

**CITY OF LIVERMORE, IOWA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2007**

**T. P. ANDERSON & COMPANY, P.C.  
Certified Public Accountants**

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CITY OF LIVERMORE, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steve Larson	Mayor	Jan 2010
Clayton Armstrong	Council Member	Jan 2010
Robert Collins	Council Member	Jan 2012
Aaron Crahan	Council Member	Jan 2010
Penny Porter	Council Member	Jan 2010
Marie Wilson	Council Member	Jan 2008
Jean Larson	Clerk	Indefinite
Greg Stoebe	Attorney	Indefinite

# T.P. ANDERSON & COMPANY P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

701 SUMNER, SUITE 200

HUMBOLDT, IOWA 50548

515-332-3466

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

We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U. S. generally accepted accounting principles. 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 June 30, 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 total fund balance at July 1, 2006 as described 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 information of the City of Livermore 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.

As described in Note 9, during the year ended June 30, 2007, the City adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2008, on our consideration of the City of Livermore's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 17 through 18 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied 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 Livermore's basic financial statements. The other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the primary government's basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the aforementioned primary government financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned primary government financial statements taken as a whole.

*T.P. Anderson & Company, P.C.*

March 21, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Livermore, Iowa provides this Management's Discussion and Analysis of its primary government 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.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

### **2007 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities were approximately \$226,000 in fiscal year 2007. Property tax receipts were approximately \$68,000 and local option sales tax was approximately \$36,000, while operating and capital grants were approximately \$98,000.
- Disbursements were approximately \$315,000 in fiscal 2007. Public works disbursements were approximately \$88,000 in the current year and community and economic development disbursements were approximately \$90,000.
- The City's total cash basis net assets decreased approximately \$4,000 from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities decreased approximately \$65,000 and the assets of the business type activities increased by approximately \$61,000.

### **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 – Cash Basis. This statement provides information about the activities of the City as a whole and presents an overview 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 which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, and general government. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the electric system, the water system, the sanitary sewer system, and the garbage service. 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 service. 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, and 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits 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.

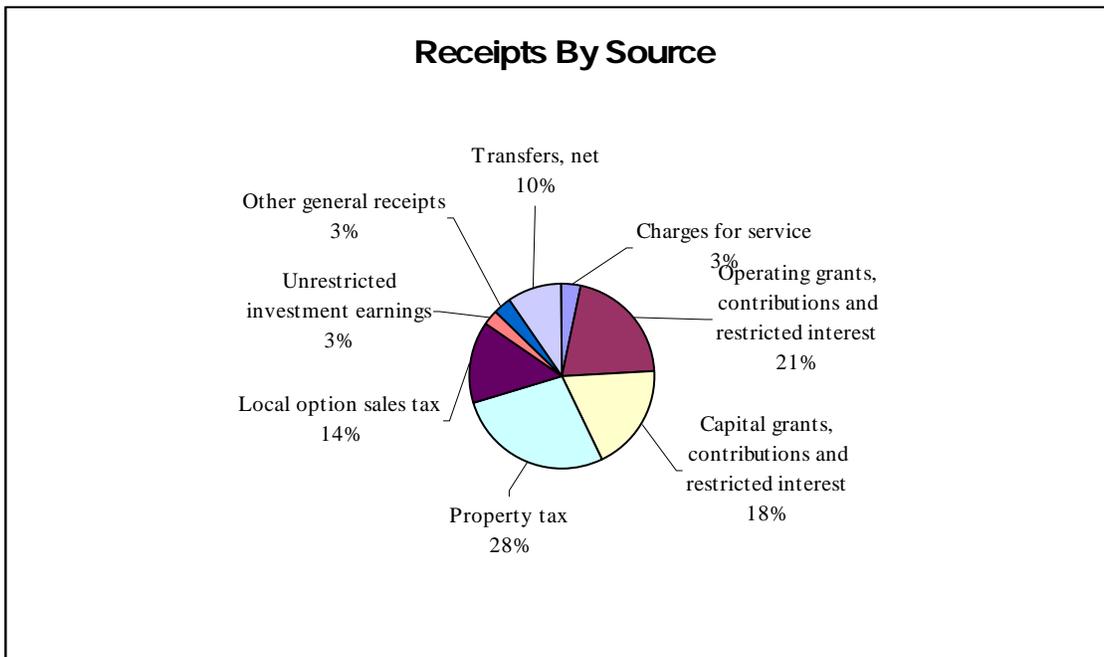
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the electric, water, sewer, and garbage funds.

