

CITY OF EVERLY, IOWA
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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CITY OF EVERLY, IOWA

OFFICIALS

Name	Title	Term Expires
	(Before January 2007)	
Verland (Bud) Meyer	Mayor	December 31, 2007
Keith Fliss	Mayor Pro tem	December 31, 2007
Steve Rank	Council Member	December 31, 2007
Fred Morfitt	Council Member	December 31, 2007
Jeanett Trojahn	Council Member	December 31, 2009
Ron Thompson	Council Member	December 31, 2009
	(After January 2007)	
Verland (Bud) Meyer	Mayor	December 31, 2007
Keith Fliss	Mayor Pro tem	December 31, 2007
Steve Rank	Council Member	December 31, 2007
Fred Morfitt	Council Member	December 31, 2007
Jeanett Trojahn	Council Member	December 31, 2009
Ron Thompson	Council Member	December 31, 2009
Cheryl Hoye	City Clerk	Appointed
Don Hemphill	Attorney	Appointed

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 Everly, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Everly's management. Our responsibility is to express opinions on these basic 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 our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2006.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2006, as discussed in the preceding paragraph, 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 Everly 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.

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In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2007 on our consideration of the City of Everly'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.

The City has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the financial statements.

Budgetary comparison information on pages 13 – 14 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Everly's basic financial statements. Other supplementary information included in Schedules 1 and 2 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.

Campbell, Higgins & Mummert, P.C.

CAMPBELL, HIGGINS & MUMMERT, P.C.
Certified Public Accountants

October 31, 2007

BASIC FINANCIAL STATEMENTS

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

	Program Receipts			Net (Disbursements) Receipts and		
	Disbursements	Charges for Services	Operating Grants, Contributions, and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:						
Governmental Activities:						
Public Safety	\$ 94,197	\$ 27,663	\$ 1,000	\$ (63,134)	\$ -	\$ (63,134)
Public Works	101,061	-	53,924	(47,137)	-	(47,137)
Health and Social Services	4,100	-	-	(4,100)	-	(4,100)
Culture and Recreation	100,343	37,455	10,598	(52,290)	-	(52,290)
Community and Economic Development	17,076	-	-	(17,076)	-	(17,076)
General Government	65,862	1,740	-	(64,122)	-	(64,122)
Debt Service	12,200	-	-	(12,200)	-	(12,200)
Total Governmental Activities	394,839	66,858	65,522	(260,059)	-	(260,059)
Business Type Activities:						
Water	112,431	73,907	-	-	(38,524)	(38,524)
Gas	482,651	906,663	-	-	424,012	424,012
Sewer Rental	85,857	59,073	-	-	(26,784)	(26,784)
Electric Study	49,368	-	-	-	(49,368)	(49,368)
Solid Waste Collection	40,013	39,857	-	-	(156)	(156)
Total Business Type Activities	770,320	1,079,500	-	-	309,180	309,180
Total	\$ 1,165,159	\$ 1,146,358	\$ 65,522	\$ (260,059)	\$ 309,180	\$ 49,121
General Receipts:						
Property Tax Levied For:						
General Purposes				134,678	-	134,678
Employee Benefits				35,528	-	35,528
Local Option Sales Tax				91,829	-	91,829
Unrestricted Interest on Investments				23,641	24,720	48,361
Miscellaneous				18,015	-	18,015
Sale of Assets				855	-	855
Transfers				(39,334)	39,334	-
Total General Receipts and Transfers				265,212	64,054	329,266
Change in Cash Basis Net Assets				5,153	373,234	378,387
Cash Basis Net Assets Beginning of Year				552,694	806,464	1,359,158
Cash Basis Net Assets End of Year				\$ 557,847	\$ 1,179,698	\$ 1,737,545

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

	Business		
	Governmental Activities	Business Type Activities	Total
Cash Basis Net Assets:			
Restricted:			
Streets -----	\$ 2,863	\$ -	\$ 2,863
Other Purposes -----	11,078	-	11,078
Unrestricted -----	543,906	1,179,698	1,723,604
Total Cash Basis Net Assets	\$ 557,847	\$ 1,179,698	\$ 1,737,545

