

CITY OF BANCROFT, IOWA

**INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2007

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CITY OF BANCROFT, IOWA

OFFICIALS

Name	Title	Term Expires
(Before January 2007)		
Janice Wolf	Mayor	January 2008
Tim Rowlet	Mayor Pro tem	January 2008
Phil Jaren	Council Member	January 2008
Thomas Johnson	Council Member	January 2010
Judy Vaske	Council Member	January 2010
Pat Merron	Council Member	January 2010
(After January 2007)		
Janice Wolf	Mayor	January 2008
Tim Rowlet	Mayor Pro tem	January 2008
Phil Jaren	Council Member	January 2008
Thomas Johnson	Council Member	January 2010
Judy Vaske	Council Member	January 2010
Pat Merron	Council Member	January 2010
Mark Dreyer – resigned	Administrator / Clerk	Appointed
Vickie Rahe	Deputy Clerk	Appointed
Scott Buchanan	Attorney	Appointed



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' 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 Bancroft, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City'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 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

As described in Note 11, the City has chosen to present condensed financial information for its discretely presented component unit since complete financial statements for the component unit for the year ended December 31, 2006, which was audited by other auditors, is available. That report, dated October 31, 2007, expressed an unqualified opinion on the financial statements.

In our opinion, based on our audit and the report of the other auditor, 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 Bancroft, as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2008 on our consideration of the City of Bancroft'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 through 9 and 21 through 22 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bancroft's basic financial statements. Other supplementary information included in Schedules 1 through 5, 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.

T.P. Anderson & Company

July 2, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Bancroft 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

- Total receipts increased 166%, or approximately \$1,260,000, from fiscal 2006 to fiscal 2007.
- Disbursements increased 133%, or approximately \$1,016,000, in fiscal 2007 from fiscal 2006.
- The City's total cash basis net assets increased 94%, or approximately \$242,000, from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities increased approximately \$81,000 and the assets of the business type activities increased by approximately \$161,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

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 Statement

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

The Statement of Activities and Net Assets 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, health and social services, 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 water and sewer systems. 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 Local Option Sales Tax, Road Use Tax, and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

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

The City has chosen to present condensed financial information for its discretely presented component unit. Complete financial statements for the component unit are available from the City clerk at 105 East Ramsey, Bancroft, Iowa.

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 approximately \$81,000 from the prior year to a balance of approximately \$45,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	<u>Year Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Receipts and Transfers:		
Program Receipts:		
Charges for Services -----	\$ 35	\$ 70
Operating Grants, Contributions and Restricted Interest -----	86	18
Capital Grants, Contributions and Restricted Interest -- -----	241	80
General Receipts:		
Property Tax -----	236	234
Local Option Sales Tax -----	72	58
Grants and Contributions Not Restricted to Specific Purposes -----	80	20
Unrestricted Interest on Investments -----	10	5
Bond and Note Proceeds -----	850	-
Miscellaneous -----	52	10
Transfers, Net -----	-	11
Total Receipts and Transfers -----	<u>1,662</u>	<u>506</u>
Disbursements and Transfers:		
Public Safety -----	120	87
Public Works -----	146	89
Health and Social Services -----	4	4
Culture and Recreation -----	157	169
Community and Economic Development -----	2	3
General Government -----	88	65
Debt Service -----	100	67
Capital Projects -----	964	73
Transfers, Net -----	-	-
Total Disbursements and Transfers -----	<u>1,581</u>	<u>557</u>
Increase (Decrease) in Cash Basis Net Assets -----	81	(51)
Cash Basis Net Assets Beginning of Year -----	(<u>36</u>)	<u>15</u>
Cash Basis Net Assets End of Year -----	<u>\$ 45</u>	(<u>\$ 36</u>)

The City's total receipts and transfers for governmental activities increased by 229%, or approximately \$1,156,000. The significant increase in receipts was due mainly to the bond and grant proceeds used by the city to finance the wastewater improvement project.

The total cost of all programs and services increased from \$557,000 to \$1,662,000, or 184%. However, as shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only \$1,219,000 because some of the cost was paid by those directly benefited from the programs (\$34,500) or by other governments and

organizations that subsidized certain programs with grants, contributions and restricted interest (\$328,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2007 from approximately \$158,000 to approximately \$362,000, principally due to receiving grant proceeds to assist in the financing of the wastewater improvement project. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$236,000 in tax (some of which could only be used for certain programs) and other receipts, such as interest, bond proceeds, and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	<u>Year Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Receipts and Transfers:		
Program Receipts:		
Charges for Services:		
Water -----	\$ 145	\$ 142
Sewer -----	151	109
Operating Grants, Contributions and Restricted Interest -	-	-
General Receipts:		
Unrestricted Interest on Investments -----	3	2
Bond and Note Proceeds -----	58	-
Transfers, Net -----	-	-
Total Receipts and Transfers -----	<u>357</u>	<u>253</u>
Disbursements and Transfers:		
Water -----	80	109
Sewer -----	116	84
Transfers, Net -----	-	11
Total Disbursements and Transfers -----	<u>196</u>	<u>204</u>
Increase (Decrease) in Cash Basis Net Assets -----	161	49
Cash Basis Net Assets Beginning of Year -----	<u>292</u>	<u>243</u>
Cash Basis Net Assets End of Year -----	<u>\$ 453</u>	<u>\$ 292</u>

Total business type activities receipts and transfers for the fiscal year were \$357,000 compared to \$253,000 last year. This overall increase was due to an increase in total charges for services of approximately \$45,000 and bond proceeds of approximately \$58,000. Total disbursements and transfers for the fiscal year decreased by approximately \$8,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Bancroft completed the year, its governmental funds reported a combined fund balance of \$45,472, an increase of approximately \$81,000 from last year's deficit total of \$35,816. The following details the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased approximately \$133,000 from the prior year to a deficit balance of \$382,019. Contributing to this deficit was the new lease payments made to obtain parking for the Ambulance.
- The Urban Renewal Tax Increment Fund cash balance increased by approximately \$66,000 from the prior year to \$173,644. The increase and accumulated fund balance result from collections received to repay costs incurred by the general fund for TIF activity in FY 2004.

