

CITY OF CORWITH

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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CITY OF CORWITH

OFFICIALS

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|------------------|----------------|---------------------|
| Jay Gourley | Mayor | Jan 2008 |
| Matt Hobscheidt | Council Member | Jan 2010 |
| Merle Sohl | Council Member | Jan 2010 |
| Mike Petersen | Council Member | Jan 2008 |
| Craig Steenhard | Council Member | Jan 2008 |
| Victoria Wagner | Council Member | Jan 2008 |
| Janet Dietel | City Clerk | July 2008 |
| David L. Fenchel | Attorney | July 2008 |

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Corwith, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of City of Corwith's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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. 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 Corwith 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 reports dated October 17, 2007 on our consideration of the City of Corwith'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 6 through 14, 25 and 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Corwith's basic financial statements. Other supplementary information included in Schedules 1 through 3 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, 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 third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 17, 2007

Renner & Birchem, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2007 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 5.5 % approximately \$32,000, from fiscal 2006 to fiscal 2007. Property tax increased approximately \$8,000.
- Disbursements increased 10.5 % or approximately \$52,000 in fiscal 2007 from fiscal 2006. Public safety, debt service and community & economic development disbursements increased approximately \$35,000, \$26,000 and \$24,000, respectively. Public works and culture and recreation decreased approximately \$13,000 and \$7,000 respectively.
- The City's total cash basis net assets decreased 1.2%, or approximately \$4,000, from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities increased approximately \$27,000 and the assets of the business type activities decreased by approximately \$30,000.

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.

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 that helps answer this question.

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, electric, post office lease and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City’s basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Revolving Loan Fund. The governmental fund financial statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City’s cash balance for governmental activities increased from a year ago, increasing from \$16,441 to \$43,142. The analysis that follows focuses on the changes in cash balances for governmental activities.

| | Changes in Cash Basis Net Assets of Governmental Activities | |
|---|--|------------------|
| | Year ended June 30, | |
| | Audited | Unaudited |
| | 2007 | 2006 |
| Receipts and transfers: | | |
| Program receipts: | | |
| Charges for service | \$3,385 | 4,965 |
| Operating grants, contributions and restricted interest | 19,631 | |
| Capital grants, contributions and restricted interest | | 10,724 |
| General receipts: | | |
| Property tax | 59,270 | 52,958 |
| Local option sales tax | 21,825 | 23,119 |
| Unrestricted investment earnings | 4,314 | 3,156 |
| Other general receipts | 58,616 | 73,133 |

| | | |
|--|-----------------|----------------|
| Transfers | 71,854 | 39,500 |
| Total receipts and transfers | <u>238,895</u> | <u>207,555</u> |
| Disbursements: | | |
| Public safety | 53,358 | 17,950 |
| Public works | 15,910 | 29,151 |
| Culture and recreation | 33,829 | 40,773 |
| Community & economic development | 23,671 | 0 |
| General government | 56,643 | 57,111 |
| Debt Service | 6,750 | 33,197 |
| Capital projects | 16,879 | 2,627 |
| Transfers | 5,154 | 23,119 |
| Total disbursements | <u>212,194</u> | <u>203,928</u> |
| Increase (decrease) in cash basis net assets | 26,701 | 3,627 |
| Cash basis net assets beginning of year | <u>16,441</u> | <u>12,814</u> |
| Cash basis net assets end of year | <u>\$43,142</u> | <u>16,441</u> |

The City's total receipts for governmental activities increased by 15.1%, or \$31,340. The total cost of all programs and services increased by approximately \$8,300, or 4.0%, with no new programs added this year. The City's property tax receipts increased by approximately \$6,000 in 2007.

