$ 124,675</u>

(Continued)

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (115,496)	\$ -	\$ (115,496)
(58,654)	-	(58,654)
(108,616)	-	(108,616)
(52,023)	-	(52,023)
(41,000)	-	(41,000)
(524,402)	-	(524,402)
\$ (900,191)	\$ -	\$ (900,191)
\$ -	\$ (6,664)	\$ (6,664)
-	88,554	88,554
-	(300)	(300)
\$ -	\$ 81,590	\$ 81,590
\$ (900,191)	\$ 81,590	\$ (818,601)

CITY OF SHEFFIELD, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

General Receipts:

Property and other city tax levied for:
 General purposes
 Tax increment financing
 Debt service
Local option sales tax
Unrestricted interest on investments
Note proceeds
Miscellaneous
Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:
 Urban renewal purposes
 Debt service
 Other purposes
Unrestricted

Total cash basis net assets

See Notes to Financial Statements.

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 233,959	\$ -	\$ 233,959
187	-	187
40,863	-	40,863
40,098	30,660	70,758
4,488	4,810	9,298
424,402	-	424,402
14,767	-	14,767
<u>100,000</u>	<u>(100,000)</u>	<u>-</u>
<u>\$ 858,764</u>	<u>\$ (64,530)</u>	<u>\$ 794,234</u>
\$ (41,427)	\$ 17,060	\$ (24,367)
<u>297,293</u>	<u>238,434</u>	<u>535,727</u>
<u>\$ 255,866</u>	<u>\$ 255,494</u>	<u>\$ 511,360</u>
\$ 51,390	\$ -	\$ 51,390
6,903	-	6,903
131,106	40,219	171,325
<u>66,467</u>	<u>215,275</u>	<u>281,742</u>
<u>\$ 255,866</u>	<u>\$ 255,494</u>	<u>\$ 511,360</u>

CITY OF SHEFFIELD, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>S p e c i a l</u>		
		<u>Road Use Tax</u>	<u>Tax Increment Financing</u>	<u>Local option Sales Tax</u>
RECEIPTS:				
Property tax	\$ 207,789	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	187	-
Other city tax	20,440	-	-	19,658
Licenses and permits	1,545	-	-	-
Use of money and property	3,423	-	-	-
Intergovernmental	41,292	77,511	-	-
Charges for service	25,802	-	-	-
Miscellaneous	21,819	-	-	-
Total receipts	<u>\$ 322,110</u>	<u>\$ 77,511</u>	<u>\$ 187</u>	<u>\$ 19,658</u>
DISBURSEMENTS:				
Operating:				
Public safety	\$ 116,237	\$ -	\$ -	\$ -
Public works	13,260	122,905	-	-
Culture and recreation	146,128	-	-	-
General government	52,346	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>\$ 327,971</u>	<u>\$ 122,905</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (5,861)</u>	<u>\$ (45,394)</u>	<u>\$ 187</u>	<u>\$ 19,658</u>
Other financing sources (uses):				
Note proceeds	\$ -	\$ -	\$ -	\$ -
Operating transfers in	10,768	-	-	-
Operating transfers out	<u>(19,662)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ (8,894)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in cash balances	\$ (14,755)	\$ (45,394)	\$ 187	\$ 19,658
Cash balances beginning of year	<u>81,222</u>	<u>28,481</u>	<u>51,203</u>	<u>-</u>
Cash balances end of year	<u>\$ 66,467</u>	<u>\$ (16,913)</u>	<u>\$ 51,390</u>	<u>\$ 19,658</u>
Cash Basis Fund Balances:				
Reserved for debt service	\$ -	\$ -	\$ -	\$ -
Unreserved:				
General fund	66,467	-	-	-
Special revenue funds	-	(16,913)	51,390	19,658
Permanent fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 66,467</u>	<u>\$ (16,913)</u>	<u>\$ 51,390</u>	<u>\$ 19,658</u>

See Notes to Financial Statements.