- The Local Option Sales Tax (LOST) Fund cash balance increased approximately \$71,000 from the prior year to \$355,667. The (LOST) fund has increased over the years because the city has not approved transfers to the general and other funds for the community betterment projects and property tax relief the funds have ultimately financed.
- The Capital Project – WasteWater improvements cash balance increased by approximately \$137,000 from the prior year to a balance of \$137,207. The project received excessive draws from the SRF program during the year which contributed to the large increase in 2007.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by approximately \$126,000 from the prior year to \$384,890. The final draw-down from the bonds issued in 2004 were received during the fiscal year.
- The Sewer Fund cash balance increased by approximately \$34,000 from the prior year to \$68,431. The regular operations provided the increase in the sewer fund balance.

BUDGETARY HIGHLIGHTS

The City of Bancroft did not amend its budget for the year ended June 30, 2007. The city exceeded the budgeted disbursement limits for the following functions: public safety, public works, culture and recreation, general government, debt service, and business-type activities.

DEBT ADMINISTRATION

At June 30, 2007, the City had approximately \$1,911,000 in bonds and other long-term debt, compared to approximately \$1,149,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2007	2006
General Obligation Capital Loan Notes -----	\$ 456	\$ 527
Revenue Bonds -----	<u>1,455</u>	<u>622</u>
Total-----	<u>\$ 1,911</u>	<u>\$ 1,149</u>

Total debt increased as a result of issuing sewer revenue bonds for a wastewater system improvement capital project.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of approximately \$456,000 is below its constitutional debt limit of approximately \$955,000.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The City’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates, and fees charged for various City activities. One of those factors is the economy. The City’s total assessed valuations have increased slightly.

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk, 105 East Ramsey, Bancroft, Iowa.

FINANCIAL STATEMENTS

CITY OF BANCROFT, IOWA

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

Functions/Programs	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 119,981	20,416	2,400	3,749
Public works	145,742	-	67,343	-
Health and social services	3,950	-	-	-
Culture and recreation	157,011	14,103	16,668	-
Community and economic development	2,447	-	-	-
General government	88,021	-	-	-
Debt service	100,213	-	-	-
Capital projects	963,448	-	-	237,398
Total government activities	1,580,813	34,519	86,411	241,147
Business type activities:				
Water	80,450	145,176	-	-
Sewer	116,176	150,503	-	-
Total business type activities	196,626	295,679	-	-
Total	\$ 1,777,439	\$ 330,198	86,411	241,147

General Receipts

Property tax levied for:
 General purposes
 Insurance
 Debt service
 Employee Benefits
 Tax Increment Financing
 Local option sales tax
 Grants and contributions not restricted to specific purposes
 Unrestricted interest on investments
 Bond and note proceeds
 Miscellaneous

Total general receipts and transfers

Change in cash basis net assets

Cash beginning of year

Cash end of year

Cash Basis Net Assets

Restricted
 Streets
 Capital Projects
 Debt Service
 Other Purposes
 Unrestricted

See notes to financial statements

Exhibit A

Net (Disbursements) Receipts and Changes in Cash		
Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (93,416)	-	\$ (93,416)
(78,399)	-	(78,399)
(3,950)	-	(3,950)
(126,240)	-	(126,240)
(2,447)	-	(2,447)
(88,021)	-	(88,021)
(100,213)	-	(100,213)
(726,050)	-	(726,050)
(1,218,736)	-	(1,218,736)
-	64,726	64,726
-	34,327	34,327
-	99,053	99,053
(1,218,736)	99,053	(1,119,683)
85,901	-	85,901
6,035	-	6,035
77,921	-	77,921
102	-	102
66,042	-	66,042
72,384	-	72,384
79,517	-	79,517
10,130	2,965	13,095
850,416	58,513	908,929
51,576	-	51,576
1,300,024	61,478	1,361,502
81,288	160,531	241,819
(35,816)	292,790	256,974
\$ 45,472	453,321	\$ 498,793
\$ (45,556)	-	\$ (45,556)
(30,003)	-	(30,003)
(10,287)	83,704	73,417
513,337	-	513,337
(382,019)	369,617	(12,402)
\$ 45,472	453,321	\$ 498,793

CITY OF BANCROFT, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES ON CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue			Capital Projects	Other Nonmajor Governmental Funds
	General	Urban Renewal Tax Increment	LOST	Wastewater Improvements	
Receipts:					
Property tax	\$ 83,082	66,042	-	-	86,877
Other city tax	-	-	72,384	-	-
Licenses and permits	855	-	-	-	-
Use of money and property	32,559	-	-	-	876
Intergovernmental	102,334	-	-	237,398	67,343
Charges for service	34,519	-	-	-	-
Special assessments	2,940	-	-	-	-
Miscellaneous	19,480	-	-	-	4,996
	<u>275,769</u>	<u>66,042</u>	<u>72,384</u>	<u>237,398</u>	<u>160,092</u>
Disbursements:					
Public safety	111,057	-	1,450	-	7,474
Public works	63,345	-	-	-	82,397
Health and social services	3,950	-	-	-	-
Culture and recreation	153,717	-	-	-	3,294
Community and economic developme	797	-	-	-	1,650
General government	86,897	-	-	-	1,124
Debt service	-	-	-	-	100,213
Capital projects	-	-	-	950,607	12,841
	<u>419,763</u>	<u>-</u>	<u>1,450</u>	<u>950,607</u>	<u>208,993</u>
Excess (deficiency) of receipts over (under) disbursements	(143,994)	66,042	70,934	(713,209)	(48,901)
Other financing sources (uses):					
Revenue Bond Proceeds	-	-	-	850,416	-
Operating transfers in	10,695	-	-	-	-
Operating transfers out	-	-	-	-	(10,695)
	<u>10,695</u>	<u>-</u>	<u>-</u>	<u>850,416</u>	<u>(10,695)</u>
Net change in cash balances	(133,299)	66,042	70,934	137,207	(59,596)
Balance beginning of year	(248,720)	107,602	284,733	-	(179,431)
Balance end of year	<u>\$ (382,019)</u>	<u>173,644</u>	<u>355,667</u>	<u>137,207</u>	<u>(239,027)</u>
Cash Basis Fund Balance					
Reserved					
Debt Service	\$ -	-	-	-	(10,287)
Unreserved					
General Fund	(382,019)	-	-	-	-
Special Revenue Funds	-	173,644	355,667	-	(61,530)
Capital Projects Funds	-	-	-	137,207	(167,210)
Total cash basis fund balances	<u>\$ (382,019)</u>	<u>173,644</u>	<u>355,667</u>	<u>137,207</u>	<u>(239,027)</u>

