City of New London

Independent Auditor's Report
Financial Statements and Supplementary Information
Independent Auditor's Report on Compliance
Schedule of Findings and Questioned Costs

June 30, 2007

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City of New London
City Officials

Name	Title	Term Expires
Ron Sadler	Mayor	December, 2007
Frank Staley	Council Member	December, 2009
Mike Westerbeck	Council Member	December, 2009
Mark Hempen	Council Member	December, 2009
Sam Wellington	Council Member	December, 2007
Ed Pilch	Council Member	December, 2007
Kasi A. Lenz	City Clerk/Treasurer	Indefinite
Jeri Lyles	Deputy Clerk/Secretary	Indefinite
Patrick Brau	Attorney	Indefinite
Scott Housman	Utility Board Chairman	November, 2009
Ron Miller	Utility Trustee	November, 2011
Gary Blanck	Utility Trustee	November, 2007
Jerry Wilhelm	Utility Trustee	November, 2007
Daryl Gipple	Utility Trustee	November, 2009

CPA ASSOCIATES PC
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Honorable Mayor and Members of City Council
City of New London, 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 New London, 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 New London's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards 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 our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of New London as of and for the year ended June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated November 14, 2007 on our consideration of the City of New London'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.

Management's Discussion and Analysis on pages 4 through 9 and budgetary comparison information on pages 22 through 23 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New London's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2006 (none of which are 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, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

CPA Associates PC

November 14, 2007

City of New London
Management's Discussion and Analysis

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

2007 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities (not including transfers) increased 12%, or approximately $103,900, from fiscal 2006 to fiscal 2007. Property tax increased approximately $10,300 and intergovernmental receipts increased $91,000.
- Disbursements increased 12%, or approximately $97,700 in fiscal 2007 from fiscal 2006. Public safety increased approximately $40,100 and public works increased approximately $68,800. Capital projects decreased approximately $14,000.
- The City's total cash basis net assets increased 4.92%, or approximately $85,800, from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities increased approximately $84,300 and the assets of the business type activities increased by approximately $1,500.

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 to the City's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor governmental 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, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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 presents 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, sanitary sewer system, electrical distribution and refuse collection. 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 Urban Renewal Tax Increment, 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 statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains Enterprise Funds to provide information for the electrical distribution, waterworks, refuse collection and sanitary sewer system, all considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

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 increased from a year ago, from $659,594 to $743,906. The analysis that follows focuses on the changes in cash balance for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)	Year Ended June 30, 2007	2006
Receipts and transfers:		
Property tax	$ 347	$ 336
Tax increment financing collections	29	32
Local option sales tax	147	150
Road use funds	161	162
Grants and reimbursements	137	47
Use of money and property	83	69
Charges for services	27	28
Other receipts	20	17
Transfers, net	-	18
Total receipts and transfers	951	859
Disbursements:		
Public safety	297	256
Public works	173	209
Culture and recreation	114	115
General government	122	117
Debt service	26	28
Capital projects	135	44
Total disbursements	867	769
Increase in cash basis net assets	84	90
Cash basis net assets beginning of year	660	570
Cash basis net assets end of year	$ 744	$ 660

The City's total receipts for governmental activities increased by 11.00%, or $92,000. The total cost of all programs and services increased approximately $98,000 with no new programs added this year. The significant increase in receipts was the Childcare Community Development Block Grant received of $85,320. The significant increase in disbursements was the childcare capital projects payments for the childcare center of $85,320 made during the year.

The cost of all governmental activities this year was $867,000, compared to $769,000 last year. However, as shown in the Statement of Activities and Net Assets on page 10, the amount taxpayers ultimately financed for these activities was only $718,100 because some of the cost was paid by those directly benefited from the programs ($11,600) or by other governments and organizations that subsidized certain programs with grants and contributions ($137,300). The City paid for the remaining "public benefit" portion of governmental activities with approximately $718,100 in tax (some of which could only be used for certain programs) 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
Program receipts		
Water charges	$ 182	$ 178
Electric	1,448	1,371
Sewer	201	203
Sanitation	118	118
Loan proceeds	217	1,398
Other miscellaneous receipts	186	450
Total receipts	2,352	3,718
Disbursements and transfers:		
Water	201	164
Electric	1,682	2,557
Sewer	350	1,021
Sanitation	117	106
Transfers	-	18
Total disbursements and transfers	2,350	3,866
Increase (decrease) in cash balance	2	(148)
Cash basis net assets beginning of year	1,084	1,232
Cash basis net assets end of year	$ 1,086	$ 1,084