R e v e n u e			Debt Service	Other Nonmajor Governmental Funds	Total
Employee Benefits	Block Grant	Fire Improvement			
\$ 26,170	\$ -	\$ -	\$ 40,863	\$ -	\$ 274,822
-	-	-	-	-	187
-	-	-	-	-	40,098
-	-	-	-	-	1,545
-	-	-	-	1,065	4,488
-	124,675	-	-	-	243,478
-	-	-	-	-	25,802
825	-	-	-	145	22,789
<u>\$ 26,995</u>	<u>\$ 124,675</u>	<u>\$ -</u>	<u>\$ 40,863</u>	<u>\$ 1,210</u>	<u>\$ 613,209</u>
\$ 23,918	\$ -	\$ -	\$ -	\$ -	\$ 140,155
-	-	-	-	-	136,165
12,945	-	-	-	-	159,073
1,222	-	-	-	-	53,568
-	-	-	41,000	-	41,000
-	649,077	-	-	-	649,077
<u>\$ 38,085</u>	<u>\$ 649,077</u>	<u>\$ -</u>	<u>\$ 41,000</u>	<u>\$ -</u>	<u>\$ 1,179,038</u>
<u>\$ (11,090)</u>	<u>\$ (524,402)</u>	<u>\$ -</u>	<u>\$ (137)</u>	<u>\$ 1,210</u>	<u>\$ (565,829)</u>
\$ -	\$ 424,402	\$ -	\$ -	\$ -	\$ 424,402
-	100,000	7,000	979	12,662	131,409
<u>(11,747)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,409)</u>
<u>\$ (11,747)</u>	<u>\$ 524,402</u>	<u>\$ 7,000</u>	<u>\$ 979</u>	<u>\$ 12,662</u>	<u>\$ 524,402</u>
\$ (22,837)	\$ -	\$ 7,000	\$ 842	\$ 13,872	\$ (41,427)
68,058	-	21,750	6,061	40,518	297,293
<u>\$ 45,221</u>	<u>\$ -</u>	<u>\$ 28,750</u>	<u>\$ 6,903</u>	<u>\$ 54,390</u>	<u>\$ 255,866</u>
\$ -	\$ -	\$ -	\$ 6,903	\$ -	\$ 6,903
-	-	-	-	-	66,467
45,221	-	28,750	-	31,060	159,166
-	-	-	-	23,330	23,330
<u>\$ 45,221</u>	<u>\$ -</u>	<u>\$ 28,750</u>	<u>\$ 6,903</u>	<u>\$ 54,390</u>	<u>\$ 255,866</u>

CITY OF SHEFFIELD, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	Enterprise Funds	
	Water	Sewer Rental
Operating receipts:		
Charges for service	\$ 93,223	\$ 201,817
Operating disbursements:		
Business type activities	99,887	113,263
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ (6,664)	\$ 88,554
Non-operating receipts:		
Other city tax	\$ 10,220	\$ 20,440
Interest on investments	3,252	1,558
Total non-operating receipts	\$ 13,472	\$ 21,998
Excess (deficiency) of receipts over (under) disbursements	\$ 6,808	\$ 110,552
Other financing sources (uses):		
Operating transfers in	\$ -	\$ -
Operating transfers out	-	(5,000)
Total other financing sources (uses)	\$ -	\$ (5,000)
Net change in cash balances	\$ 6,808	\$ 105,552
Cash balances beginning of year	54,840	48,075
Cash balances end of year	\$ 61,648	\$ 153,627
Cash Basis Fund Balances		
Reserved for other	\$ -	\$ -
Unreserved	61,648	153,627
Total cash basis fund balances	\$ 61,648	\$ 153,627

See Notes to Financial Statements.

<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
\$ -	\$ 295,040
<u>300</u>	<u>213,450</u>
<u>\$ (300)</u>	<u>\$ 81,590</u>
\$ -	\$ 30,660
-	4,810
<u>\$ -</u>	<u>\$ 35,470</u>
<u>\$ (300)</u>	<u>\$ 117,060</u>
\$ 5,000	\$ 5,000
(100,000)	(105,000)
<u>\$ (95,000)</u>	<u>\$ (100,000)</u>
\$ (95,300)	\$ 17,060
<u>135,519</u>	<u>238,434</u>
<u>\$ 40,219</u>	<u>\$ 255,494</u>
\$ 40,219	\$ 40,219
-	215,275
<u>\$ 40,219</u>	<u>\$ 255,494</u>

CITY OF SHEFFIELD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(1) Summary of Significant Accounting Policies

The City of Sheffield is a political subdivision of the State of Iowa located in Franklin County. It was first incorporated April 8, 1876 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Sheffield 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 the Franklin County Assessor's Conference Board and Franklin County Emergency Management Commission.

