

CITY OF VICTOR, IOWA

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

JUNE 30, 2007

CITY OF VICTOR, IOWA
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CITY OF VICTOR, IOWA
OFFICIALS
June 30, 2007

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert P. Michalek	Mayor	December 31, 2007
Dan Cavin	Council Member	December 31, 2007
Marla Faga	Council Member	December 31, 2007
Rob Mertens	Council Member	December 31, 2007
Brad Jahlas	Council Member	December 31, 2007
Lynn DeNeve	Council Member	December 31, 2007
Fred Stiefel	City Clerk/City Attorney	Appointed

Gronewold, Bell, Kyhnn & Co. P.C.

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DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Victor, 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 city officials. 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 officials, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2006.

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, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2006, the financial statements referred to above present fairly, in all material respects, the respective 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 Victor 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.

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

In accordance with Government Auditing Standards, we have also issued our report dated January 29, 2008 on our consideration of the City of Victor's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 and 15 through 16 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise City of Victor's basic financial statements. The supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Glenn Waddell, Bell, Kyhn & Co. P.C.

Atlantic, Iowa
January 29, 2008

General Fund

1. The city tries to keep the property tax rate steady at \$9.45 or so.
2. TIF has been a good tool for the city. TIF allowed Victor Manufacturing to expand, and it allowed the construction of 10-15 new homes in the city. The TIF debt is internal. The Victor Man portion is now paid in full.
3. The city has an active recycling program. Revenues come from sale of recyclable products to City Carton.
4. The city uses a \$.01 sales tax for property tax relief.
5. The city purchased a new pickup truck in July 2006 at a cost of \$21,800.

ROAD USE TAX

6. The city does not spend RUT money except for street lighting and capital projects related to streets. There were no capital projects this year.

WATER

7. No significant activity in this fund this year.

SEWER

8. The city borrowed approximately \$1 million to construct sewer plant improvements required by IDNR even though the old plant continued to work well as designed. The new plant cost \$1.3 million plus. Grant money, and on-hand savings, plus the \$1 million loan, financed the project. The debt will be repaid through sewer fund revenues. Sewer rates were raised twice in recent years in anticipation of this project.

FIRE

9. No significant activity in this fund this year.

CEMETERY AND LIBRARY

10. The city council has established separate boards to manage these assets.

CITY OF VICTOR, IOWA
 STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
 As of and for the year ended June 30, 2007

	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Program Receipts</u> Operating Grants, Contributions, and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 134,974	\$ 49,220	\$ --
Public works	274,627	54,000	83,978
Culture and recreation	58,358	41,359	--
Community and economic development	43,850	--	--
General government	<u>40,624</u>	<u>2,400</u>	<u>--</u>
Total government activities	<u>552,433</u>	<u>146,979</u>	<u>83,978</u>
Business type activities:			
Water	44,916	70,500	--
Sewer	<u>1,597,709</u>	<u>136,000</u>	<u>--</u>
Total business type activities	<u>1,642,625</u>	<u>206,500</u>	<u>--</u>
Total	<u>\$ 2,195,058</u>	<u>\$ 353,479</u>	<u>\$ 83,978</u>

General Receipts:

 Property tax levied for:
 General purposes
 Tax increment financing
 Local option sales tax
 Unrestricted interest on investments
 Miscellaneous
 Loan proceeds
 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 (Liabilities)

Restricted:

 Library
 Road use
 Fire department
 Other purpose

Unrestricted

Total cash basis net assets

The accompanying notes are an integral part of these statements.

