

CITY OF MINDEN

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2006

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City of Minden

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Armstrong	Mayor	January 2008
Gerald McCool	Council Member	January 2008
Kevin Zimmerman	Council Member	January 2008
Joe Dooley	Council Member	January 2010
Brian Lund	Council Member	January 2010
Todd Lehan	Council Member	January 2010
Joan Siebels	Clerk/Treasurer	Indefinite
Scott Rogers	Attorney	Indefinite

City of Minden

October 25, 2006

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the City of Minden, as of and for the year ended June 30, 2006, 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 Minden's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards 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, 2005.

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, 2005, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, and each major fund information of the City of Minden as of June 30, 2006, 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.

Continued...

City of Minden
Independent Auditors' Report

As described in Note 14, during the year ended June 30, 2006, 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 reports dated October 25, 2006 on our consideration of the City of Minden’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our 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 read in conjunction with this report in considering the results of our audit.

Management’s Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 32 through 34 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 Minden’s basic financial statements. The supplementary information included in Schedules 1 and 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, 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, 2005, as discussed in the fifth preceding paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

MANAGEMENT'S DISCUSSION AND ANALYSIS - OLD

The City of Minden provides this Management's Discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 60%, or approximately \$199,000, from fiscal 2005 to fiscal 2006. Intergovernmental receipts decreased approximately \$115,000.

Disbursements increased 42%, or approximately \$140,000, in fiscal 2006 from fiscal 2005. Public safety increased by \$7,420, and public works increased by \$112,406. Culture and recreation increased by \$345, community and economic development increased by \$16,970, general government increased \$2,578.

The City's total cash basis net assets increased by 2%, or \$10,301, from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities increased approximately \$61,590, and business type activities decreased by \$51,289.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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 water, sewer, and sewer capital projects. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

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

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

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from \$76,954 to \$ 138,545. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	Year Ended June 30, 2006
Receipts and other financing sources:	
Property tax	\$ 66,875
Tax increment financing collections	90,019
Other city tax	71,520
Licenses and permits	538
Use of money and property	1,232
Intergovernmental	67,064
Charges for service	29,380
Miscellaneous	125,780
Total receipts	452,408
Disbursements and other financing uses:	
Public safety	43,150
Public works	92,587
Culture and recreation	2,084
Community and economic development	16,250
General government	68,731
Debt service	103,544
Capital projects	145,429
Total disbursements	471,775
Deficiency of receipts under disbursements	(19,367)
Operating transfers in	80,958
Net change in cash basis net assets	61,591
Cash basis net assets beginning of year	76,954
Cash basis net assets end of year	\$ 138,545

The City's total receipts for governmental activities increased by 60%, or \$199,000. The total cost of all programs and services increased by approximately 42%, or \$140,000, with no new programs added this year.

Changes in Cash Basis Net Assets of Business Type Activities	
	Year Ended June 30, 2006
Operating receipts	
Charges for service	\$ 125,164
Operating disbursements	
Water	62,115
Sewer	33,891
	<u>96,006</u>
Excess of operating receipts over disbursements	29,158
Non-operating receipts (disbursements)	186,798
Interest on investments	2,804
Grants	303,581
Bond proceeds	517,462
Capital projects	(995,013)
Debt service	(15,121)
	<u>511</u>
Excess of receipts over disbursements	29,669
Operating transfers out	<u>(80,958)</u>
Net change in cash basis balances	(51,289)
Cash basis net assets beginning of year	<u>413,795</u>
Cash basis net assets end of year	\$ <u>362,506</u>

Total business type activities receipts for the fiscal year were \$ 1,170,506 compared to \$246,566 last year. The cash balance decreased by \$51,289.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Minden completed the year, its governmental funds reported a combined fund balance of \$501,051, an increase of \$10,303. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- ❖ The General Fund cash balance increased \$31,719 from the prior year of \$(29,075) to \$2,644.
- ❖ The Road Use Tax Fund had an increase of \$23,646 and the Urban Renewal Tax Increment fund had an increase of \$6,226.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- ❖ The Sewer Fund cash balance increased by \$9,847 to \$242,112.
- ❖ The Sewer Capital Project Fund cash balance increased by \$130.
- ❖ The Water Fund cash balance decreased by \$61,266 to \$152,598 during the fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City budget was exceeded in debt service and capital project functions.

