

**CITY OF APLINGTON, IOWA**

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

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

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**City of Aplington, Iowa**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2004)</b>		
Robert Boelman	Mayor	Jan 2004
Duane Nevenhoven	Mayor Pro tem	Jan 2006
Jim Limburg	Council Member	Jan 2006
Steve Huston	Council Member	Jan 2004
Betty L. Miller	Council Member	Jan 2004
Dennis Jungling	Council Member	Jan 2006
Debra Prier	City Clerk/Treasurer	Indefinite
Greg Lievens	Attorney	Indefinite
<b>(After January 2004)</b>		
Dennis Matura	Mayor	Jan 2006
Dennis Jungling	Mayor Pro tem	Jan 2006
Jim Limburg	Council Member	Jan 2006
Duane Nevenhoven	Council Member	Jan 2006
Steve Huston	Council Member	Jan 2008
Betty L. Miller	Council Member	Jan 2008
Debra Prier	City Clerk/Treasurer	Indefinite
Greg Lievens	Attorney	Indefinite

## 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 Aplington, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Aplington'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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2003.

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, 2003, 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 Aplington as of June 30, 2004, 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 10, during the year ended June 30, 2004, 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 November 16, 2004 on our consideration of the City of Aplington’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management’s Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 25 through 27 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 inquiries 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Aplington’s basic financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CORNWELL & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

November 16, 2004

## **Basic Financial Statements**

City of Aplington, Iowa  
Statement of Activities and Net Assets - Cash Basis  
As of and for the year ended June 30, 2004

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 164,338	71,732	-	-
Public works	113,030	56,866	87,785	-
Health and social services	2,350	-	-	-
Culture and recreation	91,789	6,271	13,694	-
Community and economic development	77,797	-	-	-
General government	109,928	690	-	-
Debt service	239,731	-	-	-
Capital projects	143,315	-	-	113,735
Total governmental activities	942,278	135,559	101,479	113,735
Business type activities:				
Electric	394,265	448,388	-	-
Water	45,704	49,128	-	-
Sewer	76,543	46,076	-	-
Total business type activities	516,512	543,592	-	-
Total	\$ 1,458,790	679,151	101,479	113,735

**General Receipts:**

Property tax levied for:
General purposes
Tax increment financing
Debt service
Local option sales tax
Unrestricted interest on investments
Miscellaneous
Transfers
Total general receipts and transfers
Change in cash basis net assets
Cash basis net assets beginning of year
Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:
Streets
Debt service
Other purposes
Unrestricted

**Total cash basis net assets**

See notes to financial statements.

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
(92,606)	-	(92,606)
31,621	-	31,621
(2,350)	-	(2,350)
(71,824)	-	(71,824)
(77,797)	-	(77,797)
(109,238)	-	(109,238)
(239,731)	-	(239,731)
(29,580)	-	(29,580)
<u>(591,505)</u>	<u>-</u>	<u>(591,505)</u>
-	54,123	54,123
-	3,424	3,424
<u>-</u>	<u>(30,467)</u>	<u>(30,467)</u>
<u>-</u>	<u>27,080</u>	<u>27,080</u>
<u>(591,505)</u>	<u>27,080</u>	<u>(564,425)</u>
127,373	-	127,373
215,134	-	215,134
80,409	-	80,409
41,944	-	41,944
6,278	-	6,278
101,451	2,837	104,288
62,500	(62,500)	-
<u>635,089</u>	<u>(59,663)</u>	<u>575,426</u>
43,584	(32,583)	11,001
132,290	367,582	499,872
<u>\$ 175,874</u>	<u>334,999</u>	<u>510,873</u>
\$ 128,969	-	128,969
27,775	-	27,775
16,618	-	16,618
2,512	334,999	337,511
<u>\$ 175,874</u>	<u>334,999</u>	<u>510,873</u>

City of Aplington, Iowa  
Statement of Cash Receipts, Disbursements  
and Changs in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2004