The cost of all governmental activities this year was \$212,194 compared to \$203,928 last year. However, as shown in the Statement of Activities and Net Assets on page 18, the amount taxpayers ultimately financed for these activities was only \$184,024 because some of the cost was paid by those directly benefited from the programs (\$3,385) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$19,631). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service totaled \$23,016. The City paid for the remaining "public benefit" portion of governmental activities with \$184,024 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

| Changes in Cash Basis Net Assets of Business Type Activities | | |
|---|----------------------------|------------------|
| | Year ended June 30, | |
| | Audited | Unaudited |
| | 2007 | 2006 |
| Receipts: | | |
| Program receipts: | | |
| Charges for service: | | |
| Water | \$39,288 | 40,843 |
| Sewer | 33,449 | 34,328 |
| Post office | 16,740 | |
| Electric | 242,926 | 250,845 |
| General receipts: | | |
| Unrestricted interest on investments | 137 | 142 |
| Other general receipts | 46,229 | 20,943 |

| | | |
|--|-----------|---------|
| Transfers | | 23,119 |
| Total receipts | 378,769 | 370,220 |
| Disbursements and transfers: | | |
| Water | 55,684 | 53,406 |
| Sewer | 43,660 | 37,291 |
| Post office | 15,697 | |
| Electric | 227,431 | 225,571 |
| Transfers | 66,700 | 39,500 |
| Total disbursements and transfers | 409,172 | 355,768 |
| Increase (decrease) in cash basis net assets | (30,403) | 14,452 |
| Cash basis net assets beginning of year | 294,107 | 279,655 |
| Cash basis net assets end of year | \$263,704 | 294,107 |

Total business type activities receipts for the fiscal year were \$378,769 compared to \$370,220 last year. Total disbursements for the fiscal year increased by 15.01 % to a total of \$409,172. The cash balance decreased by \$30,403 during the fiscal year compared to an increase of \$14,452 last year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Corwith completed the year, its governmental funds reported a combined fund balance of \$43,142, an increase of \$26,701 above last year's total of \$16,441. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$28,880 from the prior year to \$13,994.
- The Road Use Tax Fund cash balance increased by \$7,596 to \$28,398 during the fiscal year.
- The Revolving Loan Fund was established to provide low interest loans to new and existing businesses. During the fiscal year the City made no loans. The city transferred the fund balance of \$ 2,726 to the General Fund.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$14,720 to \$67,806 during the fiscal year.
- The Sewer Fund cash balance decreased by \$15,811 to \$55,757 during the fiscal year.

- The Electric Fund cash balance decreased by \$2,433 to \$137,580.

DEBT ADMINISTRATION

At June 30, 2007, the City had \$135,000 in general obligation bonds, unchanged from the end of the prior year.

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 \$135,000 is significantly below its constitutional debt limit of approximately \$386,774.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

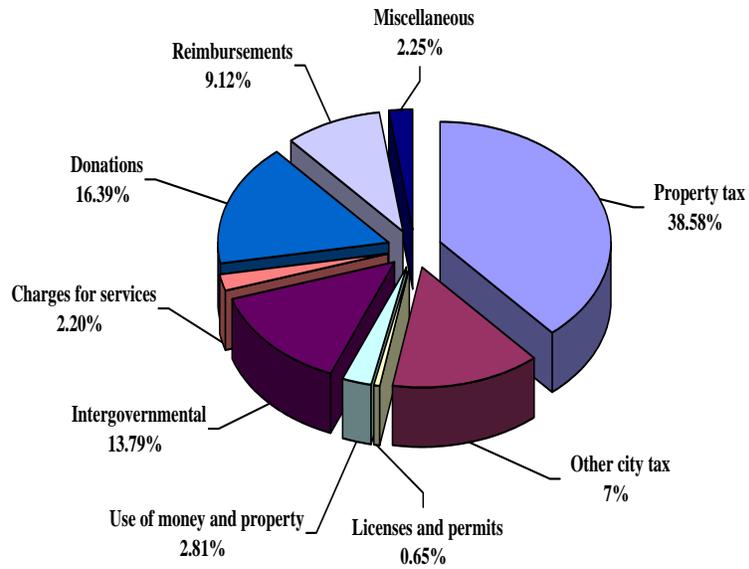
These among other economic factors were taken into account when adopting the budget for fiscal year 2008. Amounts available for appropriation in the operating budget are \$614,632, an increase of 7.5 % from the final 2007 budget. Budgeted disbursements are expected to decrease by approximately \$63,592.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$44,014 by the close of 2008. Actual amounts can and usually do differ from budgeted amounts.