B. Basis of Presentation

Government-wide Financial Statement - 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 service.

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

CITY OF SHEFFIELD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(1) Summary of Significant Accounting Policies - continued

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 funds are aggregated and reported as nonmajor 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 not paid from other funds.

Special Revenue:

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

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

The Local Option Sales Tax Fund is used to account for the local option sales tax revenues.

The Employee Benefits Fund is used to account for property taxes levied for employee benefits.

The Block Grant Fund is used to account for the wastewater treatment facility project.

The Fire Improvement Fund accounts for monies received and held by the City to fund future capital improvements to the fire department.

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

The City reports the following major proprietary funds:

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

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

CITY OF SHEFFIELD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(1) Summary of Significant Accounting Policies - continued

C. Measurement Focus and Basis of Accounting

The City of Sheffield 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.

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 exceeded the amount budgeted in the culture and recreation function.

(2) Cash and Pooled Investments

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

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

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF SHEFFIELD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligations bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 30,000	\$ 9,350	\$ 62,000	\$ 12,747	\$ 92,000	\$ 22,097
2009	35,000	7,700	61,000	10,887	96,000	18,587
2010	35,000	5,775	63,000	9,057	98,000	14,832
2011	35,000	3,850	65,000	7,167	100,000	11,017
2012	35,000	1,925	67,000	5,217	102,000	7,142
2013-14	-	-	106,902	4,344	106,902	4,344
Total	<u>\$170,000</u>	<u>\$ 28,600</u>	<u>\$424,902</u>	<u>\$ 49,419</u>	<u>\$594,902</u>	<u>\$ 78,019</u>

The resolutions providing for the issuance of the general obligation bonds include the following provision:

At the option of the City, the essential corporate purpose bonds issue of April 1, 2001 are subject to redemption and prepayment on any date, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot, at a price of par plus accrued interest to call date, by giving proper notice.

The resolution providing for the issuance of the sewer revenue notes include the following provisions:

The notes will only be redeemed from the future earnings of the enterprise activities and note holders hold a lien on the future earnings of the funds.

The sewer revenue note issued February 8, 2007 is authorized in the amount of \$1,600,000. As of June 30, 2007, the City has drawn down \$424,902.

The City has also entered into the following loan agreements with the United Bank and Trust Company, Sheffield, Iowa:

Date of Loan	3-17-06	3-17-06
Original amount	\$20,500	\$30,000
Interest rate	6.0%	6.0%
Payment dates	Annual	Annual
Payment amount	\$10,250 plus interest	\$10,000 plus interest
Maturity date	4-01-08	4-01-09
Collateral	Police car	Water meters
At June 30, 2007:		
Number of payments remaining	1	2
Outstanding balance	\$10,250	\$ 20,000

CITY OF SHEFFIELD, IOWA
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.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered salary. 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 years ended June 30, 2007, 2006 and 2005 were \$15,154, \$14,838 and \$14,129, respectively, equal to the required contributions for each year.

(5) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2007, primarily relating to the General Fund, is \$3,510. This liability has been computed based on rates of pay in effect at June 30, 2007.

(6) **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 556 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 insufficient, by the subsequent year's member contributions.

CITY OF SHEFFIELD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(6) Risk Management - continued

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 \$19,782.

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 \$3,000,000 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.

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 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 public employee dishonesty coverage and workers compensation coverage. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF SHEFFIELD, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007

(7) **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:	
	Employee Benefits	\$ 10,768
Special Revenue:		
Block Grant	Enterprise:	
	Sewer Improvement	\$ 100,000
Fire Improvement	General	7,000
Swimming Pool Improvements	General	12,662
		<u>\$ 119,662</u>
Debt Service	Special Revenue:	
	Employee Benefits	\$ 979
Enterprise:		
Sewer Improvement	Enterprise:	
	Sewer Rental	\$ 5,000
		<u>\$ 136,409</u>
Total		

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

(8) **Deficit Balance**

The Special Revenue, Road Use Tax Fund had a deficit balance of \$16,913 at June 30, 2007. The deficit will be eliminated upon receipt of property taxes.

(9) **Subsequent Events**

On October 23, 2007, the City approved a loan agreement in the amount not to exceed \$24,877 for the purchase of playground equipment.