Total business type activities receipts for the fiscal year were $2.4 million compared to $3.72 million the prior year. This decrease was primarily due to loan proceeds of $1.39 million received in the prior year. The cash balance increased by approximately $1,522 from the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's funds is to provide information on near-term inflows, outflows and cash balances of spendable resources. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

Governmental Funds

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was $277,300, a decrease of $68,400 from the prior year. This decrease was due to an increase in regular salaries for public safety of $23,600 and a vehicle purchase for public safety of $21,140.

- The Road Use Tax Fund cash balance decreased by $2,000 to $113,300 during the fiscal year.
- The Debt Service Fund cash balance increased by $8,300 to $1,600 during the fiscal year.
- The Local Option Sales Tax was established in previous years to provide additional fund revenues to reduce the City's reliance on property tax revenues and provide a reliable funding source for 100% of capital projects. The Capital Projects Fund increased by $137,000 to $326,300 during the fiscal year.

Proprietary Funds

The cash balance of the Enterprise Funds increased by approximately $1,500 to $1,085,900.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. The amendment was approved on June 26, 2007 and resulted in an increase in operating disbursements related to a cost overrun of approximately $318,000 on various projects. Even with these budget amendments, the City exceeded the budget for the Debt Service, Public Safety, Culture and Recreation and Capital projects functions for the year ended June 30, 2007. None of the amendments made during the 2007 fiscal year should have any impact on the 2008 fiscal year budget.

DEBT ADMINISTRATION

At June 30, 2007, the City had approximately $1,518,000 in bonds and other long-term debt, compared to approximately $1,614,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)	June 30, 2007	June 30, 2006
General obligation bonds	$ 75	$ 90
Revenue notes	1,247	1,416
Capital loan notes	196	103
Urban renewal tax increment financing	-	5
Total	$ 1,518	$ 1,614

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding combined general obligation debt and urban renewal tax increment financing revenue bonds of $270,800 is below its constitutional debt limit of approximately $1.4 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2008 fiscal year budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. Unemployment in the County now stands at 4.2 percent, versus 5.0 percent a year ago. This compares with the State's unemployment rate of 3.4 percent. These indicators were taken into account when adopting the budget for fiscal year 2008.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2% for the fiscal year 2007 compared with the national rate of 3.4%. Inflation has been modest here due, in part, to the slowing of the residential housing market and increases in energy prices in 2007.

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. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to Kasi Lenz, City Clerk, City of New London, 112 West Main Street, New London, Iowa 52645.

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

		Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants Contributions, and Restricted Interest	Capital Grants Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Functions / Programs:							
Governmental activities:							
Public safety	$ 296,617	$ 7,993	$ 26,315	$ -	$ (262,309)	$ -	$ (262,309)
Public works	172,628	448	-	-	(172,180)	-	(172,180)
Culture and recreation	114,108	-	17,130	-	(96,978)	-	(96,978)
General government	122,309	3,168	-	-	(119,141)	-	(119,141)
Debt service	26,440	-	-	-	(26,440)	-	(26,440)
Capital projects	134,885	-	-	93,820	(41,065)	-	(41,065)
Total government activities	866,987	11,609	43,445	93,820	(718,113)	-	(718,113)
Business type activities							
Water	200,509	182,292	-	-	-	(18,217)	(18,217)
Electric	1,681,714	1,448,135	-	46,900	-	(186,679)	(186,679)
Sewer	349,720	200,706	-	-	-	(149,014)	(149,014)
Sanitation	116,866	118,364	-	-	-	1,498	1,498
Total business type activities	2,348,809	1,949,497	-	46,900	-	(352,412)	(352,412)
Total	$ 3,215,796	$ 1,961,106	$ 43,445	$ 140,720	(718,113)	(352,412)	(1,070,525)
General Receipts:							
Property tax levied for:							
General purposes					346,641	-	346,641
Tax increment financing					29,378	-	29,378
Local option sales tax					146,881	-	146,881
Road use tax					160,990	-	160,990
Unrestricted investment earnings					18,570	30,236	48,806
Loan proceeds					-	216,665	216,665
Transfers					-	-	-
Miscellaneous					99,965	107,033	206,998
Total general receipts and transfers					802,425	353,934	1,156,359
Change in cash basis net assets					84,312	1,522	85,834
Cash basis net assets beginning of year					659,594	1,084,358	1,743,952
Cash basis net assets end of year					$ 743,906	$ 1,085,880	$ 1,829,786
Cash Basis Net Assets							
Restricted:							
Road use					$ 113,264	$ -	$ 113,264
Capital projects					326,262	-	326,262
Other purposes					16,305	384,607	400,912
Unrestricted					288,075	701,273	989,348
Total cash basis net assets					$ 743,906	$ 1,085,880	$ 1,829,786