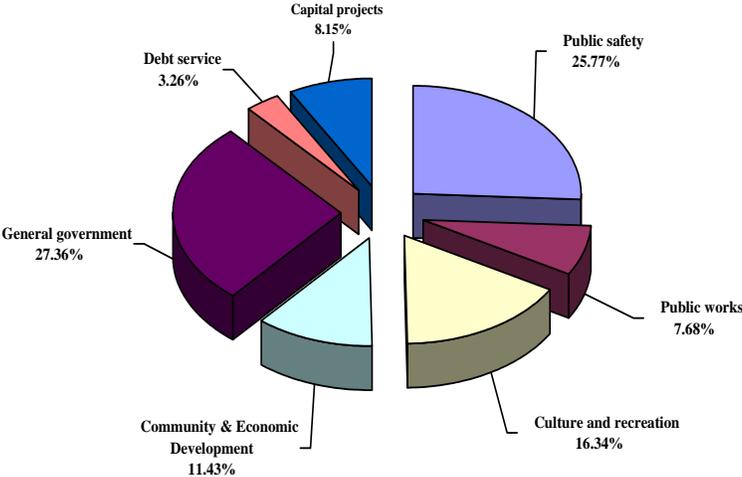
CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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 Janet Dietel, City Clerk, 112 NW Elm Street, Corwith, Iowa.