On November 6, 2007, the City approved a loan agreement in the amount not to exceed \$134,000 for additional costs incurred in the wastewater treatment facility project.

Required Supplementary Information

CITY OF SHEFFIELD, IOWA
 BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS
 AND CHANGES IN BALANCES
 BUDGET AND ACTUAL (CASH BASIS) - ALL
 GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2007

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds Not Required to be Budgeted
RECEIPTS:			
Property tax	\$ 274,822	\$ -	\$ -
Tax increment financing collections	187	-	-
Other city tax	40,098	30,660	-
Licenses and permits	1,545	-	-
Use of money and property	4,488	4,810	-
Intergovernmental	243,478	-	-
Charges for service	25,802	295,040	-
Miscellaneous	22,789	-	-
Total receipts	<u>\$ 613,209</u>	<u>\$ 330,510</u>	<u>\$ -</u>
DISBURSEMENTS:			
Public safety	\$ 140,155	\$ -	\$ -
Public works	136,165	-	-
Culture and recreation	159,073	-	-
General government	53,568	-	-
Debt service	41,000	-	-
Capital projects	649,077	-	-
Business type activities	-	213,450	-
Total disbursements	<u>\$ 1,179,038</u>	<u>\$ 213,450</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (565,829)	\$ 117,060	\$ -
Other financing sources, net	<u>524,402</u>	<u>(100,000)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ (41,427)	\$ 17,060	\$ -
Balances beginning of year	<u>297,293</u>	<u>238,434</u>	<u>-</u>
Balances end of year	<u>\$ 255,866</u>	<u>\$ 255,494</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report.

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 274,822	\$ 265,471	\$ 265,471	\$ 9,351
187	-	-	187
70,758	32,197	32,197	38,561
1,545	1,925	1,925	(380)
9,298	19,500	19,500	(10,202)
243,478	115,085	115,085	128,393
320,842	193,900	257,900	62,942
22,789	29,200	42,330	(19,541)
<u>\$ 943,719</u>	<u>\$ 657,278</u>	<u>\$ 734,408</u>	<u>\$ 209,311</u>
\$ 140,155	\$ 149,075	\$ 159,075	\$ 18,920
136,165	119,700	167,700	31,535
159,073	126,080	156,212	(2,861)
53,568	50,150	57,150	3,582
41,000	41,000	41,000	-
649,077	-	1,300,000	650,923
213,450	184,200	222,200	8,750
<u>\$1,392,488</u>	<u>\$ 670,205</u>	<u>\$ 2,103,337</u>	<u>\$ 710,849</u>
\$ (448,769)	\$ (12,927)	\$ (1,368,929)	\$ 920,160
<u>424,402</u>	<u>-</u>	<u>1,300,000</u>	<u>(875,598)</u>
\$ (24,367)	\$ (12,927)	\$ (68,929)	\$ 44,562
<u>535,727</u>	<u>702,813</u>	<u>702,813</u>	<u>(167,086)</u>
<u>\$ 511,360</u>	<u>\$ 689,886</u>	<u>\$ 633,884</u>	<u>\$ (122,524)</u>

CITY OF SHEFFIELD, IOWA
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 Governmental 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 similar 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 nonprogram. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the 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, two budget amendments increased budgeted disbursements by \$1,433,132. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the culture and recreation function.

Other Supplementary Information

CITY OF SHEFFIELD, IOWA
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			
	Handicap Access	Swimming Pool Improvements	Capital Improvement Reserve	Veterans Memorial Fund
RECEIPTS:				
Use of money and property	\$ -	\$ 295	\$ -	\$ 203
Miscellaneous	-	-	-	-
Total receipts	\$ -	\$ 295	\$ -	\$ 203
DISBURSEMENTS:				
None	-	-	-	-
Excess of receipts over disbursements	\$ -	\$ 295	\$ -	\$ 203
Other financing sources: Operating transfers in	-	12,662	-	-
Net change in cash balances	\$ -	\$ 12,957	\$ -	\$ 203
Cash balances beginning of year	1,500	400	12,000	4,000
Cash balances end of year	<u>\$ 1,500</u>	<u>\$ 13,357</u>	<u>\$ 12,000</u>	<u>\$ 4,203</u>
Cash Basis Fund Balances:				
Unreserved:				
Special revenue funds	\$ 1,500	\$ 13,357	\$ 12,000	\$ 4,203
Permanent fund	-	-	-	-
Total cash basis fund balances	<u>\$ 1,500</u>	<u>\$ 13,357</u>	<u>\$ 12,000</u>	<u>\$ 4,203</u>

See Accompanying Independent Auditor's Report.