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

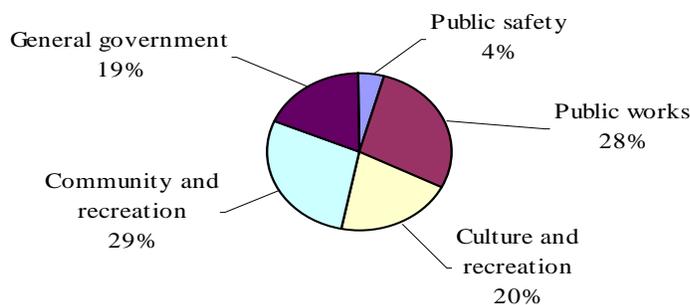
## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$201,000 to \$136,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

	<u>2007</u>
Receipts and transfers:	
Program receipts:	
Charges for service	\$ 8
Operating grants, contributions and restricted interest	53
Capital grants, contributions and restricted interest	45
General receipts:	
Property tax	68
Local option sales tax	36
Unrestricted investment earnings	10
Other general receipts	6
Transfers, net	24
Total receipts and transfers	<u>250</u>
 Disbursements:	
Public safety	14
Public works	88
Culture and recreation	64
Community and economic development	90
General government	59
Total disbursements	<u>315</u>
 (Decrease) in cash basis net assets	(65)
 Cash basis net assets beginning of year	<u>201</u>
 Cash basis net assets end of year	<u><u>136</u></u>



### Disbursements by Function



The City’s total receipts for governmental activities was approximately \$250,000. The total cost of all programs and services was approximately \$315,000.

The cost of all governmental activities this year was \$315,000. However, as shown in the Statement of Activities and Net Assets on page 11, the amount taxpayers ultimately financed for these activities was only \$209,500 because some of the cost was paid by those directly benefited from the programs (\$7,500) or by other governments and organizations that subsidized certain programs with grants, receipts, including intergovernmental aid and fees for service (\$98,000). The City paid for the remaining “public benefit” portion of governmental activities with approximately \$105,000 in taxes (some of which could only be used for certain programs), and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)	
	Year Ending June 30, 2007
Receipts:	
Program receipts:	
Charges for service:	
Electric	\$ 349
Water	43
Sewer	27
Garbage	25
Total receipts	444
Disbursements and transfers:	
Electric	282
Water	34
Sewer	19
Garbage	25
Transfers	24
Total disbursements and transfers	384
Increase in cash balance	60
Cash basis net assets beginning of year	199
Cash basis net assets end of year	259

Total business type activities receipts for the fiscal year were approximately \$444,000.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As The City of Livermore completed the year, its governmental funds reported a combined fund balance of \$136,289, a decrease of \$64,850 from last year's total of \$201,139. 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 decreased \$49,730 to \$138,632 at June 30, 2007. The City incurred expenditures for the CDBG program that were not reimbursed until the following fiscal period (July 2007). We also completed a major property cleanup, asbestos abatement and cleanup resulting in additional unanticipated costs.
- The Road Use Tax Fund cash balance decreased by \$14,886 to \$(2,574) during the fiscal year. This decrease was attributable to the Payer Pitstop project and the adjacent city property project that the City participated in.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Electric Fund cash balance increased by \$42,355 to \$200,747, due primarily to the regular operation of the Electric Utility.
- The Water Fund cash balance increased by \$9,622 to \$27,190, due primarily to the regular operations of the Water Utility.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget two times. The first amendment was approved on January 8, 2007 resulting in an increase in operating disbursements related to the public works, culture and recreation and community and economic development functions. The second amendment was approved on June 7, 2007 increasing budgeted expenditures by \$84,342 for community and economic development. The City increased budgeted receipts to reflect the additional CDBG funds that will be used to pay for most of the additional costs.

## **DEBT ADMINISTRATION**

At June 30, 2007 and 2006 the City had no outstanding debt.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In completing the FY 2007 budget the elected and appointed officials of Livermore examined certain economic conditions to help determine revenue estimates and expenditure projections. Livermore's economy has remained steady. City officials do not expect any significant change in employment for the City. Jobs remain available in the surrounding counties.

City revenues are expected to decline slightly in the coming fiscal year.