See notes to financial statements

Exhibit B

<u>Total</u>	
\$	236,001
	72,384
	855
	33,435
	407,075
	34,519
	2,940
	24,476
	<u>811,685</u>

	119,981
	145,742
	3,950
	157,011
	2,447
	88,021
	100,213
	963,448
	<u>1,580,813</u>

(769,128)

	850,416
	10,695
	(10,695)
	<u>850,416</u>

	81,288
	(35,816)
\$	<u>45,472</u>

\$	(10,287)
	(382,019)
	467,781
	(30,003)
\$	<u>45,472</u>

CITY OF BANCROFT , IOWA

Exhibit C

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

	Water	Sewer	Total
Receipts			
Charges for service	145,176	150,503	295,679
	<u>145,176</u>	<u>150,503</u>	<u>295,679</u>
Disbursements			
Total operating disbursements	30,547	60,152	90,699
	<u>30,547</u>	<u>60,152</u>	<u>90,699</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>114,629</u>	<u>90,351</u>	<u>204,980</u>
Non-operating Receipts (Disbursements)			
Interest on investments	2,964	1	2,965
Revenue bond proceeds	58,513	-	58,513
Debt service	(49,903)	(56,024)	(105,927)
	<u>11,574</u>	<u>(56,023)</u>	<u>(44,449)</u>
Net Change in cash balances	126,203	34,328	160,531
Balance beginning of year	<u>258,687</u>	<u>34,103</u>	<u>292,790</u>
Balance end of year	<u>\$ 384,890</u>	<u>\$ 68,431</u>	<u>\$ 453,321</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ 77,490	\$ 6,214	\$ 83,704
Unreserved	307,400	62,217	369,617
	<u>\$ 384,890</u>	<u>68,431</u>	<u>\$ 453,321</u>

See notes to financial statements

CITY OF BANCROFT, IOWA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bancroft, Iowa is a political subdivision of the State of Iowa located in Kossuth County. It was first incorporated in 1881 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 Bancroft 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.

Discretely Presented Component Unit

The Bancroft Municipal Utilities Board, established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. In accordance with criteria set by the Governmental Accounting Standards Board, the Utility meets the definition of a component unit which should be discretely presented. Condensed financial statements presented in Note 11 were prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Complete financial statements, for the year ended December 31, 2006 can be obtained from the Municipal Utilities administrative office, 105 East Ramsey, Bancroft, Iowa.

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. A City official is a member of the Kossuth County Emergency Management Commission.

CITY OF BANCROFT, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. Basis of Presentation

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

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

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

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

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

CITY OF BANCROFT, IOWA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Capital Project Fund

The Wastewater System Improvement Fund is used to account for the activity relating to the construction of wastewater system improvements.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

The City of Bancroft 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.

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 following functions: public safety, public works, culture and recreation, general government, debt service and business type activities.

CITY OF BANCROFT, IOWA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

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.

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 197 days, but the maturities shall be consistent with the needs of the City.

The City had no investments at June 30, 2007. For purposes of this report, certificates of deposit are not considered investments as they are subject to withdrawal upon demand.

NOTE 3 – BONDS AND NOTES PAYABLE

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

Year Ending	<u>General Obligation Notes</u>		<u>Revenue Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
June 30,						
2008	\$ 60,500	\$ 19,150	\$ 77,000	\$ 43,662	\$ 137,500	\$ 62,812
2009	75,500	16,575	80,000	41,352	155,500	57,927
2010	65,000	13,388	82,000	38,952	147,000	52,340
2011	75,000	10,725	82,000	36,492	157,000	47,217
2012	30,000	7,650	84,000	34,032	114,000	41,682
2013-2017	150,000	16,362	452,000	131,040	602,000	147,402
2018-2022	-	-	503,000	60,270	503,000	60,270
2023-2026	-	-	95,416	2,862	95,416	2,862
Total	<u>\$ 456,000</u>	<u>\$ 83,850</u>	<u>\$ 1,455,416</u>	<u>\$ 388,662</u>	<u>\$ 1,911,416</u>	<u>\$ 472,512</u>

The resolutions providing for the issuance of the 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 net revenues of the funds.
- b) Sufficient monthly transfers shall be made to separate water and sewer revenue bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.

CITY OF BANCROFT, IOWA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 4 - PENSION AND RETIREMENT BENEFITS

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

Most regular plan members are required to contribute 3.70% of their annual covered 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. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$7,706, \$7,198, and \$8,155, respectively, equal to the required contributions for each year.