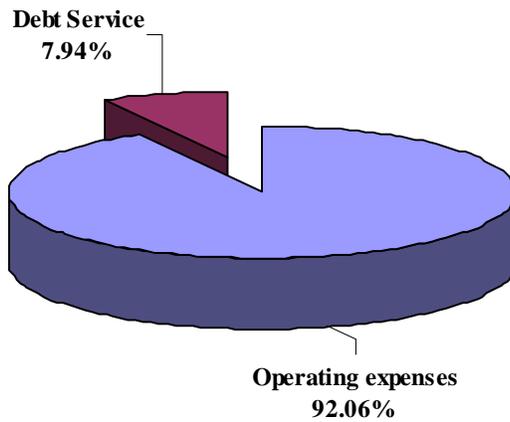
Governmental Receipts by Source



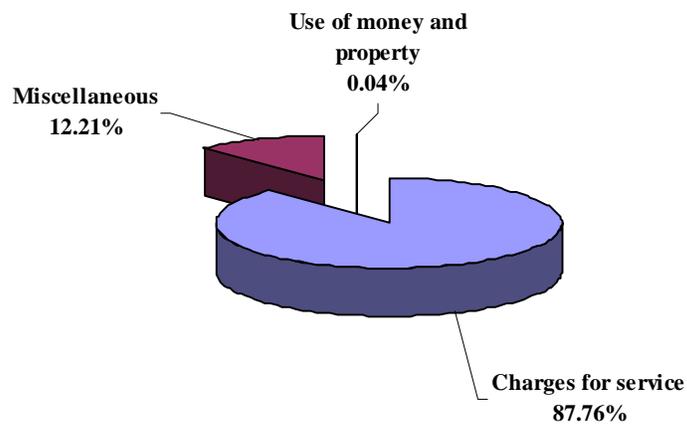
Governmental Disbursements by Function



Proprietary Funds Disbursements by Category



Proprietary Fund Receipts by Source



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 Changes in Cash Basis Net Assets | | |
|---|------------------|-----------------------------------|----------------------------|--|-----------------------------|-----------|
| | Disbursements | Operating Grants Contributions | | Governmental Activities | Business Type Activities | Total |
| | | Charges for Service | and Restricted Interest | | | |
| Functions / Programs: | | | | | | |
| Governmental activities: | | | | | | |
| Public safety | \$ 53,358 | | | (53,358) | | (53,358) |
| Public works | 15,910 | 485 | 18,679 | 3,254 | | 3,254 |
| Culture and recreation | 33,829 | 2,900 | 952 | (29,977) | | (29,977) |
| Community and economic development | 23,671 | | | (23,671) | | (23,671) |
| General government | 56,643 | | | (56,643) | | (56,643) |
| Debt service | 6,750 | | | (6,750) | | (6,750) |
| Capital projects | 16,879 | | | (16,879) | | (16,879) |
| Total governmental activities | 207,040 | 3,385 | 19,631 | (184,024) | | (184,024) |
| Business type activities: | | | | | | |
| Water | 55,684 | 39,288 | | | (16,396) | (16,396) |
| Sewer | 43,660 | 33,449 | | | (10,211) | (10,211) |
| Post office lease | 15,697 | 16,740 | | | 1,043 | 1,043 |
| Electric | 227,431 | 242,926 | | | 15,495 | 15,495 |
| Total business type activities | 342,472 | 332,403 | | | (10,069) | (10,069) |
| Total | \$ 549,512 | 335,788 | 19,631 | (184,024) | (10,069) | (194,093) |
| General Receipts: | | | | | | |
| Property tax levied for: | | | | | | |
| General purposes | | | | \$ 56,544 | | 56,544 |
| Employees benefits and insurance | | | | 2,726 | | 2,726 |
| Local option sales tax | | | | 21,825 | | 21,825 |
| Unrestricted interest on investments | | | | 4,314 | 137 | 4,451 |
| Miscellaneous | | | | 58,616 | 46,229 | 104,845 |
| Transfers | | | | 66,700 | (66,700) | |
| Total general receipts and transfers | | | | 210,725 | (20,334) | 190,391 |
| Change in cash basis net assets | | | | 26,701 | (30,403) | (3,702) |
| Cash basis net assets beginning of year | | | | 16,441 | 294,107 | 310,548 |
| Cash basis net assets end of year | | | | \$ 43,142 | 263,704 | 306,846 |
| Cash Basis Net Assets | | | | | | |
| Restricted: | | | | | | |
| Streets | | | | \$ 28,398 | | 28,398 |
| Debt service | | | | 750 | 32,369 | 33,119 |
| Unrestricted | | | | 13,994 | 231,335 | 245,329 |
| Total cash basis net assets | | | | \$ 43,142 | 263,704 | 306,846 |

See notes to financial statements.

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2007

| | Special Revenue | | | | | | Total |
|---|------------------|-----------------|----------------------|-------------------|-----------------|--------------------|----------------|
| | General | Road Use Tax | Employee Benefits | Revolving Loan | Debt Service | Capital Project | |
| Receipts: | | | | | | | |
| Property tax | \$ 56,544 | | 2,726 | | | | 59,270 |
| Other city tax | 21,825 | | | | | | 21,825 |
| Licenses and permits | 1,005 | | | | | | 1,005 |
| Use of money and property | 4,314 | | | | | | 4,314 |
| Intergovernmental | 2,511 | 18,679 | | | | | 21,190 |
| Charges for services | 3,385 | | | | | | 3,385 |
| Donations | 16,401 | | | | | 8,782 | 25,183 |
| Reimbursements | 14,019 | | | | | | 14,019 |
| Miscellaneous | 3,450 | | | | | | 3,450 |
| Total receipts | 123,454 | 18,679 | 2,726 | | | 8,782 | 153,641 |
| Disbursements: | | | | | | | |
| Operating: | | | | | | | |
| Public safety | 53,358 | | | | | | 53,358 |
| Public works | 4,827 | 11,083 | | | | | 15,910 |
| Culture and recreation | 33,829 | | | | | | 33,829 |
| Community & economic development | 23,671 | | | | | | 23,671 |
| General government | 56,643 | | | | | | 56,643 |
| Debt service | | | | | 6,750 | | 6,750 |
| Capital projects | | | | | | 16,879 | 16,879 |
| Total disbursements | 172,328 | 11,083 | | | 6,750 | 16,879 | 207,040 |
| Excess (deficiency) of receipts over (under) disbursements | (48,874) | 7,596 | 2,726 | | (6,750) | (8,097) | (53,399) |
| Other financing sources (uses): | | | | | | | |
| Sale of capital assets | 13,400 | | | | | | 13,400 |
| Operating transfers in | 64,354 | | | | 7,500 | | 71,854 |
| Operating transfers out | | | (2,726) | (2,428) | | | (5,154) |
| Total other financing sources (uses) | 77,754 | | (2,726) | (2,428) | 7,500 | | 80,100 |
| Net change in cash balances | 28,880 | 7,596 | | (2,428) | 750 | (8,097) | 26,701 |
| Cash balances beginning of year | (14,886) | 20,802 | | 2,428 | | 8,097 | 16,441 |
| Cash balances end of year | \$ 13,994 | 28,398 | | | 750 | | 43,142 |
| Cash Basis Fund Balances | | | | | | | |
| Reserved: | | | | | | | |
| Debt service | | | | | 750 | | 750 |
| Streets | | 28,398 | | | | | 28,398 |
| Unreserved: | | | | | | | |
| General fund | \$ 13,994 | | | | | | 13,994 |
| Total cash basis fund balances | \$ 13,994 | 28,398 | | | 750 | | 43,142 |

See notes to financial statements.