See notes to financial statements.

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

		Special Revenue				
	General	Road Use	Capital Projects Fund	Debt Service	Other Nonmajor Governmental	Total
Receipts:						
Property tax	$ 235,898	$ -	$ -	$ -	$ 110,743	$ 346,641
Tax increment financing collections	-	-	-	29,378	-	29,378
Other taxes	-	-	146,881	-	-	146,881
Use of money and property	75,262	-	7,876	-	-	83,138
Licenses and permits	880	-	-	-	-	880
Intergovernmental	45,394	160,990	93,820	-	-	300,204
Charges for services	26,892	-	-	-	-	26,892
Miscellaneous	12,772	5,386	-	-	617	18,775
Total receipts	397,098	166,376	248,577	29,378	111,360	952,789
Disbursements:						
Operating:						
Public safety	269,540	-	-	-	27,077	296,617
Public works	24,146	138,636	1,024	-	8,822	172,628
Culture and recreation	102,687	-	-	-	11,421	114,108
General government	69,075	-	-	-	53,234	122,309
Debt service	-	-	5,310	21,130	-	26,440
Capital projects	-	29,720	105,165	-	-	134,885
Total disbursements	465,448	168,356	111,499	21,130	100,554	866,987
Excess (deficiency) of receipts over disbursements	(68,350)	(1,980)	137,078	8,248	10,806	85,802
Other financing sources (uses):						
Operating transfers in (out)	-	-	-	-	-	-
Net change in cash balances	(68,350)	(1,980)	137,078	8,248	10,806	85,802
Cash balances beginning of year	345,619	115,244	189,184	(6,678)	-	643,369
Cash balances end of year	$ 277,269	$ 113,264	$ 326,262	$ 1,570	$ 10,806	$ 729,171
Cash Basis Fund Balances						
Reserved:						
Debt service	$ -	$ -	$ -	$ 1,570	$ -	$ 1,570
Unreserved:						
General fund	277,269	-	-	-	10,806	288,075
Special revenue fund	-	113,264	-	-	-	113,264
Capital projects fund	-	-	326,262	-	-	326,262
Total cash basis fund balances	$ 277,269	$ 113,264	$ 326,262	$ 1,570	$ 10,806	$ 729,171

See notes to financial statements.

City of New London
Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds
Year Ended June 30, 2007

Total governmental funds cash balances (page 11)	$ 729,171
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	
The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	14,735
Cash basis net assets of governmental activities (page 10)	$ 743,906

Net change in cash balances (page 11)	$ 85,802
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	
The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change on net assets of the Internal Service Fund is reported with governmental activities.	(1,490)
Change in cash balance of governmental activities (page 10)	$ 84,312

See notes to financial statements.