Program Receipts	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Capital Grants, Contributions, and Restricted Interest	Governmental Activities	Business Type Activities	Total
\$ 3,130	\$(82,624)	\$ --	\$(82,624)
--	(136,649)	--	(136,649)
--	(16,999)	--	(16,999)
34,914	(8,936)	--	(8,936)
<u> --</u>	<u>(38,224)</u>	<u> --</u>	<u>(38,224)</u>
<u>38,044</u>	<u>(283,432)</u>	<u> --</u>	<u>(283,432)</u>
--	--	25,584	25,584
<u>219,853</u>	<u> --</u>	<u>(1,241,856)</u>	<u>(1,241,856)</u>
<u>219,853</u>	<u> --</u>	<u>(1,216,272)</u>	<u>(1,216,272)</u>
<u>\$ 257,897</u>	<u>(283,432)</u>	<u>(1,216,272)</u>	<u>(1,499,704)</u>
	194,340	--	194,340
	52,335	--	52,335
	104,722	--	104,722
	7,292	1,396	8,688
	11,064	989	12,053
	<u> --</u>	<u>995,000</u>	<u>995,000</u>
	<u>369,753</u>	<u>997,385</u>	<u>1,367,138</u>
	86,321	(218,887)	(132,566)
	<u>495,908</u>	<u>339,219</u>	<u>835,127</u>
	<u>\$ 582,229</u>	<u>\$ 120,332</u>	<u>\$ 702,561</u>
	\$ 83,258	\$ --	\$ 83,258
	264,615	--	264,615
	41,467	--	41,467
	(48,798)	--	(48,798)
	<u>241,687</u>	<u>120,332</u>	<u>362,019</u>
	<u>\$ 582,229</u>	<u>\$ 120,332</u>	<u>\$ 702,561</u>

CITY OF VICTOR, 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>Nonmajor</u>	<u>Total</u>
Receipts:			
Property tax	\$ 194,340	\$ --	\$ 194,340
Tax increment financing collections	52,335	--	52,335
Other city tax	104,722	--	104,722
Use of money and property	7,821	1,871	9,692
Intergovernmental	--	107,026	107,026
Charges for service	54,000	--	54,000
Miscellaneous	11,014	70,711	81,725
Total receipts	<u>424,232</u>	<u>179,608</u>	<u>603,840</u>
Disbursements:			
Operating:			
Public safety	76,390	58,584	134,974
Public works	253,866	20,761	274,627
Culture and recreation	--	58,358	58,358
Community and economic development	43,850	--	43,850
General government	40,624	--	40,624
Total disbursements	<u>414,730</u>	<u>137,703</u>	<u>552,433</u>
Excess of receipts over disbursements	9,502	41,905	51,407
Other financing sources (uses):			
CDBG proceeds	34,914	--	34,914
Operating transfers in	--	132,548	132,548
Operating transfers out	(37,259)	(95,289)	(132,548)
Total other financing sources (uses)	<u>(2,345)</u>	<u>37,259</u>	<u>34,914</u>
Net change in cash balances	7,157	79,164	86,321
Cash balances beginning of year	<u>234,530</u>	<u>261,378</u>	<u>495,908</u>
Cash balances end of year	<u>\$ 241,687</u>	<u>\$ 340,542</u>	<u>\$ 582,229</u>

(continued next page)

CITY OF VICTOR, IOWA
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES - Continued
 GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2007

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Cash Basis Fund Balances			
Unreserved:			
General fund	\$ 241,687	\$ --	\$ 241,687
Special revenue funds	--	268,073	268,073
Capital projects fund	--	(142,377)	(142,377)
Permanent funds	<u>--</u>	<u>214,846</u>	<u>214,846</u>
Total cash basis fund balances	<u>\$ 241,687</u>	<u>\$ 340,542</u>	<u>\$ 582,229</u>

The accompanying notes are an integral part of these statements.

CITY OF VICTOR, 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	Total
Operating receipts:			
Charges for service	\$ 70,500	\$ 136,000	\$ 206,500
Miscellaneous	500	489	989
Total receipts	71,000	136,489	207,489
Operating disbursements:			
Business type activities	31,161	33,478	64,639
Total disbursements	31,161	33,478	64,639
Excess of receipts over disbursements	39,839	103,011	142,850
Non-operating receipts (disbursements):			
Interest on investments	1,396	--	1,396
Miscellaneous	(13,755)	(209)	(13,964)
Loan proceeds	--	995,000	995,000
CDBG proceeds	--	219,853	219,853
Capital projects	--	(1,500,503)	(1,500,503)
Debt service	--	(63,519)	(63,519)
Total non-operating disbursements	(12,359)	(349,378)	(361,737)
Net change in cash balances	27,480	(246,367)	(218,887)
Cash balances beginning of year	236,823	102,396	339,219
Cash balances end of year	\$ 264,303	\$(143,971)	\$ 120,332
Cash Basis Fund Balances			
Unreserved	\$ 264,303	\$(143,971)	\$ 120,332
Total cash basis fund balances	\$ 264,303	\$(143,971)	\$ 120,332

The accompanying notes are an integral part of these statements.