City of Corwith

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2007

| | Proprietary Funds | | | | |
|--|-------------------|-----------------|----------------------|----------|----------|
| | Water | Sewer Rental | Post Office Lease | Electric | Total |
| Operating receipts: | | | | | |
| Use of money and property | \$ 70 | 22 | | 45 | 137 |
| Charges for service | 39,288 | 33,449 | 16,740 | 242,926 | 332,403 |
| Miscellaneous | 21,006 | 13,778 | 1,518 | 9,927 | 46,229 |
| Total operating receipts | 60,364 | 47,249 | 18,258 | 252,898 | 378,769 |
| Operating disbursements: | | | | | |
| Business type activities | 39,462 | 24,567 | | 227,431 | 291,460 |
| Total operating disbursements | 39,462 | 24,567 | | 227,431 | 291,460 |
| Excess of operating receipts over operating disbursements | 20,902 | 22,682 | 18,258 | 25,467 | 87,309 |
| Non-operating (disbursements): | | | | | |
| Debt service | 16,222 | 19,093 | 15,697 | | 51,012 |
| Total non-operating disbursements | 16,222 | 19,093 | 15,697 | | 51,012 |
| Excess of receipts over disbursements | 4,680 | 3,589 | 2,561 | 25,467 | 36,297 |
| Other financing sources (uses): | | | | | |
| Operating transfers in (out) | (19,400) | (19,400) | | (27,900) | (66,700) |
| | (19,400) | (19,400) | | (27,900) | (66,700) |
| Net change in cash balances | (14,720) | (15,811) | 2,561 | (2,433) | (30,403) |
| Cash balance beginning of year | 82,526 | 71,568 | | 140,013 | 294,107 |
| Cash balances end of year | \$ 67,806 | 55,757 | 2,561 | 137,580 | 263,704 |
| Cash Basis Fund Balances | | | | | |
| Reserved for debt service | \$ 13,203 | 16,605 | 2,561 | | 32,369 |
| Unreserved | 54,603 | 39,152 | | 137,580 | 231,335 |
| Total cash basis fund balances | \$ 67,806 | 55,757 | 2,561 | 137,580 | 263,704 |

See notes to financial statements.

CITY OF CORWITH

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

The City of Corwith is a political subdivision of the State of Iowa located in Hancock 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, culture, recreation, public improvements and general administrative services. The City also provides water, sewer and electric utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

The City also 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: Hancock County Assessor's Conference Board and Hancock County Development Commission, Hancock County Disaster/911 Service Board.

B. Basis of Presentation

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

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

CITY OF CORWITH

Notes to Financial Statements (continued)

June 30, 2007

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 the given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

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

The Revolving Loan Fund is used to account for loan funds set aside for economic development.

The City reports the following major proprietary funds:

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

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

The Post Office Fund accounts for the operation and maintenance of the building space lease to the U.S. Postal system.

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

CITY OF CORWITH

Notes to Financial Statements (continued)

June 30, 2007

C. Measurement Focus and Basis of Accounting

The City of Corwith 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 public safety, public works, community and economic development, debt service and capital projects functions.

(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 as amended by Statement No. 40.

CITY OF CORWITH

Notes to Financial Statements (continued)

June 30, 2007

(3) Bonds Payable

Annual debt service requirements to maturity for general obligation and revenue bonded indebtedness are as follows:

| Year Ending June 30, | General Obligation Bonds | | Revenue Bonds | | Total | |
|----------------------------|--------------------------------|---------------|------------------|---------------|----------------|----------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2008 | \$ 14,000 | 6,400 | 37,058 | 13,955 | 44,058 | 20,355 |
| 2009 | 8,000 | 6,050 | 38,824 | 12,188 | 46,824 | 18,238 |
| 2010 | 8,000 | 5,650 | 40,651 | 10,361 | 48,651 | 16,011 |
| 2011 | 8,000 | 5,250 | 28,011 | 8,982 | 36,011 | 14,232 |
| 2012 | 9,000 | 4,850 | 24,291 | 7,628 | 33,291 | 12,478 |
| 2013 | 9,000 | 4,400 | 25,391 | 6,529 | 34,391 | 10,929 |
| 2014 | 10,000 | 3,950 | 26,531 | 5,389 | 36,531 | 9,339 |
| 2015 | 10,000 | 3,450 | 16,819 | 4,285 | 26,819 | 7,735 |
| 2016 | 11,000 | 2,950 | 12,203 | 4,394 | 23,203 | 7,344 |
| 2017 | 11,000 | 2,400 | 13,030 | 2,667 | 24,030 | 5,067 |
| 2018 | 12,000 | 1,850 | 13,902 | 1,795 | 25,902 | 3,645 |
| 2019 | 12,000 | 1,250 | 14,834 | 864 | 26,834 | 2,114 |
| 2020 | <u>13,000</u> | <u>650</u> | <u>5,159</u> | <u>70</u> | <u>18,159</u> | <u>720</u> |
| Total | <u>\$135,000</u> | <u>49,100</u> | <u>296,704</u> | <u>79,107</u> | <u>424,704</u> | <u>128,207</u> |

(4) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual 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 year ended June 30, 2007, was \$3,348 equal to the required contributions for the year.

CITY OF CORWITH

Notes to Financial Statements (continued)

June 30, 2007

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. Sick leave hours are accumulated for subsequent use but are not paid upon termination, retirement, or death. Comp time hours are accumulated for subsequent use but are not paid upon termination or retirement. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

| <u>Type of Benefit</u> | <u>Amount June 30, 2007</u> |
|------------------------|-----------------------------|
| Vacation | \$ <u>1,021</u> |

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

(6) 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 | Water Fund | \$ 19,400 |
| | Sewer Fund | 19,400 |
| | Electric Fund | 20,400 |
| | Revolving Loan Fund | 2,428 |
| | Employee Benefits Fun | <u>2,726</u> |
| | | <u>64,354</u> |
| Debit Service | Electric Fund | <u>7,500</u> |
| Total | | \$ <u>71,854</u> |

(7) Related Party Transactions

The City had business transactions between the City and the spouse of a City official totaling \$8,955 during the year ended June 30, 2007.

(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.

REQUIRED SUPPLEMENTARY INFORMATION

City of Corwith

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 | Budgeted Amounts | Budgeted to Net Variance |
|---|---------------------------------|--------------------------------|----------|---------------------|--------------------------------|
| Receipts: | | | | | |
| Property tax | \$ 59,270 | | 59,270 | 57,997 | 1,273 |
| Other city tax | 21,825 | | 21,825 | 19,680 | 2,145 |
| Licenses and permits | 1,005 | | 1,005 | 1,600 | (595) |
| Use of money and property | 4,314 | 137 | 4,451 | 2,730 | 1,721 |
| Intergovernmental | 21,190 | | 21,190 | 39,464 | (18,274) |
| Charges for services | 3,385 | 332,403 | 335,788 | 359,925 | (24,137) |
| Miscellaneous | 42,652 | 46,229 | 88,881 | 3,750 | 85,131 |
| Total receipts | 153,641 | 378,769 | 532,410 | 485,146 | 47,264 |
| Disbursements: | | | | | |
| Public safety | 53,358 | | 53,358 | 21,400 | (31,958) |
| Public works | 15,910 | | 15,910 | 13,761 | (2,149) |
| Culture and recreation | 33,829 | | 33,829 | 39,320 | 5,491 |
| Community and economic development | 23,671 | | 23,671 | | (23,671) |
| General government | 56,643 | | 56,643 | 69,083 | 12,440 |
| Debt service | 6,750 | 51,012 | 57,762 | 16,740 | (41,022) |
| Capital projects | 16,879 | | 16,879 | | (16,879) |
| Business type activities | | 291,460 | 291,460 | 375,400 | 83,940 |
| Total disbursements | 207,040 | 342,472 | 549,512 | 535,704 | (13,808) |
| Excess (deficiency) of receipts over (under) disbursements | (53,399) | 36,297 | (17,102) | (50,558) | 33,456 |
| Other financing sources, net | 80,100 | (66,700) | 13,400 | 27,115 | (13,715) |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 26,701 | (30,403) | (3,702) | (23,443) | 19,741 |
| Balances beginning of year | 16,441 | 294,107 | 310,548 | 267,666 | 42,882 |
| Cash balances end of year | \$ 43,142 | 263,704 | 306,846 | 244,223 | 62,623 |

See accompanying independent auditor's report.