DEBT ADMINISTRATION

At June 30, 2006, the City had approximately \$744,842 in bonds and other long-term debt, compared to approximately \$23,000 last year as shown below:

	Outstanding Debt at Year End	
	Year Ended June 30,	
	2006	2005
General obligation notes	\$ 383,337	\$ 0
Revenue notes	361,505	23,000
	<u>\$ 744,842</u>	<u>\$ 23,000</u>

Debt increased as a result of two Iowa State Revolving Loans of \$ 524,462 for sewer improvements plus general obligation debt of \$ \$312,419 for road improvements.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt was \$383,337 at fiscal year end, which is significantly below the City's constitutional debt limit of approximately \$567,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Minden's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates and fees that will be charged for various City activities.

Property tax increased due to a rate increase in the special levy funds and increase in the assessed property valuation.

The budget was fairly consistent with previous years with the additional disbursements relating to the water main and sewer lagoon projects.

The Water Main Improvement Project, hooking up to Regional Water to provide another water source will be completed during the coming fiscal year. The project is funded by the Underground Storage Tank fund.

Construction of the new lagoons has been completed and is being funded by grants and an SRF loan. Sewer rates will be increased to make debt service payments.

Street maintenance will be done as the funds become available using Road Use Tax funds.

The City did not add any additional projects to the 2007 budget in order to keep a sufficient cash flow.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Joan Siebels , Box 68, Minden, IA 51553.

Basic Financial Statements

City of Minden
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2006

	Disbursements	Charges for Service	Program Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 43,150	-	12,455
Public works	92,587	29,380	52,659
Culture and recreation	2,084	-	-
Community and economic development	16,250	-	-
General government	68,731	538	-
Debt service	103,544	-	-
Capital project	145,429	-	-
Total governmental activities	471,775	29,918	65,114
Business type activities:			
Water	62,115	85,309	-
Sewer	1,044,025	39,855	-
Total business type activities	1,106,140	125,164	-
 Total	\$ 1,577,915	155,082	65,114

General Receipts:

Property tax levied for:
 General purposes
 Tax increment financing
Local option sales tax
Unrestricted interest on investments
Bond proceeds (net of \$7,000 discount)
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
 Urban renewal purposes
Unrestricted

Total cash basis net assets

See notes to financial statements

<u>Receipts</u>	<u>Net (Disbursement) Receipts and Changes in Cash Basis Net Assets</u>		
	Governmental Activities	Business Type Activities	Total
Capital Grants, Contributions and Restricted Interest			
-	(30,695)	-	(30,695)
103,544	92,996	-	92,996
-	(2,084)	-	(2,084)
15,250	(1,000)	-	(1,000)
-	(68,193)	-	(68,193)
-	(103,544)	-	(103,544)
-	(145,429)	-	(145,429)
<u>118,794</u>	<u>(257,949)</u>	<u>-</u>	<u>(257,949)</u>
-	-	23,194	23,194
<u>490,379</u>	<u>-</u>	<u>(513,791)</u>	<u>(513,791)</u>
<u>490,379</u>	<u>-</u>	<u>(490,597)</u>	<u>(490,597)</u>
<u>609,173</u>	<u>(257,949)</u>	<u>(490,597)</u>	<u>(748,546)</u>
	\$ 69,001	-	69,001
	90,019	-	90,019
	69,394	-	69,394
	1,232	2,804	4,036
	-	517,462	517,462
	8,936	-	8,936
	<u>80,958</u>	<u>(80,958)</u>	<u>-</u>
	<u>319,540</u>	<u>439,308</u>	<u>758,848</u>
	61,591	(51,289)	10,302
	<u>76,954</u>	<u>413,795</u>	<u>490,749</u>
	<u>\$ 138,545</u>	<u>362,506</u>	<u>501,051</u>
	\$ 84,878	-	84,878
	51,023	-	51,023
	<u>2,644</u>	<u>362,506</u>	<u>365,150</u>
	<u>\$ 138,545</u>	<u>362,506</u>	<u>501,051</u>