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

	Enterprise Funds						Internal Service Fund
	Water Revenue	Electric Revenue	Sewer Revenue	Sanitation Revenue	Utility Deposits	Total	Employee Health
Receipts:							
Use of money and property:							
Charges for services	$ 182,292	$ 1,448,135	$ 200,706	$ 118,364	$ -	$ 1,949,497	$ -
Interest	9,962	10,993	8,729	552	-	30,236	598
Intergovernmental	-	-	46,900	-	-	46,900	-
Miscellaneous	3,051	90,072	5,325	809	13,850	113,107	15,200
	195,305	1,549,200	261,660	119,725	13,850	2,139,740	15,798
Disbursements:							
Business type activities							
Operations	200,509	1,188,958	105,756	116,866	10,900	1,622,989	12,461
Capital outlay	-	199,014	194,166	-	-	393,180	-
Debt service	-	293,742	49,798	-	-	343,540	-
Total disbursements	200,509	1,681,714	349,720	116,866	10,900	2,359,709	12,461
Excess of receipts over disbursements	(5,204)	(132,514)	(88,060)	2,859	2,950	(219,969)	3,337
Other financing sources (uses):							
Loan proceeds	-	98,000	118,665	-	-	216,665	-
Operating transfers in	-	338,000	-	-	-	338,000	-
Operating transfers out	-	(338,000)	-	-	-	(338,000)	-
	-	-	-	-	-	-	-
Net change in cash balances	(5,204)	(34,514)	30,605	2,859	2,950	(3,304)	3,337
Cash balances, beginning of year	282,448	349,224	362,098	41,464	21,610	1,056,844	43,738
Cash balances, end of year	$ 277,244	$ 314,710	$ 392,703	$ 44,323	$ 24,560	$ 1,053,540	$ 47,075
Cash Basis Fund Balances							
Reserved for equipment replacement	$ -	$ 98,720	$ 255,887	$ 30,000	$ -	$ 384,607	$ -
Unreserved	277,244	215,990	136,816	14,323	24,560	668,933	47,075
Total cash basis fund balances	$ 277,244	$ 314,710	$ 392,703	$ 44,323	$ 24,560	$ 1,053,540	$ 47,075

See notes to financial statements.

City of New London
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets - Proprietary Funds
Year Ended June 30, 2007

Total enterprise funds cash balances (page 13)	$ 1,053,540
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:	
The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.	32,340
Cash basis net assets of business type activities (page 10)	$ 1,085,880

Net change in cash balances (page 13)	$ (3,304)
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:	
The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change on net assets of the Internal Service Fund is reported with business type activities.	4,826
Change in cash balance of business type activities (page 10)	$ 1,522

See notes to financial statements.

Note 1. Summary of Significant Accounting Policies

The City of New London is a political subdivision of the State of Iowa located in Henry County. It was incorporated in 1861 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 electric, water, refuse collection and sewer utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City of New London 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 following boards and commissions: Des Moines County Solid Waste Commission; Henry County Assessor's Conference Board; Henry County Emergency Management Commission, and Henry County Joint E911 Service Board.

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.

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities. Local option sales tax is recorded in this fund.

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.

The Electric Fund accounts for the operation and maintenance of the City owned electric utility system.

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

The City also reports the following additional proprietary fund:

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

Measurement Focus and Basis of Accounting

The City of New London 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 Public Safety, Culture and Recreation, Capital Projects and Debt Service functions.

Note 2. Cash and Pooled 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's investments at June 30, 2007 were entirely in certificates of deposit.

Note 3. Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, general obligation notes and other debt are as follows:

Year Ended	General Obligation Bonds		Sewer Revenue Bond		Electric Revenue Bond		Other Debt	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 20,000	$ 4,425	$ 29,000	$ 20,160	$ 275,000	$ 22,028	$ 32,459	$ 5,762
2009	20,000	3,245	30,000	19,290	285,000	11,715	32,822	4,811
2010	35,000	2,870	30,000	18,390	15,000	600	33,209	3,936
2011	-	-	31,000	17,490	-	-	33,600	2,875
2012	-	-	32,000	16,560	-	-	34,003	1,800
2013-25	-	-	520,000	115,830	-	-	29,716	1,373
	$ 75,000	$ 10,540	$ 672,000	$ 207,720	$ 575,000	$ 34,343	$ 195,809	$ 20,557

The resolutions providing for the issuance of the electric revenue bonds include the following provisions.

(a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.

Note 3. Bonds and Notes Payable (continued)

(b) Sufficient monthly transfers shall be made to separate electric revenue bond sinking accounts for the purpose of making the bond principal and interest payments when due.

(c) Monthly transfers equal to a sum of one-twelfth of the principal of the Revenue Bonds maturing on the next maturity date plus one-sixth of the interest coming due on the next interest payment date shall be made to the Sinking Fund for the purpose of making bond interest and principal payments when due. At June 30, 2007, this restricted fund had a balance of approximately $52,050 and is included as part of the Electric Revenue Fund balance.