		Special Revenue	
	General	Tax Increment Financing	Special Assessments Bonds/Notes
Receipts:			
Property tax	\$ 101,125	-	-
Tax increment financing collections	-	215,134	-
Other city tax	1,285	-	-
Licenses and permits	690	-	-
Use of money and property	15,435	-	-
Intergovernmental	14,274	-	-
Charges for service	134,869	-	-
Special assessments	-	-	69,889
Miscellaneous	17,468	2,766	-
Total receipts	285,146	217,900	69,889
Disbursements:			
Operating:			
Public safety	155,937	-	-
Public works	70,721	-	-
Health and social services	2,350	-	-
Culture and recreation	87,998	-	-
Community and economic development	26,227	50,000	-
General government	105,214	-	-
Debt service	-	72,912	41,860
Capital projects	-	-	-
Total disbursements	448,447	122,912	41,860
Excess (deficiency) of receipts over (under) disbursements	(163,301)	94,988	28,029
Other financing sources (uses):			
Operating transfers in	62,500	-	-
Operating transfers out	(100)	(60,212)	-
Total other financing sources (uses)	62,400	(60,212)	-
Net change in cash balances	(100,901)	34,776	28,029
Cash balances beginning of year	11,804	197,165	13,056
Cash balances end of year	\$ (89,097)	231,941	41,085
<b>Cash Basis Fund Balances</b>			
Reserved:			
Debt service	\$ -	-	-
Unreserved:			
General fund	(89,097)	-	-
Special revenue funds	-	231,941	41,085
Capital projects funds	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	\$ (89,097)	231,941	41,085

See notes to financial statements.

Road Use	Local Option Sales Tax	Capital Projects		Nonmajor Governmental Funds	Total
		IDED Housing Grant	Debt Service		
-	-	-	79,764	24,647	205,536
-	-	-	-	-	215,134
-	41,944	-	645	316	44,190
-	-	-	-	-	690
-	-	-	-	51	15,486
87,785	-	94,683	-	-	196,742
-	-	-	-	-	134,869
-	-	-	-	-	69,889
-	-	-	-	20,592	40,826
<u>87,785</u>	<u>41,944</u>	<u>94,683</u>	<u>80,409</u>	<u>45,606</u>	<u>923,362</u>
-	-	-	-	8,401	164,338
35,419	4,605	-	-	2,285	113,030
-	-	-	-	-	2,350
-	-	-	-	3,791	91,789
-	-	-	-	1,570	77,797
-	-	-	-	4,714	109,928
-	-	-	124,959	-	239,731
-	-	109,013	-	34,302	143,315
<u>35,419</u>	<u>4,605</u>	<u>109,013</u>	<u>124,959</u>	<u>55,063</u>	<u>942,278</u>
<u>52,366</u>	<u>37,339</u>	<u>(14,330)</u>	<u>(44,550)</u>	<u>(9,457)</u>	<u>(18,916)</u>
-	100	-	105,212	-	167,812
<u>(25,000)</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(105,312)</u>
<u>(25,000)</u>	<u>(19,900)</u>	<u>-</u>	<u>105,212</u>	<u>-</u>	<u>62,500</u>
27,366	17,439	(14,330)	60,662	(9,457)	43,584
<u>101,603</u>	<u>45,903</u>	<u>(11,643)</u>	<u>(32,887)</u>	<u>(192,711)</u>	<u>132,290</u>
<u>128,969</u>	<u>63,342</u>	<u>(25,973)</u>	<u>27,775</u>	<u>(202,168)</u>	<u>175,874</u>
-	-	-	27,775	-	27,775
-	-	-	-	-	(89,097)
128,969	63,342	-	-	4,202	469,539
-	-	(25,973)	-	(218,786)	(244,759)
-	-	-	-	12,416	12,416
<u>128,969</u>	<u>63,342</u>	<u>(25,973)</u>	<u>27,775</u>	<u>(202,168)</u>	<u>175,874</u>