City of Minden
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2006

	General	Road Use Tax	Special Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 66,875	-	-
Tax increment financing collections	-	-	90,019
Other city tax	2,126	-	-
Licenses and permits	538	-	-
Use of money and property	1,232	-	-
Intergovernmental	14,405	52,659	-
Charges for service	29,380	-	-
Miscellaneous	125,780	-	-
Total receipts	<u>240,336</u>	<u>52,659</u>	<u>90,019</u>
Disbursements:			
Operating:			
Public safety	43,150	-	-
Public works	74,065	18,522	-
Culture and recreation	2,084	-	-
Community and economic development	16,250	-	-
General government	68,731	-	-
Debt service	103,544	-	-
Capital project	-	-	145,429
Total disbursements	<u>307,824</u>	<u>18,522</u>	<u>145,429</u>
Excess (deficiency) of receipts over (under) disbursements	(67,488)	34,137	(55,410)
Other financing sources:			
Operating transfers in	99,207	-	126,146
Operating transfers out	-	(10,491)	(64,510)
Total other financing sources (uses)	<u>99,207</u>	<u>(10,491)</u>	<u>61,636</u>
Net change in cash balances	31,719	23,646	6,226
Cash balances, beginning of year	<u>(29,075)</u>	<u>61,232</u>	<u>44,797</u>
Cash balances, end of year	<u>\$ 2,644</u>	<u>84,878</u>	<u>51,023</u>
Cash Basis Fund Balances			
Unreserved:			
General fund	\$ 2,644	-	-
Special revenue funds	<u>-</u>	<u>84,878</u>	<u>51,023</u>
Total cash basis fund balances	<u>\$ 2,644</u>	<u>84,878</u>	<u>51,023</u>

See notes to financial statements

<u>Revenue</u>	
Local Option Sales Tax	<u>Total</u>
-	66,875
-	90,019
69,394	71,520
-	538
-	1,232
-	67,064
-	29,380
-	125,780
<u>69,394</u>	<u>452,408</u>
-	43,150
-	92,587
-	2,084
-	16,250
-	68,731
-	103,544
-	145,429
<u>-</u>	<u>471,775</u>
69,394	(19,367)
-	225,353
<u>(69,394)</u>	<u>(144,395)</u>
<u>(69,394)</u>	<u>80,958</u>
-	61,591
-	76,954
<u>-</u>	<u>138,545</u>
\$ -	138,545
\$ -	2,644
-	135,901
<u>-</u>	<u>138,545</u>
\$ -	138,545

City of Minden
 Reconciliation of the Statement of Cash
 Receipts, Disbursements and Changes in Cash Balances
 to the Statement of Activities and Net Assets -
 Governmental Funds
 As of and for the year ended June 30, 2006

Total governmental funds cash balances	\$	138,545
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Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

None		-
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Cash basis net assets of governmental activities	\$	138,545
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Net change in cash balances	\$	61,591
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Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

None		-
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Change in cash balance of governmental activities	\$	61,591
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City of Minden
 Statement of Cash Receipts, Disbursements and Changes in Cash Balances
 Proprietary Funds
 As of and for the year ended June 30, 2006

	Enterprise Funds			
	Water	Sewer	Sewer Capital Project	Total
Operating receipts:				
Charges for service	\$ 85,309	39,855	-	125,164
Total operating receipts	<u>85,309</u>	<u>39,855</u>	<u>-</u>	<u>125,164</u>
Operating disbursements:				
Business type activities	62,115	33,891	-	96,006
Total operating disbursements	<u>62,115</u>	<u>33,891</u>	<u>-</u>	<u>96,006</u>
Excess of operating receipts over operating disbursements	23,194	5,964	-	29,158
Non-operating receipts (disbursements):				
Intergovernmental	12,698	-	174,100	186,798
Interest on investments	1,148	1,656	-	2,804
Grants	-	-	303,581	303,581
General obligation bond proceeds	-	-	170,962	170,962
Sewer revenue bond proceeds	-	-	346,500	346,500
Capital projects	-	-	(995,013)	(995,013)
Debt service	-	(15,121)	-	(15,121)
Total non-operating receipts (disbursements)	<u>13,846</u>	<u>(13,465)</u>	<u>130</u>	<u>511</u>
Excess (deficiency) of receipts over (under) disbursements	37,040	(7,501)	130	29,669
Operating transfers in (out)	<u>(98,306)</u>	<u>17,348</u>	<u>-</u>	<u>(80,958)</u>
Net change in cash balances	(61,266)	9,847	130	(51,289)
Cash balances beginning of year	<u>213,864</u>	<u>232,265</u>	<u>(32,334)</u>	<u>413,795</u>
Cash balances end of year	<u>\$ 152,598</u>	<u>242,112</u>	<u>(32,204)</u>	<u>362,506</u>
 Cash Basis Fund Balances				
Unreserved	<u>\$ 152,598</u>	<u>242,112</u>	<u>(32,204)</u>	<u>362,506</u>