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

	General	Special Revenue			Total
		Road Use Tax	Local Option Sales Tax	Nonmajor	
Receipts:					
Property Tax	\$ 134,678	\$ -	\$ -	\$ 35,528	\$ 170,206
Other City Tax	-	-	91,829	-	91,829
Licenses and Permits	1,740	-	-	-	1,740
Use of Money and Property	24,496	-	-	-	24,496
Intergovernmental	28,694	53,924	-	-	82,618
Charges for Service	43,155	-	-	-	43,155
Miscellaneous	25,282	-	-	-	25,282
Total Receipts	258,045	53,924	91,829	35,528	439,326
Disbursements:					
Operating:					
Public Safety	86,808	-	-	7,389	94,197
Public Works	3,466	88,194	-	9,401	101,061
Health and Social Services	4,100	-	-	-	4,100
Culture and Recreation	88,792	-	-	11,551	100,343
Community and Economic Development	4,308	-	-	12,768	17,076
General Government	52,472	-	-	13,390	65,862
Debt Service	12,200	-	-	-	12,200
Capital Projects	-	-	-	-	-
Total Disbursements	252,146	88,194	-	54,499	394,839
Excess (Deficiency) of Receipts Over (Under) Disbursements	5,899	(34,270)	91,829	(18,971)	44,487
Other Financing Sources (Uses):					
Operating Transfers In (Out)	(52,012)	-	-	12,678	(39,334)
Total Other Financing Sources (Uses)	(52,012)	-	-	12,678	(39,334)
Net Change in Cash Balances	(46,113)	(34,270)	91,829	(6,293)	5,153
Cash Balances Beginning of Year	467,875	37,133	30,405	17,281	552,694
Cash Balances End of Year	\$ 421,762	\$ 2,863	\$ 122,234	\$ 10,988	\$ 557,847
Cash Basis Fund Balances:					
Unreserved:					
General Fund	\$ 421,762	\$ -	\$ -	\$ -	\$ 421,762
Special Revenue Funds	-	2,863	122,234	10,988	136,085
Total Cash Basis Fund Balances	\$ 421,762	\$ 2,863	\$ 122,234	\$ 10,988	\$ 557,847

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

	Enterprise Funds						Total
	Water	Gas	Sewer Rental	Electric Study	Solid Waste Collection		
Operating Receipts:							
Charges for Service	\$ 73,907	\$ 495,515	\$ 59,073	\$ -	\$ 39,857	\$ 668,352	
Miscellaneous	-	411,148	-	-	-	411,148	
Total Operating Receipts	73,907	906,663	59,073	-	39,857	1,079,500	
Operating Disbursements:							
Business Type Activities	112,431	482,651	85,857	49,368	40,013	770,320	
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(38,524)	424,012	(26,784)	(49,368)	(156)	309,180	
Non-operating Receipts (Disbursements):							
Interest on Investments	91	24,525	87	-	17	24,720	
Excess (Deficiency) of Receipts Over (Under) Disbursements	(38,433)	448,537	(26,697)	(49,368)	(139)	333,900	
Other Financing Sources (Uses):							
Operating Transfers In (Out)	-	(10,000)	-	49,334	-	39,334	
Net Change in Cash Balances	(38,433)	438,537	(26,697)	(34)	(139)	373,234	
Cash Balances at Beginning of Year	19,091	677,197	104,445	29	5,702	806,464	
Cash Balances at End of Year	\$ (19,342)	\$ 1,115,734	\$ 77,748	\$ (5)	\$ 5,563	\$ 1,179,698	
Cash Basis Fund Balances:							
Unreserved	\$ (19,342)	\$ 1,115,734	\$ 77,748	\$ (5)	\$ 5,563	\$ 1,179,698	

CITY OF EVERLY, IOWA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007****NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Everly, Iowa is a political subdivision of the State of Iowa located in Clay County. It was first incorporated in 1902 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 various utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Everly has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Northwest Iowa Planning and Development Commission, Northwest Iowa Regional Housing Authority, Clay-Dickinson County Housing Task Force, Clay County E911 Board, Lone Tree Township Cemetery and various organizations.

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 service.

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

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

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

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 not paid from other funds.

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for receipts and disbursements relating to local option sales tax.