## **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 Livermore's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Jean Larson, City Clerk 501 4<sup>th</sup> Street, PO Box 16, Livermore, Iowa 50558.

## **Basic Financial Statements**

CITY OF LIVERMORE, IOWA

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

Functions/Programs	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
<b>Governmental activities:</b>				
Public safety	\$ 13,963	-	6,878	-
Public works	88,280	-	35,822	-
Culture and recreation	63,475	7,487	10,685	-
Community and economic development	89,818	-	-	44,544
General government	59,285	-	-	-
<b>Total government activities</b>	<b>314,821</b>	<b>7,487</b>	<b>53,385</b>	<b>44,544</b>
<b>Business type activities:</b>				
Electric	282,348	348,703	-	-
Water	33,721	43,343	-	-
Sewer	18,880	26,810	-	-
Garbage	24,542	25,022	-	-
<b>Total business type activities</b>	<b>359,491</b>	<b>443,878</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>\$ 674,312</b>	<b>\$ 451,365</b>	<b>53,385</b>	<b>44,544</b>

**General Receipts**

Property tax levied for:  
 General purposes  
 Local option sales tax  
 Unrestricted interest on investments  
 Miscellaneous  
 Transfers  
 Total general receipts and transfers

Change in cash basis net assets

Cash beginning of year

Cash end of year

**Cash Basis Net Assets**

Restricted  
 Streets  
 Other Purposes  
 Unrestricted

See notes to financial statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (7,085)	-	\$ (7,085)
(52,458)	-	(52,458)
(45,303)	-	(45,303)
(45,274)	-	(45,274)
(59,285)	-	(59,285)
(209,405)	-	(209,405)
-	66,355	66,355
-	9,622	9,622
-	7,930	7,930
-	480	480
-	84,387	84,387
(209,405)	84,387	(125,018)
68,346	-	68,346
36,321	-	36,321
10,190	-	10,190
5,698	-	5,698
24,000	(24,000)	-
144,555	(24,000)	120,555
(64,850)	60,387	(4,463)
201,139	198,978	400,117
\$ 136,289	259,365	\$ 395,654
\$ (2,574)	-	\$ (2,574)
231	-	231
138,632	259,365	397,997
\$ 136,289	259,365	\$ 395,654

CITY OF LIVERMORE, IOWA

Exhibit B

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

	Special Revenue			Total
	General	Road Use Tax	Employee Benefits	
Receipts:				
Property tax	\$ 59,133	-	9,213	68,346
Other city tax	36,321	-	-	36,321
Licenses and permits	605	-	-	605
Use of money and property	10,190	-	-	10,190
Intergovernmental	69,920	28,009	-	97,929
Charges for service	7,487	-	-	7,487
Miscellaneous	5,093	-	-	5,093
	188,749	28,009	9,213	225,971
Disbursements:				
Public safety	13,963	-	-	13,963
Public works	43,731	42,895	1,654	88,280
Culture and recreation	59,897	-	3,578	63,475
Community and economic development	89,818	-	-	89,818
General government	55,070	-	4,215	59,285
	262,479	42,895	9,447	314,821
(Deficiency) of receipts (under) disbursements	(73,730)	(14,886)	(234)	(88,850)
Other financing sources (uses):				
Operating transfers in	24,000	-	-	24,000
	24,000	-	-	24,000
Net change in cash balances	(49,730)	(14,886)	(234)	(64,850)
Balance beginning of year	188,362	12,312	465	201,139
Balance end of year	\$ 138,632	(2,574)	231	136,289
Cash Basis Fund Balance				
Unreserved				
General Fund	\$ 138,632	-	-	138,632
Special Revenue Funds	-	(2,574)	231	(2,343)
Total cash basis fund balances	\$ 138,632	(2,574)	231	136,289

See notes to financial statements

## CITY OF LIVERMORE, IOWA

Exhibit C

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

	Electric	Water	Sewer	Garbage	Total
Receipts					
Charges for service	\$ 348,703	43,343	26,810	25,022	\$ 443,878
	348,703	43,343	26,810	25,022	443,878
Disbursements					
Total operating disbursements	282,348	33,721	18,880	24,542	359,491
	282,348	33,721	18,880	24,542	359,491
Excess of operating receipts over operating disbursements	66,355	9,622	7,930	480	84,387
Other financing sources (uses):					
Operating transfers out	(24,000)	-	-	-	(24,000)
	(24,000)	-	-	-	(24,000)
Net Change in cash balances	42,355	9,622	7,930	480	60,387
Balance beginning of year	158,392	17,568	14,288	8,730	198,978
Balance end of year	\$ 200,747	\$ 27,190	22,218	9,210	\$ 259,365
Cash Basis Fund Balances					
Unreserved	\$ 200,747	27,190	22,218	9,210	\$ 259,365
	\$ 200,747	27,190	22,218	9,210	\$ 259,365