(d) A minimum of $1,000 per month shall be transferred to the Repair and Replacement Fund until a fund balance of $50,000 is attained. These funds are to be used solely to pay the cost of extraordinary maintenance expense or repairs and capital improvements to the system. At June 30, 2007, this restricted fund had a balance of $50,000 and is included as part of the Electric Revenue Fund balance.

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.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contributions are established by State statute. The City's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005, were $44,100, $39,300 and $37,400, respectively, equal to the required contributions for each year.

Note 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 and other termination payments payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	$ 18,600
Personal and holiday	2,400
	$ 21,000

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

Note 6. Self-Insured Health Benefits

The City of New London has agreed with its employees to provide certain health benefits.

The City pays 100 percent of the premium for health insurance. The City also pays 80 percent of the deductible up to the point where Wellmark Blue Cross Blue Shield of Iowa begins coverage. The City's liability for self-insured health benefits was approximately $50,000 at June 30, 2007.

Note 7. Related Party Transactions

No transactions were noted during the course of the audit between the City and City officials.

Note 8. Major Supplier

The Utilities' power is currently purchased through the Resale Power Group of Iowa. The total amount purchased was $601,803 which represents 100% of the total kilowatt hours generated and purchased.

Note 9. Joint Venture

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 the fifteen-member Board. Financial statements of the Waste Commission are available at the Commission's office, 1818 West Burlington Avenue, West Burlington, Iowa, 52655.

Note 10. Commitments

The principal commitments of the City are as follows:

Childcare Center	$ 1,214,000
Main Street Sidewalks	188,000
Safe Route Sidewalks	145,500
Sand and Salt Building	36,200

Note 11. Franchise Fees

The City receives franchise fees from Mediacom Communications Corporation at 5% of their gross subscriber revenue. The agreement is for 5 years ending November 2011.

Note 12. Risk Management

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

Note 13. Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the function level. During the year ended June 30, 2007, disbursements in the Culture and Recreation, Public Safety, Capital Projects and Debt Service functions exceeded the amounts budgeted.

Note 14. Prior Period Adjustment

The Sewer revenue capital loan note had a principal payment of $27,000 made in June 2006 that was incorrectly classified as interest. The beginning balance of the Sewer revenue capital loan note has been adjusted to reflect this principal payment on the Statement of Indebtedness for the year ended June 30, 2007.

Note 15. Interfund Transfers

There were no interfund transfers for the year ended June 30, 2007.

City of New London
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 Actual	Proprietary Fund Type Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts Original	Budgeted Amounts Final	Final to Net Variance
Receipts:							
Property tax	$ 346,641	$ -	$ -	$ 346,641	$ 343,426	$ 343,426	$ 3,215
Tax increment financing collections	29,378	-	-	29,378	22,000	22,000	7,378
Other city taxes	146,881	-	-	146,881	145,910	145,910	971
Use of money and property	83,138	30,236	598	112,776	67,000	67,000	45,776
Licenses and permits	880	-	-	880	2,800	2,800	(1,920)
Intergovernmental	300,204	46,900	-	347,104	203,350	203,350	143,754
Charges for service	26,892	1,949,497	-	1,976,389	2,477,020	2,477,020	(500,631)
Miscellaneous	18,775	113,107	15,200	116,682	-	-	116,682
Total receipts	952,789	2,139,740	15,798	3,076,731	3,261,506	3,261,506	(184,775)
Disbursements:							
Public safety	296,617	-	-	296,617	271,508	286,508	(10,109)
Public works	172,628	-	-	172,628	193,420	196,420	23,792
Culture and recreation	114,108	-	-	114,108	113,515	113,515	(593)
General government	122,309	-	-	122,309	137,435	137,435	15,126
Debt service	26,440	343,540	-	369,980	22,000	22,000	(347,980)
Capital projects	134,885	393,180	-	528,065	193,800	193,800	(334,265)
Business type activities	-	1,622,989	12,461	1,610,528	2,495,450	2,795,450	1,184,922
Total disbursements	866,987	2,359,709	12,461	3,214,235	3,427,128	3,745,128	530,893
Excess (deficiency) of receipts over disbursements	85,802	(219,969)	3,337	(137,504)	(165,622)	(483,622)	
Other financing sources	-	216,665	-	216,665	-	313,000	
Net change in cash balances	85,802	(3,304)	3,337	79,161	(165,622)	(170,622)	
Balances beginning of year	643,369	1,056,844	43,738	1,656,475	1,491,255	1,491,255	
Balances end of year	$ 729,171	$ 1,053,540	$ 47,075	$ 1,735,636	$ 1,325,633	$ 1,320,633	

See accompanying independent auditor's report.