The City reports the following major proprietary funds:

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

The Gas Fund accounts for the operation and maintenance of the City's gas system.

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

The Solid Waste Collection Fund accounts for the operation and maintenance of the City's solid waste collection activities.

The Electric Study Fund, although reported as a proprietary fund, will not be supported by user charges until the City begins electrical service. The legal and related costs of this study are currently being paid through transfers from the general fund.

C. Measurement Focus and Basis of Accounting

The City of Everly maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

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

D. Budgets and Budgetary Accounting

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

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.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3. For purposes of this report, certificates of deposit are not considered investments as they are subject to withdrawal upon demand.

NOTE 3 – LOAN PAYABLE

The City has a loan with a local financial institution relating to the 2003 purchase of a fire truck. This loan is paid from the general fund. Therefore, the City does not levy taxes for payment of this debt and does not have a debt service fund. The interest rate on this loan was fixed at 3.95% until June 30, 2006. As of July 1, 2006, the rate is adjusted annually and was 4.91% as of June 30, 2007. The principal balance of this loan as of June 30, 2007 was \$19,901.

On August 23, 2007, this loan was paid off through the payment of principal and interest of \$19,901 and \$922, respectively.

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 contribution to IPERS for the year ended June 30, 2007, was \$12,946, equal to the required contribution for the year.

NOTE 5 – COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused personal time off for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for personal time off at June 30, 2007 was \$13,325. This liability has been computed based on rates of pay in effect at June 30, 2007.

NOTE 6 – RISK MANAGEMENT

The City of Everly 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 – 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	Enterprise – Gas	\$ 10,000
Special Revenue - Housing Development	General	12,678
Enterprise - Electric Study	General	49,334
Total		<u>\$ 72,012</u>

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 8 – DEFICIT FUND BALANCES

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

<u>Fund</u>	<u>Deficit</u>
Special Revenue Fund, Housing Development Account -----	\$ 90
Enterprise Fund, Water Utility -----	19,342
Enterprise Fund, Electric Study -----	5

The deficit balances were the result of costs incurred prior to availability of funds. Plans to eliminate these deficits include possible rate increases and transfers from other funds.

NOTE 9 – CONSTRUCTION COMMITMENTS

The City has entered into a contract totaling \$191,235 for the library renovation and addition project. As of June 30, 2007, the project had not begun and no funds had been disbursed.

REQUIRED SUPPLEMENTARY INFORMATION

**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		Proprietary Funds		Total	Budgeted Amounts		Final to Total Variance
	Actual		Actual			Original	Final	
		\$		\$				
Receipts:								
Property Tax	\$ 170,206	\$	-	\$	170,206	\$	167,828	\$ 2,378
Other City Tax	91,829	-	-	-	91,829	81,536	86,536	5,293
Licenses and Permits	1,740	-	-	-	1,740	1,880	1,880	(140)
Use of Money and Property	24,496	-	24,720	-	49,216	15,200	27,300	21,916
Intergovernmental	82,618	-	-	-	82,618	229,657	229,657	(147,039)
Charges for Service	43,155	-	667,951	-	711,106	992,395	992,545	(281,439)
Miscellaneous	25,282	-	411,549	-	436,831	29,737	46,237	390,594
Total Receipts	439,326		1,104,220		1,543,546	1,518,233	1,551,983	(8,437)
Disbursements:								
Public Safety	94,197	-	-	-	94,197	134,537	142,557	48,360
Public Works	101,061	-	-	-	101,061	76,970	112,497	11,436
Health and Social Services	4,100	-	-	-	4,100	4,700	5,000	900
Culture and Recreation	100,343	-	-	-	100,343	125,493	130,778	30,435
Community and Economic Development	17,076	-	-	-	17,076	15,400	18,100	1,024
General Government	65,862	-	-	-	65,862	70,666	81,132	15,270
Debt Service	12,200	-	-	-	12,200	-	-	(12,200)
Capital Projects	-	-	-	-	-	280,000	312,200	312,200
Business Type Activities	-	-	770,320	-	770,320	954,882	1,090,909	320,589
Total Disbursements	394,839		770,320		1,165,159	1,662,648	1,893,173	728,014
Excess (Deficiency) of Receipts Over (Under) Disbursements	44,487		333,900		378,387	(144,415)	(341,190)	719,577
Other Financing Sources, Net	(39,334)		39,334		-	75	75	(75)
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	5,153		373,234		378,387	(144,340)	(341,115)	719,502
Balance - Beginning of Period	552,694		806,464		1,359,158	1,681,712	1,355,450	3,708
Balance - End of Period	\$ 557,847		\$ 1,179,698		\$ 1,737,545	\$ 1,537,372	\$ 1,014,335	\$ 723,210