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

As of and for the year ended June 30, 2004

	Enterprise Funds			<u>Total</u>
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	
Operating receipts:				
Charges for service	\$ 429,180	49,128	46,076	524,384
Miscellaneous	<u>21,949</u>	<u>96</u>	<u>-</u>	<u>22,045</u>
Total operating receipts	<u>451,129</u>	<u>49,224</u>	<u>46,076</u>	<u>546,429</u>
 Operating disbursements:				
Business type activities	<u>394,265</u>	<u>45,704</u>	<u>76,543</u>	<u>516,512</u>
Total operating disbursements	<u>394,265</u>	<u>45,704</u>	<u>76,543</u>	<u>516,512</u>
 Excess (deficiency) of operating receipts over (under) operating disbursements	56,864	3,520	(30,467)	29,917
 Operating transfers out	<u>(60,000)</u>	<u>-</u>	<u>(2,500)</u>	<u>(62,500)</u>
 Net change in cash balances	(3,136)	3,520	(32,967)	(32,583)
 Cash balances beginning of year	<u>172,372</u>	<u>93,584</u>	<u>101,626</u>	<u>367,582</u>
 Cash balances end of year	<u>\$ 169,236</u>	<u>97,104</u>	<u>68,659</u>	<u>334,999</u>
 <b>Cash Basis Fund Balances</b>				
 Unreserved	<u>\$ 169,236</u>	<u>97,104</u>	<u>68,659</u>	<u>334,999</u>
 Total cash basis fund balances	<u>\$ 169,236</u>	<u>97,104</u>	<u>68,659</u>	<u>334,999</u>

See notes to financial statements.

City of Aplington, Iowa  
Notes to Financial Statements

June 30, 2004

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

The City of Aplington is a political subdivision of the State of Iowa located in Butler County. It was first incorporated in 1859 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides electric, water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Aplington has included all funds, organizations,

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

Jointly Governed Organizations

The City also participates in jointly governed organizations that provide goods or services to the citizenry of the City but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating government. City officials are members of the Butler County Assessor's Conference Board and Butler County Emergency Management Commission.

City of Aplington, Iowa  
Notes to Financial Statements

June 30, 2004

B. Basis of Presentation

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

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

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

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

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

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

City of Aplington, Iowa  
Notes to Financial Statements

June 30, 2004

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 Tax Increment Financing Revenues Fund is used to account for proceeds from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

The Special Assessments Fund is used to account for the receipt of special assessment taxes and repayment of special assessment debt.

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

The Local Option Sales Tax Fund is used to account for the receipt of local option sales taxes and the payment of applicable expenses.

Capital Projects:

The IDED Grant Fund is used to account for the IDED Grant proceeds and related capital projects.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

City of Aplington, Iowa  
Notes to Financial Statements  
June 30, 2004

The City reports the following major proprietary funds:

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

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 wastewater treatments and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Aplington 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, 2004, disbursements exceeded the amounts budgeted in the debt service and capital projects functions.

City of Aplington, Iowa  
Notes to Financial Statements  
June 30, 2004

**(2) Cash**

The City's deposits in banks at June 30, 2004 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.

There were no investments at June 30, 2004. During the year, the City invested its excess funds in certificates of deposit and money market savings accounts.

**(3) Bonds Payable**

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing notes, and special assessment bonds are as follows:

Year Ending	General Obligation Bonds and Notes		Urban Renewal Tax Increment General Obligation Notes		Special Assessment Bonds and Notes	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
June 30,						
2005	\$ 90,000	30,688	70,000	9,977	28,000	12,354
2006	95,000	26,377	80,000	6,630	28,000	10,780
2007	100,000	21,785	15,000	2,790	28,000	9,240
2008	105,000	16,895	20,000	2,040	28,000	7,700
2009	105,000	11,735	20,000	1,020	28,000	6,177
2010	65,000	6,500	---	---	28,000	4,620
2011	65,000	3,250	---	---	28,000	3,080
2012	---	---	---	---	28,000	1,540
Total	\$ 625,000	117,230	205,000	22,457	224,000	55,491