NOTE 5 – COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and personal leave hours for subsequent use or for payment upon termination, retirement, or death. Earned but unused sick leave hours are for subsequent use only. These accumulations are not recognized as expenditures by the City until used or paid. The City's approximate liability for earned vacation and personal leave at June 30, 2007 was \$1,134, according to the existing written policy. This liability has been computed based on rates of pay in effect at June 30, 2007.

NOTE 6 – RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials, totaling \$9,356 during the fiscal year ended June 30, 2007.

The City rents certain buildings to Bancroft Municipal Utilities (BMU) on a monthly basis at \$1,500 per month. Total rent received from BMU in the fiscal year ended June 30, 2007 was \$18,000.

NOTE 7 – ECONOMIC DEVELOPMENT LOANS

During the fiscal year ended June 30, 2004, the City received \$107,500 from the Iowa Department of Economic Development in Community Development Block Grant funds. In accordance with the agreement, the City loaned \$100,000 of these funds to a qualified local business. The loan consists of a \$50,000 forgivable loan and a \$50,000 interest-free conventional loan. Repayment of the conventional loan is to be made in monthly payments of \$833, with the first payment due March 1, 2004 to the City of Bancroft. (During the fiscal year ended June 30, 2005, the conventional loan was re-amortized and the monthly payments were reduced to \$375 beginning January 1, 2005). Terms of the forgivable loan are based on the creation and retention of jobs by the qualified business.

CITY OF BANCROFT, IOWA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 7 – ECONOMIC DEVELOPMENT LOANS - continued

During the fiscal year ended June 30, 2005, the City loaned an additional \$100,000 and granted \$25,000 to the same local business noted above. The terms of this \$100,000 forgivable loan are based on the creation and retention of jobs by the qualified business.

During the fiscal year ended June 30, 2005, the City loaned \$10,000 to another local business. The terms of this loan require sixty monthly payments of \$180 including interest at three percent, with the first payment due August 1, 2005. The first monthly payment on this loan was not received until September 7, 2006.

NOTE 8 – RISK MANAGEMENT

The City 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 9 – DEFICIT FUND BALANCES

As of June 30, 2007, the following funds had deficit balances:

<u>Fund</u>	<u>Deficit</u>
General Fund -----	\$382,019
Special Revenue Fund, Road Use Tax Account -----	45,556
Special Revenue Fund, Housing Grant Account -----	1,650
Special Revenue Fund, Employee Benefits Account -----	39,898
Debt Service -----	10,287
Capital Projects Fund, Pool Account -----	173,507

The deficit balances were the result of costs incurred prior to availability of funds. Plans to eliminate these deficits include collection of receipts owed to the City, possible tax levy increases, and transfers from other funds.

NOTE 10 – INTERFUND TRANSFERS

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Special Revenue - Housing Grant	<u>\$ 10,695</u>

CITY OF BANCROFT, IOWA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 10 – INTERFUND TRANSFERS - continued

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources. Transfers also move available resources from funds to those funds with disbursements that need to be paid.

NOTE 11 – BANCROFT MUNICIPAL UTILITIES

Bancroft Municipal Utilities (Utility) provides electric services to the city and its residents. As permitted by GASB statement No. 34, the City has opted to present condensed financial information for its discretely presented component unit. Following is the condensed financial information for the Utility for the year ended December 31, 2006.

Condensed Statement of Net Assets	
	Electric
Assets	
Current	568,212
Capital assets, net of accumulated depreciation	2,766,499
Other	602,590
Total assets	3,937,301
Liabilities	
Current liabilities	283,770
Other liabilities	700,000
Total liabilities	983,770
Net Assets	
Invested in capital assets, net of related debt	1,971,499
Restricted – expendable	251,004
Unrestricted	731,028
Total net assets	2,953,531

Condensed Statement of Income	
	Electric
Operating revenues	
Electric sales	1,018,361
Other	22,550
Total operating revenues	1,040,911
Operating expenses	1,026,285
Operating income	14,626

CITY OF BANCROFT, IOWA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 11 – BANCROFT MUNICIPAL UTILITIES - continued

Non-operating revenues (expenses):	
Interest income	45,368
Interest expense	(47,922)
Other non-operating expenses	(113,018)
Total non-operating revenues (expenses)	(115,572)
Net (loss)	(100,946)

Condensed Statement of Changes in Net Assets	
	Electric
Net assets beginning of year	3,054,477
Net (loss)	(100,946)
Net assets end of year	2,953,531

NOTE 12 – LEASE OBLIGATION

The City entered into a lease agreement with the Bancroft Community Foundation effective October 20, 2006. The lease calls for monthly payments of \$212 to a replacement reserve managed by the landlord. The lease also calls for monthly rent payments of \$2,271 through October 1, 2008 as which point the payment is readjusted for the remainder of the lease term. The estimated monthly payment after adjustment in 2008 is expected to approximate \$2,271. The original lease term runs through October 31, 2016. The minimum rental payments due under the lease are listed below. Rent expense for the year ended June 30, 2007 amounted to \$19,864 under this agreement.

Rent due for	Amount
The year ended June 30:	
2008	\$ 29,796
2009	29,796
2010	29,796
2011	29,796
2012	29,796
2013-2017	129,116
	278,096

NOTE 13 – FEDERAL PROGRAM PAYABLE

The City participated in the Iowa SRF revolving loan program in conjunction with receiving a CDBG grant totaling \$300,000 which were used to finance the wastewater improvements made in FY 2007. The City borrowed \$56,416 from the SRF program in excess of the actual expenditures incurred. This excess was required to be refunded to the State of Iowa and paid back in FY 2008.