See notes to financial statements

CITY OF LIVERMORE, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

(1) **Summary of Significant Accounting Policies**

The City of Livermore is a political subdivision of the State of Iowa located in Humboldt 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, culture and recreation, economic development, and general government services. The City also provides electric, water, sewer, and garbage utilities and services to its citizens.

A. Reporting Entity

For financial reporting purposes, City of Livermore has included all funds, organizations, account groups, 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 (GASB) 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 under this definition.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets – Cash Basis 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 service.

This Statement of Activities and Net Assets Cash Basis 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 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.

CITY OF LIVERMORE, IOWA

NOTES TO FINANCIAL STATEMENTS

(1) **Summary of Significant Accounting Policies - continued**

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

The City of Livermore 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 the U.S. generally accepted accounting principles.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program.

CITY OF LIVERMORE, IOWA

NOTES TO THE FINANCIAL STATEMENTS

**(1) Summary of Significant Accounting Policies - continued**

It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Investments**

The City's deposits in banks at June 30, 2007 (which include certificates of deposit totaling \$258,802) 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; and certain joint investment trusts and warrants or improvement certificates of a drainage district.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

CITY OF LIVERMORE, IOWA

NOTES TO FINANCIAL STATEMENTS

**(3) 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 salary and the City is required to contribute 5.75% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$6,497, \$6,146, and \$6,066 respectively, equal to the required contributions for each year.

**(4) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and personal leave hours for subsequent use. Earned vacation is paid when used or when employment is terminated upon retirement or death. These accumulations are not recognized as expenditures by the City until they are used or paid. The City's approximate liability for earned vacation and sick leave payments payable to employees at June 30, 2007, primarily relating to the General Fund, is zero.

**(5) Interfund Transfers**

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

Transfer In	Transfer From	Amount
General	Proprietary fund Electric fund	<u>\$ 24,000</u>

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

**(6) Risk Management**

The City of Livermore 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF LIVERMORE, IOWA

NOTES TO FINANCIAL STATEMENTS

**(7) Property Taxes**

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

**(8) Deficit Fund Balance**

The Road Use Tax fund had a deficit balance of \$2,574 at June 30, 2007. The deficit fund balance in the Road Use Tax Fund was the result of the street repair costs exceeding the current year road use tax received. This deficit will be eliminated by future road use tax receipts.

**(9) Accounting Change**

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences*, were implemented for the year ended June 30, 2007. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government wide financial statement and fund financial statements which present information for individual major funds rather than by fund type.

The government-wide financial statement reports the City’s governmental and business type activities.

**Required Supplementary Information**

CITY OF LIVERMORE, IOWA

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

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts:			
Property tax	\$ 68,346	-	68,346
Other city taxes	36,321	-	36,321
Licenses and permits	605	-	605
Use of money and property	10,190	-	10,190
Intergovernmental	97,929	-	97,929
Charges for service	7,487	443,878	451,365
Miscellaneous	5,093	-	5,093
	<u>225,971</u>	<u>443,878</u>	<u>669,849</u>
Disbursements:			
Program			
Public safety	13,963	-	13,963
Public works	88,280	-	88,280
Culture and recreation	63,475	-	63,475
Community and economic development	89,818	-	89,818
General government	59,285	-	59,285
Business type activities	-	359,491	359,491
	<u>314,821</u>	<u>359,491</u>	<u>674,312</u>
Excess (deficiency) of receipts over disbursements	(88,850)	84,387	(4,463)
Other financing sources	24,000	(24,000)	-
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses	(64,850)	60,387	(4,463)
Balance beginning of year	<u>201,139</u>	<u>198,978</u>	<u>400,117</u>
Balance end of year	<u>\$ 136,289</u>	<u>259,365</u>	<u>395,654</u>