City of Aplington, Iowa  
Notes to Financial Statements  
June 30, 2004

Year Ending <u>June 30,</u>	<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 188,000	53,019
2006	203,000	43,787
2007	143,000	33,815
2008	153,000	26,635
2009	153,000	18,932
2010	93,000	11,120
2011	93,000	6,330
2012	<u>28,000</u>	<u>1,540</u>
Total	\$ 1,054,000	195,179

The resolutions providing for the issuance of the general obligation bonds and notes include the following provision:

- (a) At the option of the City, notes due on the corporate purpose loan issue of November 1, 1999, are subject to prepayment in whole or in part, on any date on or after June 1, 2004, not less than 30 days prior to the fixed date for prepayment, at a price of par plus accrued interest, by giving proper notice.
- (b) At the option of the City, notes due on the corporate purpose loan issue of January 1, 2001, are subject to prepayment in whole or in part, on any date on or after June 1, 2007, not less than 30 days prior to the fixed date for prepayment, at a price of par plus accrued interest, by giving property notice.

The urban renewal tax increment financing general obligation notes were issued for the purpose of defraying costs of carrying out urban renewal projects of the City. The notes are payable solely from the income and proceeds of the Special Revenue, Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing general obligation notes shall be expended only for purposes which are consistent with the plans of the City's urban renewal area.

City of Aplington, Iowa  
Notes to Financial Statements  
June 30, 2004

**(4) Notes Payable**

During year ended June 30, 2003 the City obtained short-term financing to purchase an ambulance for \$82,260. During the year ended June 30, 2004 the City re-financed the note and extended the maturity to three years. The first payment for the new note is July 1, 2004.

Future payments are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 7,848	1,269	9,117
2006	8,248	869	9,117
2007	<u>8,732</u>	<u>385</u>	<u>9,117</u>
	<u>\$ 24,828</u>	<u>2,523</u>	<u>27,351</u>
	=====	=====	=====

During the year ended June 30, 2004 the City paid \$10,010 before re-financing the note.

**(5) Pension and Retirement Benefits**

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

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 except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2004 was \$12,628 which was equal to the required contributions for the year.

City of Aplington, Iowa  
Notes to Financial Statements  
June 30, 2004

**(6) 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. 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, 2004, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 7,100 =====

This liability has been computed based on rates of pay in effect at June 30, 2004.

**(7) Deficit Fund Balances**

The Capital Projects Funds, Library Project and IDED Housing Accounts had deficit balances of \$218,786 and \$25,973, respectively, at June 30, 2004. The Capital Projects deficit balances were a result of project costs incurred prior to availability of funds. IDED Housing Account deficit will be eliminated upon receipts of project funds. The City is considering transfer of monies from the Special Revenue Fund, TIF Account to eliminate the deficit of the Library Project Account deficit. The General Fund had a deficit fund balance of \$89,097 at June 30, 2004. City officials are considering alternatives to eliminate this deficit.

City of Aplington, Iowa  
Notes to Financial Statements  
June 30, 2004

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
General	Enterprise: Electric	\$ 60,000
	Sewer	2,500
Special Revenue Local Option Sales Tax	General	100
Debt Service	Special Revenue: Road Use Tax	25,000
	Local Option Sales Tax	20,000
	Tax Increment Financing	<u>60,212</u>
Total		<u>\$ 167,812</u>

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

**(9) Risk Management**

The City of Aplington 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 the current year audited.

City of Aplington, Iowa

Notes to Financial Statements

June 30, 2004

**(10) 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, 2004. 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. Nonmajor funds are presented in total in one column.