CITY OF BANCROFT, IOWA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 14 – PROPERTY TAXES

Property taxes are recognized as income when received in accordance with the cash basis of accounting. The property tax calendar is as follows for the City of Bancroft. Property taxes become liens on property as of July 1, 2006 and are payable in September 2006 and March 2007. The valuation for the taxes was based on January 1, 2005 assessed property valuations, and are based on a certified budget from March of 2006.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BANCROFT, IOWA

BUDGETARY COMPARISON SCHEDULE
 OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts:			
Property tax	\$ 236,001	-	236,001
Other city taxes	72,384	-	72,384
Licenses and permits	855	-	855
Use of money and property	33,435	2,965	36,400
Intergovernmental	407,075	-	407,075
Charges for service	34,519	295,679	330,198
Special assessments	2,940	-	2,940
Miscellaneous	24,476	-	24,476
	<u>811,685</u>	<u>298,644</u>	<u>1,110,329</u>
Disbursements:			
Program			
Public safety	119,981	-	119,981
Public works	145,742	-	145,742
Health and social services	3,950	-	3,950
Culture and recreation	157,011	-	157,011
Community and economic development	2,447	-	2,447
General government	88,021	-	88,021
Debt service	100,213	-	100,213
Capital projects	963,448	-	963,448
Business type activities	-	196,626	196,626
	<u>1,580,813</u>	<u>196,626</u>	<u>1,777,439</u>
Excess (deficiency) of receipts over disbursements	(769,128)	102,018	(667,110)
Other financing sources	<u>850,416</u>	<u>58,513</u>	<u>908,929</u>
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses	81,288	160,531	241,819
Balance beginning of year	<u>(35,816)</u>	<u>292,790</u>	<u>256,974</u>
Balance end of year	<u>\$ 45,472</u>	<u>453,321</u>	<u>498,793</u>

See accompanying independent auditor's report

<u>Budgeted Amount</u>	<u>Final</u>
<u>Original and</u>	<u>to Net</u>
<u>Final Budget</u>	<u>Variance</u>
224,194	11,807
75,588	(3,204)
1,000	(145)
28,000	8,400
413,500	(6,425)
735,000	(404,802)
3,000	(60)
14,000	10,476
<u>1,494,282</u>	<u>(383,953)</u>
110,500	(9,481)
93,500	(52,242)
4,000	50
145,000	(12,011)
28,700	26,253
69,600	(18,421)
77,825	(22,388)
1,200,000	236,552
119,000	(77,626)
<u>1,848,125</u>	<u>70,686</u>
(353,843)	(313,267)
<u>1,800,000</u>	<u>(891,071)</u>
1,446,157	(1,204,338)
<u>584,496</u>	<u>(327,522)</u>
<u><u>2,030,653</u></u>	<u><u>(1,531,860)</u></u>

CITY OF BANCROFT, 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 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 Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements, known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. There were no budget amendments during the year.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the following functions: public safety, public works, culture and recreation, general government, debt service and business type activities.

OTHER SUPPLEMENTARY INFORMATION

CITY OF BANCROFT, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue				
	Road Use Tax	Housing Grant	Development	Employee Benefits	Emergency
Receipts:					
Property tax	\$ -	-	-	102	2,557
Use of money and property	-	73	803	-	-
Intergovernmental	67,343	-	-	-	-
Miscellaneous	-	-	4,996	-	-
	<u>67,343</u>	<u>73</u>	<u>5,799</u>	<u>102</u>	<u>2,557</u>
Disbursements:					
Public safety	-	-	-	7,474	-
Public works	78,063	-	-	4,334	-
Culture and recreation	-	-	-	3,294	-
Community and economic development	-	1,650	-	-	-
General Government	-	-	-	1,124	-
Debt Service	-	-	-	-	-
Capital Projects	-	-	-	-	-
	<u>78,063</u>	<u>1,650</u>	<u>-</u>	<u>16,226</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(10,720)	(1,577)	5,799	(16,124)	2,557
Other financing Sources (uses):					
Operating transfers (out)	-	(10,695)	-	-	-
	<u>-</u>	<u>(10,695)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balance	(10,720)	(12,272)	5,799	(16,124)	2,557
Balance beginning of year	(34,836)	10,622	5,706	(23,774)	11,512
Balance end of year	<u>\$ (45,556)</u>	<u>(1,650)</u>	<u>11,505</u>	<u>(39,898)</u>	<u>14,069</u>
Cash basis fund balance					
Reserved					
Debt Service	\$ -	-	-	-	-
Unreserved					
Special Revenue Funds	(45,556)	(1,650)	11,505	(39,898)	14,069
Capital Projects	-	-	-	-	-
	<u>\$ (45,556)</u>	<u>(1,650)</u>	<u>11,505</u>	<u>(39,898)</u>	<u>14,069</u>

See accompanying independent auditor's report

Schedule 1

Debt Service	Capital Projects		Total
	Capital Improvement Reserve	Pool Project	
77,921	6,297	-	\$ 86,877
-	-	-	876
-	-	-	67,343
-	-	-	4,996
<u>77,921</u>	<u>6,297</u>	<u>-</u>	<u>160,092</u>
-	-	-	7,474
-	-	-	82,397
-	-	-	3,294
-	-	-	1,650
-	-	-	1,124
100,213	-	-	100,213
-	-	12,841	12,841
<u>100,213</u>	<u>-</u>	<u>12,841</u>	<u>208,993</u>
(22,292)	6,297	(12,841)	(48,901)
-	-	-	(10,695)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,695)</u>
(22,292)	6,297	(12,841)	(59,596)
<u>12,005</u>	<u>-</u>	<u>(160,666)</u>	<u>(179,431)</u>
<u>(10,287)</u>	<u>6,297</u>	<u>(173,507)</u>	<u>\$ (239,027)</u>
(10,287)	-	-	\$ (10,287)
-	-	-	(61,530)
<u>-</u>	<u>6,297</u>	<u>(173,507)</u>	<u>(167,210)</u>
<u>(10,287)</u>	<u>6,297</u>	<u>(173,507)</u>	<u>\$ (239,027)</u>