CITY OF VICTOR, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Victor, Iowa is a political subdivision of the State of Iowa located in Iowa and Poweshiek Counties. It was first incorporated in 1868 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Victor 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 of Victor has no component units which meet the Government 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: Iowa County Assessor's Conference Board, Iowa and Poweshiek County Emergency Management Commissions, and Iowa County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements

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

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

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

CITY OF VICTOR, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 fund:

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.

The City reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The City of Victor 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.

CITY OF VICTOR, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the culture and recreation, community and economic development, and business type activities functions.

NOTE 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.

All equity securities are stated at fair value and are classified as available for sale. None of the \$30,253 of equity securities is covered by any form of insurance against loss.

Value of securities received through insurance demutualization	\$ <u>30,253</u>
--	------------------

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 VICTOR, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 3 - NOTE PAYABLE

Annual debt service requirements to maturity for the general obligation capital loan note are as follows:

Year Ending June 30,	General Obligation Capital Loan Note	
	Principal	Interest
2008	\$ 38,000	\$ 28,890
2009	39,000	27,750
2010	41,000	26,580
2011	42,000	25,350
2012	43,000	24,090
2013	44,000	22,800
2014	46,000	21,480
2015	47,000	20,100
2016	49,000	18,690
2017	50,000	17,220
2018	52,000	15,720
2019	53,000	14,160
2020	55,000	12,570
2021	56,000	10,920
2022	58,000	9,240
2023	60,000	7,500
2024	62,000	5,700
2025	63,000	3,840
2026	60,000	1,950
	<u>\$ 958,000</u>	<u>\$ 314,550</u>

The Code of Iowa requires that principal and interest on the general obligation capital loan note be paid from the Debt Service Fund. However, during the year, \$37,000 of note principal and \$16,519 of interest was paid from the Enterprise Sewer Fund.

NOTE 4 - INTERFUND NOTES PAYABLE

The City has an interfund loan between the KUBU Subdivision Capital Projects Fund and the General Fund for the construction of sewer and roads for the KUBU Subdivision and expansion of Victor Manufacturing. The City advanced \$225,000 to Victor Manufacturing to be paid back with Tax Incremental Financing Taxes. Additionally, the City financed the construction of sewer, and water lines, and streets in the KUBU Subdivision, in the amount of \$452,241 to be paid back with Tax Incremental Financing Taxes. Currently the Tax Incremental Financing Taxes are being recorded as revenue into the General Fund until the advance to Victor Manufacturing is paid in full and then will be recorded as revenue into the Capital Projects Fund, KUBU Account. As noted in Note 7, the Capital Projects Fund, KUBU Account has a deficit balance at June 30, 2007. Additionally, it has been noted that a Special Revenue Fund for the Tax Incremental Financing monies has not been established.

CITY OF VICTOR, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 5 - 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% (3.90% effective July 1, 2007) of their annual covered salary and the City is required to contribute 5.75% (6.05% effective July 1, 2007) of covered salary. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2007 was \$7,716, equal to the required contribution for the year.

NOTE 6 - RISK MANAGEMENT

The City of Victor 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 7 - DEFICIT BALANCE

The Capital Projects Fund, KUBU Subdivision Project Account had a deficit balance of \$142,377. The deficit balance was a result of the City using the account to keep track of the TIF balance owed to the General Fund, See Note 4.

The Proprietary Fund, Sewer Account had a deficit balance of \$143,971. The deficit balance was a result of the City using the account to pay for the construction costs to be paid from remaining bond proceeds of \$5,000, and remaining CDBG grant proceeds of \$1,500 as well as expected utility receipts due to increased rates in fiscal year 2008.

CITY OF VICTOR, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 8 - INTERFUND TRANSFERS

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue, Fire Department	General	\$ 8,259
Permanent, Library	General	24,000
Permanent, Cemetery	General	<u>5,000</u>
		37,259
Special Revenue, Library	Permanent, Library	35,907
Permanent Fund Intrafund Transfers		<u>59,382</u>
		<u>\$ 132,548</u>

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

NOTE 9 - SERVICE AGREEMENTS

The City has an agreement with Iowa County to provide police protection for its citizens. The City paid \$75,561 for services during the year ended June 30, 2007, and approved an agreement in the amount of \$81,966 for the year ending June 30, 2008.