**Required Supplementary Information**

City of Aplington, 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, 2004

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 205,536	-	205,536
Tax increment financing collections	215,134	-	215,134
Other city tax	44,190	-	44,190
Licenses and permits	690	-	690
Use of money and property	15,486	-	15,486
Intergovernmental	196,742	-	196,742
Charges for service	134,869	524,384	659,253
Special assessments	69,889	-	69,889
Miscellaneous	40,826	22,045	62,871
Total receipts	<u>923,362</u>	<u>546,429</u>	<u>1,469,791</u>
Disbursements:			
Public safety	164,338	-	164,338
Public works	113,030	-	113,030
Health and social services	2,350	-	2,350
Culture and recreation	91,789	-	91,789
Community and economic development	77,797	-	77,797
General government	109,928	-	109,928
Debt service	239,731	-	239,731
Capital projects	143,315	-	143,315
Business type activities	-	516,512	516,512
Total disbursements	<u>942,278</u>	<u>516,512</u>	<u>1,458,790</u>
Excess (deficiency) of receipts over (under) disbursements	(18,916)	29,917	11,001
Other financing sources, net	<u>62,500</u>	<u>(62,500)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	43,584	(32,583)	11,001
Balances beginning of year	<u>132,290</u>	<u>367,582</u>	<u>499,872</u>
Balances end of year	<u>\$ 175,874</u>	<u>334,999</u>	<u>510,873</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to
<u>Original</u>	<u>Final</u>	Net
		<u>Variance</u>
204,925	204,925	611
76,428	206,428	8,706
38,079	38,079	6,111
-	-	690
14,460	14,460	1,026
242,147	242,147	(45,405)
788,900	788,900	(129,647)
70,000	70,000	(111)
4,900	4,900	57,971
<u>1,439,839</u>	<u>1,569,839</u>	<u>(100,048)</u>
149,264	173,564	9,226
165,027	165,027	51,997
4,950	4,950	2,600
78,717	104,717	12,928
243,030	243,030	165,233
103,030	119,530	9,602
166,836	166,836	(72,895)
-	34,302	(109,013)
<u>594,282</u>	<u>649,282</u>	<u>132,770</u>
<u>1,505,136</u>	<u>1,661,238</u>	<u>202,448</u>
(65,297)	(91,399)	102,400
-	18,450	(18,450)
(65,297)	(72,949)	83,950
<u>398,865</u>	<u>398,865</u>	<u>101,007</u>
<u>333,568</u>	<u>325,916</u>	<u>184,957</u>

City of Aplington, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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, 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, one budget amendment increased budgeted disbursements by \$156,102 and budgeted revenues by \$130,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the debt service and capital projects functions.

## **Other Supplementary Information**

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

As of and for the year ended June 30, 2004

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
	<u>Employee Benefits</u>	<u>Library Project</u>		
Receipts:				
Property tax	\$ 24,647	-	-	24,647
Other city tax	316	-	-	316
Use of money and property	-	49	2	51
Miscellaneous	-	19,052	1,540	20,592
Total receipts	<u>24,963</u>	<u>19,101</u>	<u>1,542</u>	<u>45,606</u>
Disbursements:				
Operating:				
Public safety	8,401	-	-	8,401
Public works	2,285	-	-	2,285
Community and economic development	1,570	-	-	1,570
Culture and recreation	3,791	-	-	3,791
General government	4,714	-	-	4,714
Capital projects	-	34,302	-	34,302
Total disbursements	<u>20,761</u>	<u>34,302</u>	<u>-</u>	<u>55,063</u>
Net change in cash balances	4,202	(15,201)	1,542	(9,457)
Cash balances beginning of year	<u>-</u>	<u>(203,585)</u>	<u>10,874</u>	<u>(192,711)</u>
Cash balances end of year	<u>\$ 4,202</u>	<u>(218,786)</u>	<u>12,416</u>	<u>(202,168)</u>
<b>Cash Basis Fund Balances</b>				
Unreserved:				
Special revenue funds	\$ 4,202	-	-	4,202
Capital project fund	-	(218,786)	-	(218,786)
Permanent fund	-	-	12,416	12,416
Total cash basis fund balances	<u>\$ 4,202</u>	<u>(218,786)</u>	<u>12,416</u>	<u>(202,168)</u>

See accompanying independent auditor's report.