CITY OF BANCROFT, IOWA
 SCHEDULE OF INDEBTNESS
 YEAR ENDED JUNE 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Pool and storm sewer	May 1, 1996	5%	\$ 150,000
Street Improvements	June 1, 1998	5%	105,000
Street Improvements	December 1, 2003	4%	240,000
Swimming Pool	November 1, 2005	4.25%	300,000
Revenue bonds			
Water	February 6, 2004	3%	\$ 600,000
Water	July 20, 2004	3%	183,000
Sewer	November 10, 2006	3%	\$ 1,030,000

See accompanying independent auditor's report

Schedule 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 15,000	-	15,000	-	750	\$ -
31,500	-	10,500	21,000	1,575	-
180,000	-	25,000	155,000	7,200	
300,000	-	20,000	280,000	20,188	-
<u>\$ 526,500</u>	<u>-</u>	<u>70,500</u>	<u>456,000</u>	<u>29,713</u>	<u>\$ -</u>
\$ 531,000	-	24,000	507,000	15,930	\$ -
91,487	58,513	7,000	143,000	2,973	-
-	850,416	45,000	805,416	11,024	-
<u>\$ 622,487</u>	<u>908,929</u>	<u>76,000</u>	<u>1,455,416</u>	<u>29,927</u>	<u>\$ -</u>

CITY OF BANCROFT, IOWA

Schedule 3

**BOND AND NOTE MATURITIES - PRIMARY GOVERNMENT
JUNE 30, 2007**

General Obligation Notes							
Year Ending June 30,	Street Improvements Issued June 1, 1998		Street Improvements Issued December 1, 2003		Swimming Pool Issued November 1, 2005		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2008	5.00%	\$ 10,500	4.00%	\$ 30,000	4.25%	\$ 20,000	\$ 60,500
2009	5.00%	10,500	4.00%	40,000	4.25%	25,000	75,500
2010		-	4.00%	40,000	4.25%	25,000	65,000
2011		-	4.00%	45,000	4.25%	30,000	75,000
2012		-		-	4.25%	30,000	30,000
2013		-		-	4.25%	35,000	35,000
2014		-		-	4.25%	35,000	35,000
2015		-		-	4.25%	40,000	40,000
2016		-		-	4.25%	40,000	40,000
		<u>\$ 21,000</u>		<u>\$ 155,000</u>		<u>\$ 280,000</u>	<u>\$ 456,000</u>

Revenue Bonds							
Year Ending June 30,	Water Issued February 6, 2004		Water Issued July 20, 2004		Sewer Issued November 10, 2006		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2008	3.00%	\$ 25,000	3.00%	\$ 7,000	3.00%	\$ 45,000	\$ 77,000
2009	3.00%	26,000	3.00%	8,000	3.00%	46,000	80,000
2010	3.00%	27,000	3.00%	8,000	3.00%	47,000	82,000
2011	3.00%	27,000	3.00%	8,000	3.00%	47,000	82,000
2012	3.00%	28,000	3.00%	8,000	3.00%	48,000	84,000
2013	3.00%	29,000	3.00%	9,000	3.00%	49,000	87,000
2014	3.00%	30,000	3.00%	9,000	3.00%	49,000	88,000
2015	3.00%	31,000	3.00%	9,000	3.00%	50,000	90,000
2016	3.00%	32,000	3.00%	9,000	3.00%	51,000	92,000
2017	3.00%	33,000	3.00%	10,000	3.00%	52,000	95,000
2018	3.00%	34,000	3.00%	10,000	3.00%	52,000	96,000
2019	3.00%	35,000	3.00%	10,000	3.00%	53,000	98,000
2020	3.00%	36,000	3.00%	11,000	3.00%	54,000	101,000
2021	3.00%	37,000	3.00%	11,000	3.00%	55,000	103,000
2022	3.00%	38,000	3.00%	11,000	3.00%	56,000	105,000
2023	3.00%	39,000	3.00%	5,000	3.00%	51,416	95,416
2024		-		-		-	-
		<u>\$ 507,000</u>		<u>\$ 143,000</u>		<u>\$ 805,416</u>	<u>\$ 1,455,416</u>

See Accompanying Independent Auditor's Report

CITY OF BANCROFT, IOWA

Schedule 4

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS

FOR THE FOUR YEARS ENDED JUNE 30:

	2007	2006	2005	2004
Receipts				
Property tax	\$ 169,959	\$ 172,282	\$ 169,824	\$ 187,449
Tax increment financing collections	66,042	61,626	45,976	18,169
Other city tax	72,384	57,879	59,567	56,152
Licenses and permits	855	500	611	1,057
Use of money and property	33,435	27,940	27,735	21,214
Intergovernmental	407,075	105,477	745,596	439,275
Charges for service	34,519	46,968	27,128	30,414
Special assessments	2,940	4,953	4,810	7,778
Miscellaneous	24,476	17,613	36,125	85,220
	<u>\$ 811,685</u>	<u>\$ 495,238</u>	<u>\$ 1,117,372</u>	<u>\$ 846,728</u>
Disbursements:				
Operating:				
Public safety	\$ 119,981	\$ 86,648	\$ 90,657	\$ 172,580
Public works	145,742	89,096	115,928	123,418
Health and social services	3,950	3,650	4,458	4,608
Culture and recreation	157,011	169,389	159,425	148,509
Community and economic development	2,447	2,626	240,208	233,377
General government	88,021	65,164	81,532	75,368
Debt service	100,213	66,929	75,065	230,888
Capital projects	963,448	73,094	845,137	785,934
	<u>\$ 1,580,813</u>	<u>\$ 556,596</u>	<u>\$ 1,612,410</u>	<u>\$ 1,774,682</u>