CITY OF EVERLY, 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 Internal Service 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. During the year, a budget amendment increased budgeted disbursements by \$230,525. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the debt service function.

OTHER SUPPLEMENTARY INFORMATION

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007**

	Employee Benefits	Housing Development	Total
Receipts:			
Property Tax -----	\$ 35,528	\$ -	\$ 35,528
Total Receipts	35,528	-	35,528
Disbursements:			
Operating:			
Public Safety -----	7,389	-	7,389
Public Works -----	9,401	-	9,401
Culture and Recreation -----	11,551	-	11,551
Community and Economic Development -----	-	12,768	12,768
General Government -----	13,390	-	13,390
Total Disbursements	41,731	12,768	54,499
Excess (Deficiency) of Receipts Over (Under) Disbursements	(6,203)	(12,768)	(18,971)
Other Financing Sources (Uses):			
Operating Transfers In (Out) -----	-	12,678	12,678
Net Change in Cash Balances	(6,203)	(90)	(6,293)
Cash Balances Beginning of Year	17,281	-	17,281
Cash Balances End of Year	\$ 11,078	\$ (90)	\$ 10,988
Cash Basis Fund Balances:			
Unreserved:			
Special Revenue Funds -----	\$ 11,078	\$ (90)	\$ 10,988

SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Loans:									
Fire Truck Loan	January 15, 2003	**	\$ 87,500	\$ 27,568	\$ -	\$ 7,667	\$ 19,901	\$ 4,533	\$ -

** Fixed rate of 3.95% until June 30, 2006. On July 1 of years 2006 to 2011, the rate is adjusted to 1.5% above the one year treasury constant maturity interest rate as established by the Federal Reserve Board.

**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, the business type activities, each major fund and the aggregate remaining fund information of the City of Everly, 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 October 31, 2007. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City'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's internal control over financial reporting. Accordingly, we do not express 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'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's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

Business services that save you money:

- Business & individual tax preparation • Mid-year tax planning • Year-round tax planning
- Pension, estate & retirement planning • Budgeting & financial planning • Financial projections
- Small business management help • Computer consulting • IRS representation • Litigation support

For your convenience:

- Direct access to the principle ... always • Short phone consultations at no cost
- Early morning, evening & Saturday hours • Ten-day turnaround on financial statements
- Meetings at your place or ours

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'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 I-A-07 is a material weakness.

Compliance and Other Matters

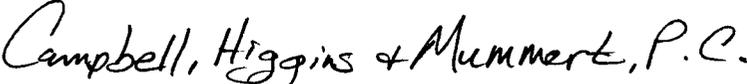
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect 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 the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the basic 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's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City'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 Everly and other parties to whom the City of Everly may report. 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 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.


CAMPBELL, HIGGINS & MUMMERT, P.C.
Certified Public Accountants

October 31, 2007

CITY OF EVERLY, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Financial Statements:

Instances of Non-Compliance:

No matters were noted.

Significant Deficiencies:

I-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 the utility billing and receipts processing is performed by one employee with little oversight. This employee enters the readings into the accounting system, generates the invoices, receives payments, enters the payments into the accounting system and makes the deposits.

We also noted that the disbursement processing is performed by one employee. This employee receives the invoices, determines that they are valid, enters them into the accounting system, generates the checks and signs the checks. The lack of segregation of duties in this area is somewhat mitigated by requiring a second signature on the checks and by having the council approve all invoices monthly.

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. Specifically regarding the utility billing and receipts, we recommend that you consider having another employee receive the payments and enter them into the accounting system. The City Council should also maintain their diligence in the review of the financial records.