City of Aplington, Iowa

Schedule of Indebtedness

Year ended June 30, 2004

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Corporate purpose loan	Nov 1, 1999	4.90-5.10 %	\$ 360,000
Corporate purpose loan	Jan 1, 2001	4.50-5.00 %	550,000
Total			
Urban renewal tax increment financing:			
(TIF) general obligation loan	Feb 15, 1999	4.75 %	\$ 350,000
(TIF) corporate purpose loan	Nov 1, 1999	4.90-5.10 %	140,000
Total			
Special assessment capital loan notes:			
Street improvement loan	May 15, 2002	5.50 %	\$ 280,000

See accompanying independent auditor's report.

Schedule 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
255,000	-	40,000	215,000	12,690	-
<u>460,000</u>	<u>-</u>	<u>50,000</u>	<u>410,000</u>	<u>11,139</u>	<u>-</u>
<u>\$ 715,000</u>	<u>-</u>	<u>90,000</u>	<u>625,000</u>	<u>23,829</u>	<u>-</u>
165,000	-	50,000	115,000	7,904	-
<u>100,000</u>	<u>-</u>	<u>10,000</u>	<u>90,000</u>	<u>5,000</u>	<u>-</u>
<u>\$ 265,000</u>	<u>-</u>	<u>60,000</u>	<u>205,000</u>	<u>12,904</u>	<u>-</u>
<u>252,000</u>	<u>-</u>	<u>28,000</u>	<u>224,000</u>	<u>13,860</u>	<u>-</u>

City of Aplington, Iowa

Bond and Note Maturities

June 30, 2004

General Obligation Bonds						
Year Ending <u>June 30,</u>	<u>Corporate Purpose Loan</u> Issued Nov 1, 1999			<u>Corporate Purpose Loan</u> Issued Jan 1, 2001		<u>Total</u>
	Interest			Interest		
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>		
2005	4.90 %	\$ 40,000	4.70 %	\$ 50,000		90,000
2006	4.95	40,000	4.75	55,000		95,000
2007	5.00	45,000	4.80	55,000		100,000
2008	5.00	45,000	4.85	60,000		105,000
2009	5.10	45,000	4.90	60,000		105,000
2010		-	5.00	65,000		65,000
2011		-	5.00	65,000		65,000
Total		<u>\$ 215,000</u>		<u>\$ 410,000</u>		<u>625,000</u>

Urban Renewal Tax Increment Financing						
Year Ending <u>June 30,</u>	<u>(TIF) General Obligation Loan</u> Issued Feb 15, 1999			<u>(TIF) Corporate Purpose Loan</u> Issued Nov 1, 1999		<u>Total</u>
	Interest			Interest		
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>		
2005	4.75 %	\$ 55,000	4.90 %	\$ 15,000		70,000
2006	4.75	60,000	4.95	20,000		80,000
2007		-	5.00	15,000		15,000
2008		-	5.00	20,000		20,000
2009		-	5.10	20,000		20,000
2010		-		-		-
2011		-		-		-
2012		-		-		-
Total		<u>\$ 115,000</u>		<u>\$ 90,000</u>		<u>205,000</u>

See accompanying independent auditor's report.

Special Assessment Capital Loan Notes	
Street Improvement Loan	
Issued May 15, 2002	
Interest	
<u>Rates</u>	<u>Amount</u>
5.50 % \$	28,000
5.50	28,000
5.50	28,000
5.50	28,000
5.50	28,000
5.50	28,000
5.50	28,000
5.50	28,000
	28,000
	\$ 224,000

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

2004

Receipts:

Property tax	\$ 205,536
Tax increment financing collections	215,134
Other city tax	44,190
Licenses and permits	690
Use of money and property	15,486
Intergovernmental	196,742
Charges for service	134,869
Special assessments	69,889
Miscellaneous	<u>40,826</u>
 Total	 <u>\$ 923,362</u>

Disbursements:

Operating:	
Public safety	\$ 164,338
Public works	113,030
Health and social services	2,350
Culture and recreation	91,789
Community and economic development	77,797
General government	109,928
Debt service	239,731
Capital projects	<u>143,315</u>
 Total	 <u>\$ 942,278</u>

See accompanying independent auditor's report.