* * *

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VICTOR, IOWA
 BUDGETARY COMPARISON SCHEDULE
 OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL
 FUNDS AND PROPRIETRY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION

Year ended June 30, 2007

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 194,340	\$ --	\$ 194,340
Tax increment financing collections	52,335	--	52,335
Other city tax	104,722	--	104,722
Use of money and property	9,692	1,396	11,088
Licenses and permits	--	--	--
Intergovernmental	107,026	1,214,853	1,321,879
Charges for service	54,000	206,500	260,500
Miscellaneous	81,725	989	82,714
Total receipts	<u>603,840</u>	<u>1,423,738</u>	<u>2,027,578</u>
Disbursements:			
Public safety	134,974	--	134,974
Public works	274,627	--	274,627
Culture and recreation	58,358	--	58,358
Community and economic development	43,850	--	43,850
General government	40,624	--	40,624
Business type activities	--	1,642,625	1,642,625
Total disbursements	<u>552,433</u>	<u>1,642,625</u>	<u>2,195,058</u>
Excess (deficiency) of receipts over (under) disbursements	51,407	(218,887)	(167,480)
Other financing sources	<u>34,914</u>	<u>--</u>	<u>34,914</u>
Excess (deficiency) of receipts and other financing sources over disbursements	86,321	(218,887)	(132,566)
Balance beginning of year	<u>495,908</u>	<u>339,219</u>	<u>835,127</u>
Balance end of year	<u>\$ 582,229</u>	<u>\$ 120,332</u>	<u>\$ 702,561</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>	
<u>Original and Final</u>	<u>Final to Total Variance</u>
\$ 185,060	\$ 9,280
9,938	42,397
97,794	6,928
3,000	8,088
1,000	(1,000)
88,000	1,233,879
1,338,000	(1,077,500)
<u>103,000</u>	<u>(20,286)</u>
<u>1,825,792</u>	<u>201,786</u>
145,000	10,026
304,000	29,373
33,000	(25,358)
--	(43,850)
153,000	112,376
<u>1,375,000</u>	<u>(267,625)</u>
<u>2,010,000</u>	<u>(185,058)</u>
(184,208)	16,728
<u>60,000</u>	<u>(25,086)</u>
(124,208)	(8,358)
<u>585,393</u>	<u>249,734</u>
<u>\$ 461,185</u>	<u>\$ 241,376</u>

CITY OF VICTOR, 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 Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing 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 included disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, Permanent 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. There were no budget amendments during the year.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the culture and recreation, community and economic development, and the business type activities functions.

OTHER SUPPLEMENTARY INFORMATION

CITY OF VICTOR, 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		
	Library	Fire Department	Road Use Tax
Receipts:			
Use of money and property	\$ --	\$ 1,871	\$ --
Intergovernmental	--	23,048	83,978
Miscellaneous	--	50	--
Total receipts	--	24,969	83,978
Disbursements:			
Operating:			
Public safety	--	17,821	--
Public works	--	--	20,761
Culture and recreation	31,096	--	--
Total disbursements	31,096	17,821	20,761
Excess (deficiency) of receipts over (under) disbursements	(31,096)	7,148	63,217
Other financing sources (uses):			
Operating transfers in	35,907	8,259	--
Operating transfers out	--	--	--
Total other financing sources (uses)	35,907	8,259	--
Net change in cash balances	4,811	15,407	63,217
Cash balances, beginning of year	(4,811)	(11,949)	201,398
Cash balances, end of year	\$ --	\$ 3,458	\$ 264,615
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ --	\$ 3,458	\$ 264,615
Capital projects fund	--	--	--
Permanent funds	--	--	--
Total cash basis fund balances	\$ --	\$ 3,458	\$ 264,615

(continued next page)