<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
\$ 567	\$ 1,065
145	145
<u>\$ 712</u>	<u>\$ 1,210</u>
-	-
\$ 712	\$ 1,210
-	12,662
<u>\$ 712</u>	<u>\$ 13,872</u>
22,618	40,518
<u>\$ 23,330</u>	<u>\$ 54,390</u>
\$ -	\$ 31,060
23,330	23,330
<u>\$ 23,330</u>	<u>\$ 54,390</u>

CITY OF SHEFFIELD, IOWA
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN CASH BALANCES
 NONMAJOR PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	<u>Enterprise Funds</u>			<u>Total</u>
	<u>Water Improvement</u>	<u>Water Deposit</u>	<u>Sewer Improvement</u>	
Operating receipts:				
None	\$ -	\$ -	\$ -	\$ -
Operating Disbursements:				
Business type activities	<u>-</u>	<u>300</u>	<u>-</u>	<u>300</u>
Deficiency of receipts under disbursements	<u>\$ -</u>	<u>\$ (300)</u>	<u>\$ -</u>	<u>\$ (300)</u>
Other financing sources (uses):				
Operating transfers in	\$ -	\$ -	\$ 5,000	\$ 5,000
Operating transfers out	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (95,000)</u>	<u>\$ (95,000)</u>
Net change in cash balances	\$ -	\$ (300)	\$ (95,000)	\$ (95,300)
Cash balances beginning of year	<u>25,000</u>	<u>10,519</u>	<u>100,000</u>	<u>135,519</u>
Cash balances end of year	<u>\$ 25,000</u>	<u>\$ 10,219</u>	<u>\$ 5,000</u>	<u>\$ 40,219</u>
Cash Basis Fund Balances:				
Reserved for other	<u>\$ 25,000</u>	<u>\$ 10,219</u>	<u>\$ 5,000</u>	<u>\$ 40,219</u>

See Accompanying Independent Auditor's Report.

CITY OF SHEFFIELD, IOWA
 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:			
Essential Corporate Purpose	04-01-01	5.50%	\$310,000
Revenue Notes:			
Sewer	02-08-07	3.00%	\$424,902
Notes Payable:			
Police Car	03-17-06	6.00%	\$ 20,500
Water Meters	03-17-06	6.00	30,000
Capital Lease:			
Backhoe	11-14-01	5.00%	\$ 49,194
Total indebtedness			

See Accompanying Independent Auditor's Report.

<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>
\$200,000	\$ -	\$ 30,000	\$170,000	\$ 11,000	\$ -
\$ -	\$424,902	\$ -	\$424,902	\$ -	\$ -
\$ 20,500	\$ -	\$ 10,250	\$ 10,250	\$ 1,298	\$ -
30,000	-	10,000	20,000	1,900	-
<u>\$ 50,500</u>	<u>\$ -</u>	<u>\$ 20,250</u>	<u>\$ 30,250</u>	<u>\$ 3,198</u>	<u>\$ -</u>
\$ 4,585	\$ -	\$ 4,584	\$ -	\$ 57	\$ -
<u>\$255,085</u>	<u>\$424,902</u>	<u>\$ 54,834</u>	<u>\$625,152</u>	<u>\$ 14,255</u>	<u>\$ -</u>

CITY OF SHEFFIELD, IOWA
BOND AND NOTE MATURITIES
JUNE 30, 2007

Year Ending June 30,	GENERAL OBLIGATION BONDS		REVENUE NOTES	
	Essential		Sewer	
	Corporate Purpose		Issued February 8, 2007	
	Issued April 1, 2001		Issued February 8, 2007	
	Interest Rate	Amount	Interest Rate	Amount
2008	5.50%	\$ 30,000	3.00%	\$ 62,000
2009	5.50	35,000	3.00	61,000
2010	5.50	35,000	3.00	63,000
2011	5.50	35,000	3.00	65,000
2012	5.50	35,000	3.00	67,000
2013		-	3.00	69,000
2014		-	3.00	37,902
Total		<u>\$170,000</u>		<u>\$424,902</u>

See Accompanying Independent Auditor's Report.