City of Corwith

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

During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the public safety, public works, community and economic development, debt service and capital projects functions.

OTHER SUPPLEMENTARY INFORMATION

Schedule of Indebtedness

Year ended June 30, 2007

| Obligation | Date of Issue | Rate of Interest | Amount Originally Issued | Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid |
|--------------------------------------|------------------------------|---------------------------------|---|--|-----------------------------------|-------------------------------------|------------------------------------|--------------------------|
| General Obligation: | | | | | | | | |
| City Hall/Library | 12/1/2003 | 5.00% | \$ 150,000 | 135,000 | | | 135,000 | 6,750 |
| Revenue Bonds/notes: | | | | | | | | |
| Sewer revenue note | 9/26/2000 | 5.00% | \$ 150,000 | 72,957 | | 15,803 | 57,154 | 3,290 |
| Water treatment note-Prairie Energy | 10/15/2004 | 3.00 | 40,000 | 34,137 | | 3,661 | 30,476 | 994 |
| Water treatment note-Corn Belt Power | 9/26/2000 | 3.00 | 100,000 | 85,343 | | 9,152 | 76,191 | 2,435 |
| Post office lease participation note | 12/30/1992 | 6.50 | 150,000 | 139,700 | | 6,817 | 132,883 | 8,881 |
| Total revenue bonds/debt | | | | 332,137 | | 35,433 | 296,704 | 15,600 |

See accompanying independent auditor's report.

CITY OF CORWITH

Schedule 2

Bond and Note Maturities

June 30, 2007

| Year Ending June 30, | GENERAL OBLIGATION | | REVENUE NOTES | | | | | | | | Total |
|-------------------------------|---------------------------------------|-----------------------|---|---------------|--|---------------|---|---------------|---------------------------------|----------------|----------------|
| | City Hall/Library Issued 12/1/2003 | | Sewer Revenue Note Issued 9/26/2000 | | Water Treatment - PE Issued 10/15/2004 | | Water Treatment - CBP Issued 10/15/2004 | | Post Office Issued 9/30/2004 | | |
| | Interest Rate | Amount | Interest Rate | Amount | Interest Rate | Amount | Interest Rate | Amount | Interest Rate | Amount | |
| 2008 | 5.00% | 14,000 | 5.00% | 16,605 | 3.00% | 3,772 | 3.00% | 9,431 | 6.50% | 7,250 | 37,058 |
| 2009 | 5.00% | 8,000 | 5.00% | 17,461 | 3.00% | 3,887 | 3.00% | 9,717 | 6.50% | 7,759 | 38,824 |
| 2010 | 5.00% | 8,000 | 5.00% | 18,355 | 3.00% | 4,005 | 3.00% | 10,013 | 6.50% | 8,278 | 40,651 |
| 2011 | 5.00% | 8,000 | 5.00% | 4,733 | 3.00% | 4,127 | 3.00% | 10,318 | 6.50% | 8,833 | 28,011 |
| 2012 | 5.00% | 9,000 | | | 3.00% | 4,253 | 3.00% | 10,631 | 6.50% | 9,407 | 24,291 |
| 2013 | 5.00% | 9,000 | | | 3.00% | 4,382 | 3.00% | 10,955 | 6.50% | 10,054 | 25,391 |
| 2014 | 5.00% | 10,000 | | | 3.00% | 4,515 | 3.00% | 11,288 | 6.50% | 10,728 | 26,531 |
| 2015 | 5.00% | 10,000 | | | 3.00% | 1,535 | 3.00% | 3,838 | 6.50% | 11,446 | 16,819 |
| 2016 | 5.00% | 11,000 | | | | | | | 6.50% | 12,203 | 12,203 |
| 2017 | 5.00% | 11,000 | | | | | | | 6.50% | 13,030 | 13,030 |
| 2018 | 5.00% | 12,000 | | | | | | | 6.50% | 13,902 | 13,902 |
| 2019 | 5.00% | 12,000 | | | | | | | 6.50% | 14,834 | 14,834 |
| 2020 | 5.00% | 13,000 | | | | | | | 6.50% | 5,159 | 5,159 |
| Total | | \$ 135,000 | | 57,154 | | 30,476 | | 76,191 | | 132,883 | 296,704 |

Sewer Revenue Capital Note Information

June 30, 2007

Rates and Customer Usage:

At June 30, 2007 the City had approximately 350 customers using the wastewater treatment system. At June 30, 2007 the City's sewer charges were 100% of water charges for the first 2,000 gallons of water used and 80% of water charge for gallons used in excess of 2,000 gallons. Water usage is charged out at \$4.00 per 1000 gallons used in excess of 2,000 gallons with a minimum charge of \$9.50 per building.