Schedule 1

Capital Projects	Permanent					Cemetery Perpetual Care	Total
	KUBU	Library	Fire Department	First Responders	Cemetery		
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,871
--	--	--	--	--	--	--	107,026
--	34,248	23,494	5,808	4,858	2,253	--	70,711
--	34,248	23,494	5,808	4,858	2,253	--	179,608
--	--	37,977	2,786	--	--	--	58,584
--	--	--	--	--	--	--	20,761
--	21,052	--	--	6,205	5	--	58,358
--	21,052	37,977	2,786	6,205	5	--	137,703
--	13,196	(14,483)	3,022	(1,347)	2,248	--	41,905
--	54,000	23,000	4,345	5,000	2,037	--	132,548
--	(65,907)	(23,000)	(4,345)	--	(2,037)	--	(95,289)
--	(11,907)	--	--	5,000	--	--	37,259
--	1,289	(14,483)	3,022	3,653	2,248	--	79,164
(142,377)	81,969	52,492	26,543	437	57,676	--	261,378
<u>\$(142,377)</u>	<u>\$ 83,258</u>	<u>\$ 38,009</u>	<u>\$ 29,565</u>	<u>\$ 4,090</u>	<u>\$ 59,924</u>	<u>\$ --</u>	<u>\$ 340,542</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 268,073
(142,377)	--	--	--	--	--	--	(142,377)
--	83,258	38,009	29,565	4,090	59,924	--	214,846
<u>\$(142,377)</u>	<u>\$ 83,258</u>	<u>\$ 38,009</u>	<u>\$ 29,565</u>	<u>\$ 4,090</u>	<u>\$ 59,924</u>	<u>\$ --</u>	<u>\$ 340,542</u>

CITY OF VICTOR, IOWA
SCHEDULE OF INDEBTEDNESS
Year ended June 30, 2007

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount Originally Issued</u>
General Obligation Capital Loan Note: Corporate purpose - sanitary sewer improvements	June 8, 2006	3.00%	\$ 1,000,000
Total			

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>
<u>\$ --</u>	<u>\$ 995,000</u>	<u>\$ 37,000</u>	<u>\$ 958,000</u>	<u>\$ 16,519</u>	<u>\$ 2,375</u>
<u>\$ --</u>	<u>\$ 995,000</u>	<u>\$ 37,000</u>	<u>\$ 958,000</u>	<u>\$ 16,519</u>	<u>\$ 2,375</u>

CITY OF VICTOR, IOWA
NOTE MATURITIES
June 30, 2007

<u>Year ending June 30,</u>	<u>General Obligation Capital Loan Note Issued June 8, 2006</u>	
	<u>Interest Rate</u>	<u>Amount</u>
2008	3.00%	\$ 38,000
2009	3.00	39,000
2010	3.00	41,000
2011	3.00	42,000
2012	3.00	43,000
2013	3.00	44,000
2014	3.00	46,000
2015	3.00	47,000
2016	3.00	49,000
2017	3.00	50,000
2018	3.00	52,000
2019	3.00	53,000
2020	3.00	55,000
2021	3.00	56,000
2022	3.00	58,000
2023	3.00	60,000
2024	3.00	62,000
2025	3.00	63,000
2026	3.00	<u>60,000</u>
		<u>\$ 958,000</u>

See accompanying independent auditor's report.

CITY OF VICTOR, IOWA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended June 30, 2007

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Program Expenditures</u>
Indirect:			
Community Planning and Development, Department of Housing and Urban Development:			
State of Iowa Department of Economic Development			
Community Development Block Grants/State's Program	14.228	04-WS-094	\$ 219,853
Community Development Block Grants/State's Program	14.228	06-HSG-018	<u>34,914</u>
			254,767
Department of Homeland Security:			
State of Iowa Department of Homeland Security and Emergency Management			
Public Assistance Grants	97.036	--	7,484
Department of Agriculture:			
Volunteer Fire Assistance Program			
State of Iowa Department of Natural Resources	97.044	--	3,500
Environmental Protection Agency:			
State of Iowa Department of Natural Resources:			
Clean Water State Revolving Fund	66.458	--	<u>820,833</u>
			<u>\$ 1,086,584</u>

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

See accompanying independent auditor's report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of City of Victor, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 29, 2008. Our report expressed a qualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

To the Honorable Mayor and
Members of the City Council

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 Victor'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 Victor's financial statements that is more than inconsequential will not be prevented or detected by the City of Victor's internal control. We consider the deficiencies in internal control described in Part II 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 the City of Victor's internal control.

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

Compliance and Other Matters

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

The City of Victor'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 the City of Victor's responses and, accordingly, we express no opinion on them.

To the Honorable Mayor and
Members of the City Council

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 Victor and other parties to whom the City of Victor 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.

Glanville, Bell, Kynard & P.C.

Atlantic, Iowa
January 29, 2008

Gronewold, Bell, Kyhnn & Co. P.C.

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

To the Honorable Mayor and
Members of the City Council

Compliance

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

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Victor's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Victor's compliance with those requirements.