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the City of Aplington, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 16, 2004. Our report on the financial statements, which was prepared in conformity with an other comprehensive basis of accounting, expressed a qualified opinion since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2003.

Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Aplington's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance 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, 2004 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 interpretation of those statutes. Prior audit statutory comments have been resolved except for items II-B-04, II-I-04 and II-J-04.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Aplington's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Aplington's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item I-A-04.

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 Aplington and other parties to whom the City of Aplington 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 Aplington 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.

CORNWELL & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

November 16, 2004

City of Aplington, Iowa

Schedule of Findings

Year ended June 30, 2004

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

I-A-04 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 revenues listing, bank deposits, posting of the cash revenues and expenditures and preparation of the bank reconciliation are all done by the same individual.

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

Response – We will review procedures and make changes to improve internal control where possible.

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

I-B-04 Investment Ledger – It was noted that the City did not have an investment ledger.

Recommendation – City personnel should consider preparing an investment ledger to help trace sales and purchases of certificates of deposit.

Response – We will check with other city clerks for their recommendations.

Conclusion – Response accepted.

City of Aplington, Iowa

Schedule of Findings

Year ended June 30, 2004

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

II-A-04 Official Depositories - A resolution naming official depositories has been approved by the City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget - Disbursements during the year ended June 30, 2004, exceeded the amounts budgeted in the 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 sufficient amounts 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 sufficient amounts in the future, if applicable.

Conclusion – Response accepted.

II-C-04 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-D-04 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-04 Business Transactions – No business transactions between the City and City officials or employees were noted.

II-F-04 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.

City of Aplington, Iowa

Schedule of Findings

Year ended June 30, 2004

- II-G-04 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not. Although minutes of the council proceedings were published, the publications did not include a summary of receipts as required by Chapter 372 of the Code of Iowa.

Recommendation – The City should comply with the Code of Iowa and publish a summary of receipts with its council proceedings.

Response – We will comply with the Code of Iowa and publish the minutes as required.

Conclusion - Response accepted.

- II-H-04 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

- II-I-04 Financial Condition – The Capital Projects Funds, Library Projects and IDED Housing Accounts had deficit balances at June 30, 2004, of \$218,786 and \$25,973, respectively. Also, the General Fund had a deficit balance of \$89,097 at June 30, 2004.

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

Response – The deficit balances will be investigated and the funds will be returned to a sound financial position. See note number 7 to the financial statements for further detail.

Conclusion – Response accepted.

- II-J-04 Excess Balances – The balance in the Enterprise Fund, Water Account at June 30, 2004, was in excess of fund disbursements for the year.

City of Aplington, Iowa

Schedule of Findings

Year ended June 30, 2004

Recommendation – The City should review the balance and designate the amounts needed for capital improvements.

Response – We will do this.

Conclusion – Response accepted.

- II-K-04 Sales Tax Remitted – It was noted that while the sales tax collected from the City’s customers was in the proper amount, the receipts were all posted to the Enterprise Fund, Electric Account. Furthermore, when the sales tax was remitted to the Treasurer, State of Iowa the amount paid was allocated between the Electric, Water and Sewer accounts.

Recommendation – The City should review their procedures and post the payments of sales tax to the same accounts that the receipts are posted to.

Response – We will do this.

Conclusion – Response accepted.

- II-L-04 Unclaimed Property – It was determined that the City was not filing unclaimed property reports as required by Chapter 556 of the Code of Iowa.

Recommendation – The City should file annual unclaimed property reports as required by the Code of Iowa.

Response – We will do this in the future.

Conclusion – Response accepted.