Response – The Council, at their annual personnel evaluations in January, will review segregation of duties as suggested, and where possible make changes.

Conclusion – Response accepted.

I-B-07 Cash - Community Center – We noted that the City maintains cash funds at the Community Center to be used for beverage sales. These sales are recorded through the use of two cash registers. We noted during our testing that drink ticket sales are not always processed through the cash registers.

Recommendation – All beverage sales should be accounted for using the cash registers.

Response – This information will be included in the report to the Community Center Board. Bar Manager will review procedures with bar staff.

Conclusion – Response accepted.

I-C-07 Everly Firefighters Association – We noted that the nonprofit corporation Everly Firefighters Association was formed in March 2004. It appears that this organization has continued to use the City’s Employer Identification Number (EIN) for its bank account rather than utilizing its own EIN.

Recommendation – We recommend that the City contact officials of the Everly Firefighters Association and request that they discontinue use of the City’s EIN and obtain their own.

Response – Everly Firefighters Association uses the City’s EIN when using their funds to purchase equipment and supplies that become property of the City. We have recommended that they complete their paperwork for non-profit status and obtain their own EIN. This process was started in 2006, but due to other mandated updates, reporting requirements and training, this was placed last on the “to do list”.

Conclusion – Response accepted.

I-D-07 Disbursements – Of the disbursements selected for testing, we noted one disbursement that was not supported by an invoice. We also noted one check that contained only one signature.

Recommendation – Care should be taken to ensure that all disbursements are supported by an invoice or other documentation and all checks should contain two signatures.

Response – Staff will make a better effort to review checks and invoices before filing and mailing.

Conclusion – Response accepted.

Part II: Findings Related to Statutory Reporting:

II-A-07 Official Depositories – The most recent resolution naming official depositories was approved by the City on June 21, 2004. The maximum deposit amount stated in the resolution of \$1,000,000 was exceeded both during the fiscal year ended June 30, 2007 and at year-end.

Recommendation – The City should pass a new resolution with an increased maximum to ensure that it is not exceeded.

Response – New Depositories Resolution will be adopted in the amount of \$1,750,000.

Conclusion – Response accepted.

II-B-07 Certified Budget – Although the budget was amended on May 21, 2007, the amendment occurred after disbursements exceeded the original budget for the public works, community and economic development, and debt service functions. Also, total disbursements for the year ended June 30, 2007 exceeded the amount budgeted (per the amended budget) in the debt service function. 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.

Recommendation – Although the budget was amended in accordance with Chapter 384.18 of the Code of Iowa, care should have been taken to ensure that the amendment is done prior to disbursements exceeding the original budget and that the amendment is sufficient to prevent total disbursements from exceeding the amended budget.

Response – Council and staff will keep a closer review on budget items and amend them in an appropriate time frame.

Conclusion – Response accepted.

II-C-07 Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

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

II-E-07 Business Transactions – No transactions between the City and City officials or employees were noted.

II-F-07 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-07 Council Minutes – We were unable to obtain documentation of council approval for one of the disbursements selected for testing. We also noted that the minutes were not always published within 15 days of the meeting as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – All disbursements should be approved by the City council and documented in the minutes and the City should comply with Chapter 372.13(6) of the Code of Iowa.

Response – Clerk will deliver minutes to the newspaper for publication in accordance with the Code of Iowa. Disbursement item was accidentally left off the Claims list, as this list is retyped from the accounting program as the Council has requested.

Conclusion – Response accepted.

II-H-07 Deposits and Investments – The City’s most recent written investment policy was approved in September 1992. This document contains several out of date references and should be updated.

Recommendation – The City should adopt an updated investment policy that complies with the provisions of Chapters 12B and 12C of the Code of Iowa.

Response – The Council reviewed investment policies at their October meeting and have directed the preparation of a written policy resolution to be drafted and presented for adoption at the January meeting.

Conclusion – Response accepted.

II-I-07 Revenue Notes – The City had no revenue notes during the fiscal year ended June 30, 2007.

II-J-07 Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City receives and retains only a copy of the front of each cancelled check.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check as required.

Response – In October, staff requested that State Bank provide copies of the back of each cancelled check.

Conclusion – Response accepted.