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

To the Honorable Mayor and
Members of the City Council

Internal Control Over Compliance

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

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

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

Granewald, Bell, Kuhn + Co. P.C.

Atlantic, Iowa
January 29, 2008

CITY OF VICTOR, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Part I: Summary of the Independent Auditor's Results

- (a) Qualified 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 material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 66.458 - Clean Water State Revolving Fund.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) City of Victor did not qualify as a low-risk auditee.

CITY OF VICTOR, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

PART II: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

07-II-A 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. However, because there are a limited number of people that have the primary responsibility for the accounting and financial duties, those aspects of internal accounting control which rely upon an adequate segregation of duties are missing in the City.

Recommendation: We recommend that the City review its control procedures to obtain the maximum internal control possible under the circumstances and the Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: We will consider.

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.

07-II-B Financial Statements: The financial statements and the bank accounts do not cut off at the end of the month.

The City's Annual Financial Report does not include the Water Files bank account, or the stock held by the City.

Recommendation: The financial statements and the bank accounts should cut off on the last day of the month, and the Annual Financial Report should include all city funds.

Response: We will consider.

Conclusion: Response accepted, however this should be an area of focus in the future fiscal years.

CITY OF VICTOR, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

PART II: Findings Related to the Financial Statements - Continued

07-II-C Vehicle Usage Policy: The City owns vehicles for use by employees conducting City business; however, a formal policy to regulate the use of these vehicles has not been established.

Recommendation: The City should adopt a formal written policy regulating the use of City vehicles. The policy should include provisions for incidental personal use, commuting, assignment of vehicles, documentation required, restricted vehicle uses, reimbursement by employees for personal use, and additional compensation for employees.

Response: Our policy is that City vehicles and equipment are to be used for City business only, incidental personal use exempt.

Conclusion: Response accepted, however, the City should consider adopting a formal policy.

07-II-D Payroll: The following concerns related to payroll were noted:

- (A) Salaried personnel of the City do not prepare and file timesheets.
- (B) FICA tax is not being withheld from the compensation paid to elected officials.
- (C) The City does not have personnel policies for the payment of vacation, sick leave, and compensated absences.

Recommendation:

- (A) Timesheets documenting time worked and leave taken should be prepared by all personnel and submitted to the City Clerk's office prior to the processing of payroll each pay period. The timesheets should be signed by the employee and employee's supervisor to document approval.
- (B) FICA tax should be withheld from the compensation paid to elected officials.
- (C) The City should establish written personnel policies.

Response:

- (A) Employees (Jeff and Tom) work 40 hours a week, if they work more, they take compensation time later. Jeff and Tom keep track of their hours and they are their own supervisors.
- (B) Will consider.
- (C) We have personnel policies, but they are not in written form.

CITY OF VICTOR, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

PART II: Findings Related to the Financial Statements - Continued

Conclusion: Response accepted, however, the City should consider adopting formal policies.

- 07-II-E Records of Accounts: The Boards of the Library, Cemetery, Fire Department and First Responders maintain the accounting records pertaining to their operations. Their transactions and the resulting balances are not recorded in the City Clerk's records. Chapter 384.20 of the Code of Iowa states in part that "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose."

Recommendation: For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be recorded in the City Clerk's records.

Response: We keep records required by law, but not all records are maintained by the City Clerk. We consider the Library and Fire Department to be semi-independent.

Conclusion: We would like to see the City Clerk maintain all records related to the City per Chapter 384.20 of the Code of Iowa.

- 07-II-F Fire Department: The following concern related to the Fire Department were noted:

- (A) Receipts were not issued for collections.
- (B) Invoices were not located for two expenditures.

Recommendation: Pre-numbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all money. Invoices should be maintained for all expenditures.

Response:

- (A) We feel we have adequate control in this area.
- (B) We will maintain in the future.

Conclusion: Response accepted.

- 07-II-G First Responders: Receipts were not issued for collections.

Recommendation: Pre-numbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all money.

CITY OF VICTOR, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

PART II: Findings Related to the Financial Statements - Continued

Response: We will consider this, however, due to limited staff and time restraints it may not be feasible.

Conclusion: Response accepted.

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

Recommendation: Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and also to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response: We believe we have accurate record and control of utility billings paid and unpaid.

Conclusion: The City should consider using a reconciliation to increase controls.