CITY OF SHEFFIELD, IOWA
 SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST FOUR YEARS

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Receipts:				
Property tax	\$ 274,822	\$ 290,475	\$ 206,654	\$ 234,816
Tax increment financing collections	187	30,821	100,009	57,913
Other city tax	40,098	26,772	24,780	21,886
Licenses and permits	1,545	2,535	2,205	2,065
Use of money and property	4,488	5,212	2,791	3,581
Intergovernmental	243,478	215,761	115,255	113,452
Charges for service	25,802	31,121	27,596	27,392
Miscellaneous	22,789	48,674	21,004	35,120
Total	<u>\$ 613,209</u>	<u>\$ 651,371</u>	<u>\$ 500,294</u>	<u>\$ 496,225</u>
Disbursements:				
Operating:				
Public safety	\$ 140,155	\$ 182,360	\$ 109,662	\$ 144,562
Public works	136,165	306,928	94,125	96,602
Culture and recreation	159,073	173,147	157,783	152,616
Community and economic development	-	115,125	-	-
General government	53,568	53,630	55,496	52,927
Debt service	41,000	166,362	67,700	59,675
Capital projects	649,077	-	-	-
Total	<u>\$ 1,179,038</u>	<u>\$ 997,552</u>	<u>\$ 484,766</u>	<u>\$ 506,382</u>

See Accompanying Independent Auditor's Report.



Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616

E-mail: rlp@fiai.net

(641) 257-4222
or (641) 228-2812
Fax (641) 228-1513

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:

I 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 Sheffield, 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 my report thereon dated December 19, 2007. My report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Sheffield's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the City of Sheffield's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Sheffield's internal control over financial reporting.

My 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, I identified a deficiency in internal control over financial reporting that I consider to be a material weakness.

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 the City of Sheffield'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 the City of Sheffield's financial statements that is more than inconsequential will not be prevented or detected by the City of Sheffield's internal control. I 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 the City of Sheffield's internal control.

My 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, I believe item 11-A-07 is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my 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.

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

I would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Sheffield during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



December 19, 2007

CITY OF SHEFFIELD, IOWA
Schedule of Findings
Year Ended June 30, 2007

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that certain accounting functions are not properly segregated.

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

Response - We will review procedures and make changes to improve internal control where possible.

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

II-B-07 Posting of Financial Transactions - Receipts and disbursements were not always posted to the correct account. I noted that \$79.22 of property taxes were posted incorrectly, which requires a corrective transfer.

Recommendation - More care should be exercised when posting transactions to reduce the incidence of mispostings. A transfer of \$79.22 should be made from Employee Benefits to the Tax Increment Financing Fund to correct property tax mispostings.

Response - In the future, more care will be exercised when posting transactions.

Conclusion - Response accepted.

CITY OF SHEFFIELD, IOWA
Schedule of Findings
Year Ended June 30, 2007

Part II: Findings Related to the Financial Statements: - continued

II-C-07 Reconciliation of Utility Billings, Collections and Delinquencies - Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation - A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response - We will do this.

Conclusion - Response accepted.

II-D-07 Utility Billings - I noted some utility accounts are not being charged the correct sales tax.

Recommendation - The City should review utility accounts to insure that sales tax is being charged correctly.

Response - The City recently implemented a new utility billing system. We are working with software support to fix these problems.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-07 Certified Budget - Disbursements during the year ended June 30, 2007 exceeded the amount budgeted in the culture and recreation function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation." Also, Chapter 384.18 states in part that the City budget shall be amended by May 31 of the current fiscal year. The City amended the budget after May 31.

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, and prior to May 31.

Response - We will do this in the future.

Conclusion - Response accepted.

CITY OF SHEFFIELD, IOWA
Schedule of Findings
Year Ended June 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting: - continued

- IV-B-07 Questionable Disbursements - No disbursements I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-07 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-07 Business Transactions - No business transactions between the City and City officials or employees were noted.
- IV-E-07 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-07 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.
- IV-G-07 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- IV-H-07 Financial Condition - The Special Revenue, Road Use Tax Fund had a deficit balance of \$16,913 at June 30, 2007.

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

Response - This deficit will be eliminated.

Conclusion - Response accepted.