See accompanying independent auditor's report

CITY OF BANCROFT, IOWA

Schedule 5

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007**

Grantor/Program	<u>CFDA Number</u>	<u>Agency Pass-thru Number</u>	<u>CFDA Award</u>
Indirect			
United States Department of Housing and Urban Development			
Pass Through Programs From:			
Iowa Department of Economic Development	14.228	06-WS-005	\$ 237,398
United States Environmental Protection Agency			
Pass-thru Program From			
Iowa Department of Natural Resources			
Wastewater revolving loan program	66.458		<u>708,680</u>
			<u>\$ 946,078</u>

Basis of presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Bancroft 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



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**INDEPENDENT AUDITORS' 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 the City of Bancroft, 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 July 2, 2008. Our report expressed 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 the City of Bancroft's internal control over financial reporting as a basis for determining 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 internal control over financial reporting. Accordingly, we do not express such an opinion on the effectiveness of the City'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 the City of Bancroft'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 Bancroft's financial statements that is more than inconsequential will not be prevented or detected by the City of Bancroft'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 Bancroft'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 items II-A-07, II-B-07, II-C-07, II-D-07, II-E-07, II-F-07 and II-G-07 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bancroft'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 Bancroft'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 Bancroft'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 the City of Bancroft and other parties to whom the City 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 the City of Bancroft's 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.

T.P. Anderson & Company

July 2, 2008



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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 The City of Bancroft, Iowa, with the types of compliance requirements described in 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. The City of Bancroft'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 grant agreements applicable to its major federal program is the responsibility of The City of Bancroft's management. Our responsibility is to express an opinion on The City of Bancroft'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 The City of Bancroft'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 The City of Bancroft's compliance with those requirements.

In our opinion, The City of Bancroft 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. However, the results of our auditing procedures disclosed instances of non-compliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as items III-A-07 and III-B-07.

Internal Control Over Compliance

The management of The City of Bancroft 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 The City of Bancroft'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 The City of Bancroft's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-C-07 and III-D-07 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood 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. We consider the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-C-07 and III-D-07 to be material weaknesses.

The City of Bancroft'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 Bancroft'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 The City of Bancroft and other parties to whom The City of Bancroft 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.

T.P. Anderson & Company

July 2, 2008

CITY OF BANCROFT, IOWA

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007**

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

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over the major program were disclosed by the audit of the financial statements, which were considered to be material weaknesses.
- (e) A unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are 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 – Capitalization Grants for Clean Water State Revolving Funds
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Bancroft did not qualify as a low-risk auditee.

CITY OF BANCROFT, IOWA

SCHEDULE OF FINDINGS YEAR ENDED JUNE 30, 2007

Part II: Findings Related to the Financial Statements:

Reportable Conditions:

II-A-07 Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one employee performs most of the accounting functions of the City.

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

Response – We intend to make a more concerted effort to segregate duties.

Conclusion – Response accepted.

II-B-07 Disbursements – We noted the following issues relating to the disbursements which were selected for testing:

- a) Seventeen out of a sample of 60 disbursements were not supported by an invoice or other supporting documentation.
- b) The majority of the invoices were not cancelled upon payment.
- c) We could not locate documented Council approval for thirty out of sixty disbursements tested.
- d) Numerous disbursements were recorded in the wrong fund.
- e) We noted that due to bookkeeping problems, disbursements were not regularly recorded, posted, or reported on all.

Recommendation – Care should be taken in the processing of disbursements to ensure that all disbursements are properly supported by invoices or other documentation, all invoices are cancelled upon payment to prevent duplicate payment, all disbursements are properly approved by the Council, all disbursements are recorded in the proper fund and all disbursements are included in the accounting reports.

Response – We hired an outside CPA firm to recreate our financial books including the posting of all disbursements. We will however implement your recommendations as soon as possible.

Conclusion – Response accepted

II-C-07 Receipts – We noted prior to starting the audit that the City's bookkeeping problems kept the City from recording receipts or posting them to the City's accounting system in a timely manner.

CITY OF BANCROFT, IOWA

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007**

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

Recommendation - Care should be taken by City personnel to ensure that all receipts are entered properly.

Response – We hired an outside CPA firm to recreate our financial books including the posting of all receipts. We will however implement your recommendations as soon as possible.

Conclusion – Response accepted.

II-D-07 Bank Reconciliations – During the audit, we noted that the City’s bank accounts were not being reconciled on a consistent monthly basis.

Recommendation - The City should implement procedures to ensure that all bank accounts are reconciled on a monthly basis.

Response – We hired an outside CPA firm to recreate our financial books including the posting reconciliation of the City’s bank accounts. We will however implement your recommendations as soon as possible.

Conclusion – Response accepted.

II-E-07 Transfers – We were unable to trace transfers between funds to approval in the council minutes or budget.

Recommendation – All transfers should be approved by the City council in the minutes or budget.

Response – We will have all transfers approved with the budget or in the council minutes the future.

Conclusion – Response accepted.

II-F-07 Credit Cards – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. Additionally, supporting documentation was not always available to support credit card charges.

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

Response – We presently have unwritten guidelines. However, we have not established a formal written policy detailing specifics on the use of City credit cards. We will review procedures and guidelines and establish a written policy.

CITY OF BANCROFT, IOWA

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007**

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

Conclusion – Response accepted.

II-G-07 Records of Accounts - Library – The library maintains accounting records pertaining to the operations of the library. These transactions and the resulting balances are not recorded in the Clerk’s records. Chapter 384.20 of the Code of Iowa states 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 included in the Clerk’s records.

Response – We will consider your recommendation.

Conclusion – Response accepted.

CITY OF BANCROFT, IOWA

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007**

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCE OF NON-COMPLIANCE:

CFDA Number 66.458: Capital Grants for Clean Water State Revolving Funds

Pass-through Agency Number: N/A

Federal Award Year: 2007

Environmental Protection Agency

Passed through the Iowa Department of Natural Resources

III-A-07 Excess reimbursements – The City of Bancroft received draw-downs from the revolving loan fund in excess of the expenses incurred totaling \$56,416.17.