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 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 Funds, and Fiduciary 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 disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, budget amendments increased budgeted disbursements by $318,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the Culture and Recreation, Public Safety, Capital Projects and Debt Service function.

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

	Employee Benefit
Receipts:	
Property taxes	$ 110,743
Miscellaneous	617
Total receipts	111,360
Disbursements:	
Public safety	27,077
Public works	8,822
Culture and recreation	11,421
General government	53,234
Total disbursements	100,554
Excess (deficiency) of receipts over disbursements	10,806
Other financing sources (uses):	
Operating transfers in	-
Operating transfers (out)	-
	-
Net change in cash balances	10,806
Cash balances, beginning of year	-
Cash balances, end of year	$ 10,806

See accompanying independent auditor's report.

City of New London
Statement of Indebtedness
Year Ended June 30, 2007

Obligation	Date of Issuance	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General obligation bonds:								
Capital loan note	09/01/99	4.50-5.50%	$ 110,000	$ 70,000	$ -	$ 10,000	$ 60,000	$ 3,725
Capital loan note	09/01/99	6.75-8.20%	55,000	20,000	-	5,000	15,000	1,605
				90,000	-	15,000	75,000	5,330
Urban renewal tax increment financing:								
Sanitary sewer	08/01/94	5.05-6.20%	55,000	5,000	-	5,000	-	310
Revenue bonds:								
Electric revenue refunding notes	04/04/06	3.60-4.0%	835,000	835,000	-	260,000	575,000	33,742
Sewer revenue capital loan notes	04/07/05	3.00%	727,000	581,335	118,665	28,000	672,000	21,798
				1,416,335	118,665	288,000	1,247,000	55,540
Other debt:								
Danville Bank-fire truck	11/20/03	2.875%	135,809	102,472	-	4,663	97,809	5,018
Danville Bank-aerial truck	05/01/07	3.00%	98,000	-	98,000	-	98,000	-
				102,472	98,000	4,663	195,809	5,018
Total				$ 1,613,807	$ 216,665	$ 312,663	$ 1,517,809	$ 66,198

See accompanying independent auditor's report.

City of New London
Bond and Note Maturities
June 30, 2007

	General Obligation Bonds						
	Capital Loan Note Issued September 1, 1999		Capital Loan Note Issued September 1, 1999		General Obligation Bonds Totals	**Electric Revenue Bond** Issued April 4, 2006	
Year Ending June 30,	Interest Rate	Amount	Interest Rate	Amount	Amount	Interest Rate	Amount
2008	8.00%	$ 5,000	5.20%	$ 15,000	$ 20,000	3.75%	$ 275,000
2009	8.10%	5,000	5.30%	15,000	20,000	3.90%	285,000
2010	8.20%	5,000	5.40%	15,000	20,000	4.00%	15,000
2011		-	5.50%	15,000	15,000		-
		$ 15,000		$ 60,000	$ 75,000		$ 575,000

	Other Debt						
	Fire Truck Danville State Bank Issued November 20, 2003		Aerial Truck Danville State Bank Issued May 1, 2007		Other Debt Totals	**Sewer Revenue Bond** Issued April 7, 2005	
Year Ending June 30,	Interest Rate	Amount	Interest Rate	Amount	Amount	Interest Rate	Amount
2008	2.875%	$ 12,859	3.00%	$ 19,600	$ 32,459	3.00%	$ 29,000
2009	2.875%	13,222	3.00%	19,600	32,822	3.00%	30,000
2010	2.875%	13,609	3.00%	19,600	33,209	3.00%	30,000
2011	2.875%	14,000	3.00%	19,600	33,600	3.00%	31,000
2012	2.875%	14,403	3.00%	19,600	34,003	3.00%	32,000
2013	2.875%	14,815		-	14,815	3.00%	33,000
2014	2.875%	14,901		-	14,901	3.00%	34,000
2015		-		-	-	3.00%	35,000
2016		-		-	-	3.00%	36,000
2017		-		-	-	3.00%	38,000
2018		-		-	-	3.00%	39,000
2019		-		-	-	3.00%	40,000
2020		-		-	-	3.00%	41,000
2021		-		-	-	3.00%	42,000
2022		-		-	-	3.00%	43,000
2023		-		-	-	3.00%	45,000
2024		-		-	-	3.00%	46,000
2025		-		-	-	3.00%	48,000
		$ 97,809		$ 98,000	$ 195,809		$ 672,000