Insurance Coverage:

| Coverage | Limit | Deductible | Coinsurance |
|----------|-------|------------|-------------|
|----------|-------|------------|-------------|

Blanket Coverage:

| | | | |
|--|-------------------|--------|-----|
| City Hall, library and post office | \$ 639,869 | \$ 250 | 90% |
| Water tower, fire station, shelter house, electrical substation, pump house, sewage treatment lagoon, fence, and playground equipment | 400,965 | 250 | 90 |
| Contractor's equipment | 69,625 | 250 | 90 |
| Liability-each occurrence | 1,000,000 | | |
| Vehicles | actual cash value | 250 | |

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Corwith, 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 17, 2007. Our report on the financial statements which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2006. Except as noted in the Independent Auditor's Report, 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 Corwith's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Corwith's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Corwith's internal control over financial reporting.

Our consideration of the 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 Corwith'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 Corwith's financial statements that is more than inconsequential will not be prevented or detected by the City of Corwith'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 the 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 Corwith'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 and I-B-07 are material weaknesses.

Compliance and Other Matters

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

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 Corwith'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 of Corwith's responses and, accordingly, we express no opinion of 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 Corwith and other parties to whom the City of Corwith 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 of Corwith 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.

October 17, 2007

Renner & Birchem, P.C.

CITY OF CORWITH

Schedule of Findings

Year Ended June 30, 2007

Part I: Findings Related to the Financial Statements:

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 cash receipts functions and the cash disbursement functions are all done by the same person.

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 will investigate this.

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

I-B-07 Electronic Data Processing Systems – During our review of internal control, the existing control activities in the City’s computer-based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the City’s computer based systems were noted:

The City does not have written policies for:

- A disaster recovery plan to include all operations of the City.
- Requiring time out/log off or screen saver password to protect computer terminals when not in use.
- Requiring password changes because software does not require the user to change logins/passwords periodically.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s internal control over computer based systems.

Response – The City will establish and implement a written disaster recovery plan; and will implement policies to require time out/log off passwords and periodic changes of login/passwords.

Conclusion – Response accepted.

Instances of Non-Compliance:

No matters were reported.

CITY OF CORWITH

Schedule of Findings

Year Ended June 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

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

II-B-07 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

| <u>Name, Title, and Business Connection</u> | <u>Transaction Description</u> | <u>Amount</u> |
|---|------------------------------------|---------------|
| Dave Wagner, spouse of council member | Mowing | \$8,955 |

The transactions with Dave Wagner do not appear to represent a conflict of interest since it was entered into through competitive bidding.

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

II-E-07 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-F-07 Certified Budget - Disbursements during the year ended June 30, 2007, exceeded the amounts budgeted in the public safety, community and economic development, public works, debt service, and capital projects functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

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

Conclusion - Response accepted.

CITY OF CORWITH

Schedule of Findings

Year Ended June 30, 2007

II-G-07 Property Tax Collected for Employee Benefits – Property tax levied for the purpose of employee benefits were recorded in the General Fund. Chapter 670 of the Code of Iowa state the proceeds of tax levied for employee benefits or other special levies are to be properly recorded in the special revenue fund.

Recommendation - The City should set up a special revenue fund for the purpose of recording property tax levied for the payment of employee benefits.

Response – This will be corrected.

Conclusion - Response accepted.

II-D-07 Revenue Bonds – The City has complied with the revenue bond resolutions.

II-E-07 Bank Statements – Chapter 554d.114(5) of the Code of Iowa requires that if actual checks are not returned with statements that the electronic form must also include the backs of the instruments.

Recommendation – The City should require the bank to provide required information in either a paper copy or in electronic form on a CD for the City to maintain at their office.

Response – We will do this.

Conclusion – Response accepted.