Recommendation – The City should implement procedures to ensure grant and loan program reimbursements are coordinated in the future to ensure that reimbursement requests are limited to the expenses incurred.

Response and Corrective Action Plan – We have reviewed our procedures related to requesting reimbursements from federal programs. We have also refunded the excess reimbursement received on January 2, 2008.

Conclusion – Response accepted.

III-B-07 Timely Reporting – This audit report will be submitted more than nine months after the close of the City’s year.

Recommendation – OMB Circular No. A requires that single audits be submitted to the appropriate oversight agency within 30 days of audit completion or within 9 months of the government’s year end close whichever is earlier. We recommend the city take steps to ensure timely reporting in the future.

Response – We did seek and receive an extension for filing our audit report. We have also undertaken steps, including the addition of a new clerk in December of 2007, to ensure timely filing in the future.

Conclusion – Response accepted.

CITY OF BANCROFT, IOWA

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007**

Part III: Findings and Questioned Costs for Federal Awards - continued:

SIGNIFICANT DEFICIENCIES:

CFDA Number 66.458: Capital Grants for Clean Water State Revolving Funds

Pass-through Agency Number: n/a

Federal Award Year: 2007

Environmental Protection Agency

Passed through the Iowa Department of Natural Resources³⁸

III-C-07 Segregation of Duties over Federal Receipts – The City did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See item II-A-07.

III-D-07 Reconciliation of Federal Project costs with Federal project reimbursements – We noted that staff that did not prepare timely reconciliation of federal grant proceeds and federal loan proceeds requested to finance their wastewater improvement project during the year.

Recommendation – The City should implement reconciliation procedures related to project costs and reimbursements and grant proceeds received to finance them.

Response and Corrective Action Plan – We do not currently have any federal award programs in the City but should we be awarded any grant/loan funds in the future, the expenses incurred will be reconciled with the reimbursements requested ahead of submission of the request.

Conclusion – Response accepted.

CITY OF BANCROFT, IOWA

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007**

Part IV: Other Findings Related to Statutory Reporting:

IV-B-07 Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the following functions: public safety, public works, culture and recreation, general government, debt service and business type activities. 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.

We noted that the budget was not certified by the City’s extended deadline of April 14, 2006.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa.

Chapter 384.16 of the Code of Iowa requires the City to certify their budget by March 15. Although the city did receive an extension to the original deadline, the extended deadline was not met. In the future, budgeting should be completed in accordance with the timeline provided in the Code of Iowa.

Response – We will complete our budgeting process in accordance with the Code of Iowa and if necessary, we will amend our budget.

Conclusion – Response accepted.

IV-C-07 Questionable Disbursements – No disbursements for questionable items were noted.

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

IV-E-07 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Phil Jaren, Council Member Owner of Office, Etc.	Office Equipment and Supplies	\$ 6,501
Judy Vaske, Council Member Owner of Vaske Welding.	Welding Supplies and Services	\$ 2,855

CITY OF BANCROFT, IOWA

SCHEDULE OF FINDINGS YEAR ENDED JUNE 30, 2007

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

In accordance with Chapter 362.5(11) of the Code of Iowa, transactions with a cumulative total purchase price exceeding \$2,500 in a fiscal year with a city official may represent a conflict of interest. The transactions with Office, Etc. and Vaske Welding exceeded \$2,500 for the year ended June 30, 2007.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – We will consult with the city attorney.

Conclusion – Response accepted.

IV-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.

IV-G-07 Council Minutes – None of the published council meeting minutes which were selected for testing included a summary of all receipts and total disbursements by fund in accordance with Chapter 372.13(6) of the Code of Iowa.

We were unable to obtain documentation of council approval as required by Chapter 372.13(6) of the Code of Iowa for thirty of the disbursements selected for testing. Many of the disbursements that were approved by the Council were done so after the disbursement was already made.

The Council went into closed session on August 14, 2006. However, the minutes record did not document the affirmative public vote of the council members as required by Chapter 21.5.1 of the Code of Iowa.

Recommendation – A summary of all receipts and total disbursements by fund should be published for each month. All disbursements should be approved by the City council prior to the disbursement and this approval should be documented in the minutes. Minutes of all meetings should be timely published. The City should comply with Chapter 21 of the Code of Iowa.

Response – We have implemented your recommendations to publish a summary of our receipts and will implement the remaining suggestions immediately.

Conclusion – Response accepted.

CITY OF BANCROFT, IOWA

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007**

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

IV-H-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

IV-I-07 Revenue Bonds – The City has complied with the revenue bond resolutions.

IV-J-07 Financial Condition – As of June 30, 2007, the General Fund, Special Revenue Fund – Road Use Tax Account, Special Revenue Fund – Housing Grant, Special Revenue Fund – Employee Benefits Account, Debt Service Fund and the Capital Projects Fund – Pool Account had deficit balances of \$382,019, \$45,556, \$1,650, 39,898, 10,287 and \$173,507, respectively.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – We will review all alternatives to eliminate the deficits.

Conclusion – Response accepted.

IV-K-07 Bancroft Community Foundation Lease – The City entered into a lease on October 20, 2006 requiring monthly lease payments of \$2,271 and a term of ten years. The total approximate lease payments due under this agreement amount to \$278,096.

Chapters 364.4 and 384.25 of the Code of Iowa require a city to publish prior notice of and to hold a public hearing prior to signing a lease for an essential corporate purpose. We were not able to locate a copy of the published notice for a public hearing or council minutes indicating a public hearing was held prior to entering into this lease agreement.

Recommendation – The city should consult with their legal council to determine the proper resolution of this matter.

Response – We will consult with our attorney regarding resolution of this issue.

Conclusion – Response accepted.