07-II-I Credit Cards: The City has not adopted a formal policy to regulate the use of the credit card and to establish procedures for the proper accounting of credit card charges.

Recommendation: The City should adopt a formal written policy regulating credit card usage. The policy, at a minimum, should address who controls the credit cards, who is authorized to use credit cards and for what purpose, as well as the types of supporting documentation required to substantiate charges.

Response: Our formal policy is that credit cards are used for city purchases only - or incidental items.

Conclusion: A formal policy should be considered which includes, at a minimum, who controls the credit cards, who is authorized and what type of documentation is required, as noted above in our recommendation.

CITY OF VICTOR, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

PART III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

CFDA Number 66.458 - Clean Water State Revolving Fund
Federal Award Year: 2007
Environmental Protection Agency
Passed through the Iowa Department of Natural Resources

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 66.458 - Clean Water State Revolving Fund
Federal Award Year: 2007
Environmental Protection Agency
Passed through the Iowa Department of Natural Resources

No matters were reported.

PART IV: Other Findings Related to Statutory Reporting

07-IV-A Certified Budget: Disbursements during the year ended June 30, 2007, exceeded the amounts budgeted in the culture and recreation, community and economic development, and business type activities functions. 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."

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

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

Conclusion: Response accepted.

CITY OF VICTOR, IOWA
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2007

PART IV: Other Findings Related to Statutory Reporting - Continued

07-IV-B Questionable Disbursements: Certain disbursements 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 were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Flower Connections	Various	\$ 166
D & P	Beverages	36
Big “G”	Beverages/lotto tickets	<u>251</u>
		<u>\$ 453</u>

Recommendation: The City should determine and document the public purpose of disbursements.

Response: We will document in the future.

Conclusion: Response accepted.

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

07-IV-D Business Transactions: In accordance with Chapter 362.5 of the Code of Iowa, no transactions between the City and the City officials and City employees were noted that represented a conflict of interest.

07-IV-E Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.

CITY OF VICTOR, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

PART IV: Other Findings Related to Statutory Reporting - Continued

07-IV-F Official Depositories: A resolution naming official depositories has not been approved by the City. A resolution would also allow for coverage up to a specified maximum amount of the City's deposits.

Recommendation: A resolution should be approved stating the official depository and the maximum amount allowed.

Response: We will consider.

Conclusion: Response accepted.

07-IV-G Special Revenue Funds: The City has not created separate funds to properly account for the Employee Benefits tax levy receipts, Local Option Sales Tax receipts, and Tax Incremental Financing tax receipts.

Recommendation: The City should create Special Revenue Funds for Employee Benefits, Local Option Sales Tax, and Tax Incremental Financing tax receipts in accordance with Governmental Accounting Standards.

Response: The City will consider establishing these funds.

Conclusion: Response accepted.

07-IV-H Financial Condition: The Capital Projects Fund, KUBU Subdivision Project Account and the Proprietary Fund, Sewer Account, had deficit balances of \$142,377 and \$143,971, respectively, at June 30, 2007.

Recommendation: The City should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response: The Capital Projects Fund, KUBU Account will have a deficit balance until the Tax Incremental Fund pays the debt. The Proprietary Fund, Sewer Account will be partially replenished in fiscal year 2008 from expected drawdown of cash from remaining loan and grant funds.

Conclusion: Response accepted.

CITY OF VICTOR, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

PART IV: Other Findings Related to Statutory Reporting - Continued

07-IV-I General Obligation Capital Loan Note: The General Obligation Capital Loan Note was paid directly from the Proprietary Fund, Sewer Account. Section 384.4 of the Code of Iowa states "Moneys pledged or available to service general obligation bonds, and received from sources other than property taxes, must be deposited in the debt service fund."

Recommendation: A debt service fund should be created to allow for a transfer from the Sewer Fund for designated capital note payments.

Response: The City will take this under advisement.

Conclusion: The City should consider the implications of paying the note out of the Enterprise Sewer Fund and the lack of a debt service fund.

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

07-IV-K 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, except as noted below.

It was noted that CDs held by the Fire Department, Library, Cemetery and the First Responders were invested below the minimum rates set by the Rate Setting Committee.

Recommendation: Determine all CD's held by City Departments have interest rates at least equal to those determined by the Rate Setting Committee.

Response: The City will take this under advisement.

Conclusion: Response accepted.

07-IV-L Revenue Notes: The City has complied with the revenue note resolutions.

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