See accompanying independent auditor's report

Budgeted Amounts		Final to Net Variance
Original	Final	
70,272	70,272	(1,926)
29,129	30,151	6,170
700	700	(95)
2,500	5,500	4,690
55,188	139,002	(41,073)
452,800	447,800	3,565
1,500	1,500	3,593
612,089	694,925	(25,076)
14,900	14,900	937
69,118	104,646	16,366
60,182	65,182	1,707
17,210	108,624	18,806
67,679	67,679	8,394
383,000	383,000	23,509
612,089	744,031	69,719
-	(49,106)	44,643
-	-	-
-	(49,106)	44,643
251,354	251,354	148,763
251,354	202,248	193,406

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund 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, 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, two budget amendments increased budgeted disbursements by \$131,942. The budget amendments are reflected in the final budgeted amounts.

**Other Supplementary Information**

CITY OF LIVERMORE, IOWA

Schedule 1

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

FOR THE YEAR ENDED JUNE 30:

	<u>2007</u>
Receipts	
Property tax	\$ 68,346
Other city tax	36,321
Licenses and permits	605
Use of money and property	10,190
Intergovernmental	97,929
Charges for service	7,487
Miscellaneous	5,093
	<u>\$ 225,971</u>
 Disbursements:	
Operating:	
Public safety	\$ 13,963
Public works	88,280
Culture and recreation	63,475
Community and economic development	89,818
General government	59,285
	<u>\$ 314,821</u>

See accompanying independent auditor's report

# T.P. ANDERSON & COMPANY P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

701 SUMNER, SUITE 200

HUMBOLDT, IOWA 50548

515-332-3466

## 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 Livermore, 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 March 21, 2008. Because we were unable to satisfy ourselves as to the distribution of fund balances by fund at July 1, 2006, our report expressed a qualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. Our report also noted the adoption of GASB 34 for the year ended June 30, 2007. 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 Livermore's internal control over financial reporting in order to determine 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 Livermore's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Livermore'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 financing 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 of

Livermore'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 II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City'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, we believe the significant deficiency, item II-A-07, II-B-07, and II-C-07 material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Livermore'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 III 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 Livermore's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses we did not audit the City of Livermore'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 Livermore and other parties to whom the City of Livermore may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Livermore during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*T.P. Anderson & Company, P.C.*

March 21, 2008

CITY OF LIVERMORE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2007

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

- (a) Qualified opinions were issued because we were unable to satisfy ourselves as to the distribution of fund balances by fund at July 1, 2006 on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. The City also implemented GASB 34 for the year ended June 30, 2007.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance material to the financial statements.

CITY OF LIVERMORE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2007

**Part II: Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

II-A-07      Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipt function and the recording of the cash receipts is on occasion handled 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 believe that we are close to the maximum degree of segregation of duties possible with the limited number of office employees. We will investigate additional procedures to cost effectively improve internal control.

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.

II-B-07      Credit Cards – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

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

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

Conclusion – Response accepted.

CITY OF LIVERMORE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2007

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

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

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

Response – These procedures will be implemented as recommended.

Conclusion – Response accepted.

CITY OF LIVERMORE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2007

**Part III: Other Findings Related to Statutory Reporting:**

III-A-07 Certified Budget - Disbursements during the year ended June 30, 2007 were within the budgeted limits in all programs.

III-B-07 Questionable Disbursement - We noted no questionable disbursements in regard to the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-07 Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.

III-D-07 Business Transactions - No business transactions between the City and its officials or employees were noted.

III-E-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.

III-F-07 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not. We did however note that the reason for each claim was not published with the list of claims

Recommendation – Chapter 372.13(6) of the Code of Iowa requires that a list of claims allowed along with a reason for each claim be published. The City should include the reason for each claim when publishing.

Response – We have already started publishing the reason for each claim.

Conclusion – Response accepted.

III-G-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.

III-H-07 Financial Condition – The Road Use Tax Fund had a deficit balance at June 30, 2007 of \$2,574.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The deficit was subsequently eliminated with additional road use tax receipts.

Conclusion – Response accepted.

CITY OF LIVERMORE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2007

**Part III: Other Findings Related to Statutory Reporting:** - continued

III-I-07     Code of Ordinances – We determined through inquiries that the City’s Code of Ordinances has not been compiled within the last five years.

Recommendation – Chapter 380.8(1) of the Code of Iowa requires that the code of ordinances be compiled at least once every five years.

Response – We are currently looking into compiling our code of ordinances.

Conclusion – Response accepted.