See accompanying independent auditor's report.

City of New London
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

	Years Ended June 30,				
	2007	2006	2005	2004	2003
Receipts:					
Property tax	$ 346,641	$ 336,364	$ 338,933	$ 335,928	324,636
Tax increment financing collections	29,378	31,645	30,930	27,147	26,431
Other city taxes	146,881	150,312	145,255	135,775	102,167
Use of money and property	83,138	69,169	64,074	63,820	67,960
Licenses and permits	880	1,480	2,232	1,745	1,543
Intergovernmental	300,204	208,805	205,790	243,872	258,095
Charges for services	26,892	28,185	28,418	36,718	9,313
Miscellaneous	18,775	22,943	36,157	35,203	31,352
Total	$ 952,789	$ 848,903	$ 851,789	$ 880,208	$ 821,497
Disbursements:					
Operating:					
Public safety	$ 296,617	$ 256,482	$ 229,864	$ 228,702	$ 276,349
Public works	172,628	208,992	176,035	187,660	172,797
Culture and recreation	114,108	115,307	105,579	89,922	110,880
Community and economic development	-	-	-	200	-
General government	122,309	117,137	114,271	124,696	120,708
Debt service	26,440	27,645	64,666	48,874	37,011
Capital projects	134,885	43,767	81,130	212,581	175,915
Total	$ 866,987	$ 769,330	$ 771,545	$ 892,635	$ 893,660

See accompanying independent auditor's report.

CPA ASSOCIATES PC
CERTIFIED PUBLIC ACCOUNTANTS

214 North Fourth Street PO Box 547 Burlington, IA 52601 / 319 752 6348 / 800 757 6348 / fax: 319 752 8644 / info@cpaapc.com

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 New London, 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 November 14, 2007. Our report expressed an unqualified opinions 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 New London'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 New London's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of New London's internal control over financial reporting.

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of New London'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 New London's financial statements that is more than inconsequential will not be prevented or detected by City of New London's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Questioned Costs 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 New London'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, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of New London'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 and Questioned Costs.

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 New London's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit City of New London'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 New London and other parties to whom City of New London 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 New London 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

November 14, 2007

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

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No matters were reported.

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.

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 not exceeded during the year ended June 30, 2007.

II-B-07 Certified Budget - Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the culture and recreation, public safety, capital projects and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation. The budget was not amended by May 31, 2007. Chapter 384.18 of the Code of Iowa states a city budget shall be amended by May 31 of the current fiscal year to allow for a protest hearing to be held and a decision rendered before June 30.

Recommendation - The budget should be amended in sufficient amounts and amended by May 31 in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

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

Conclusion - Response accepted.

II-C-07 Questionable Disbursements - Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Flower Station	Flowers for surgery and retirement	$ 54.57
Pam's Cakes & Bakery	Cookies for SASSO meeting	11.24
Hy-Vee	Cake and supplies	98.25
Hy-Vee	Retirement cake	41.08

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation - The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

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

II-E-07 Business Transactions - We noted no evidence of business transactions between the City and City officials or employees which we believed to be in violation of statutory provisions.

II-F-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-G-07 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-H-07 Bonds and Revenue Notes - The City has complied with the revenue bond and note resolutions.

II-I-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.

II-J-07 Payment of General Obligation Bonds - Certain general obligation bonds were paid from the General Fund. Chapter 384.4 of the Code of Iowa states in part that "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the Debt Service Fund.

Recommendation - The City should transfer from the General Fund to the Debt Service Fund account for future funding contributions. Payments of the debt should then be disbursed from the Debt Service Fund.

Response - We will transfer in the future as recommended.

Conclusion - Response accepted.