See notes to financial statements

City of Minden
 Reconciliation of the Statement of Cash Receipts, Disbursements
 and Changes in Cash Balances
 to the Statement of Activities and Net Assets –
 Enterprise Funds
 As of and for the year ended June 30, 2006

Total enterprise funds cash balances	\$	362,506
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Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

None		-
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Cash basis net assets of business type activities	\$	362,506
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Net change in cash balances	\$	(51,289)
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Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

None		-
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Change in cash balance of business type activities	\$	(51,289)
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City of Minden
Notes to Financial Statements
June 30, 2006

NOTE (1) Summary of Significant Accounting Policies

The City of Minden is a political subdivision of the State of Iowa located in Pottawattamie County. It 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, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Pottawattamie County Assessor's Conference Board, Pottawattamie County Emergency Management Commission and Pottawattamie County Joint E911 Service Board.

City of Minden
Notes to Financial Statements
June 30, 2006

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the 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 assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

City of Minden
Notes to Financial Statements
June 30, 2006

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

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

The Local Option Sales Tax Fund is used to account for accumulation of local option sales tax collected by the State to be expended in accordance with statutory and local provisions.

The City reports the following major proprietary funds:

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

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

City of Minden
Notes to Financial Statements
June 30, 2006

NOTE (1) Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the debt service and capital project functions.

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2004, to compute the amounts which became liens on property on July 1, 2005. These taxes were due and payable in two installments on September 30, 2005 and March 31, 2006, at the Pottawattamie County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

City of Minden
Notes to Financial Statements
June 30, 2006

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash and investments at June 30, 2006 totaled \$501,051.

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.

NOTE (3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 43,839	10,500	24,505	10,796	68,344	21,296
2008	43,839	10,080	13,000	10,110	56,839	20,190
2009	44,839	9,660	14,000	9,720	58,839	19,380
2010	44,839	9,210	14,000	9,300	58,839	18,510
2011	45,839	8,760	15,000	8,880	60,839	17,640
2012-2016	145,680	36,390	80,000	37,470	225,680	73,860
2017-2021	99,000	22,710	93,000	24,780	192,000	47,490
2022-2026	91,000	6,930	108,000	9,930	199,000	16,860
Total	\$ 558,875	114,240	361,505	120,986	920,380	235,226

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$567,000, which was not exceeded during the year ended June 30, 2006.

As of June 30, 2006, only \$174,462 has been drawn down on the revenue bond debt issuance of \$350,000 as reflected on pages 36 and 37.

City of Minden
Notes to Financial Statements
June 30, 2006

NOTE (4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2006 was \$5,537, equal to the required contribution for the year.

NOTE (5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave 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 and sick leave termination payments payable to employees at June 30, 2006, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 3,737
Sick leave	<u>2,000</u>
Total	<u>\$ 5,737</u>

This liability has been computed based on rates of pay in effect at June 30, 2006.

City of Minden
Notes to Financial Statements
June 30, 2006

NOTE (6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Urban Renewal Tax Increment	\$ 34,697
	Local Option Sales Tax	<u>64,510</u>
		99,207
Special Revenue: Urban Renewal Tax Increment	Special Revenue: Road Use	10,491
	Enterprise: Water	<u>115,655</u>
		126,146
Enterprise: Water	Special Revenue: Local Option Sales Tax	17,349
Sewer	Local Option Sales Tax	<u>17,348</u>
		<u>34,697</u>
		\$ <u>260,050</u>

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

NOTE (7) Related Party Transactions

The City had business transactions between the City and City officials totaling \$759 during the year ended June 30, 2006.

NOTE (8) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

City of Minden
Notes to Financial Statements
June 30, 2006

NOTE (8) Risk Management - Continued

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2006 were \$13,771.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

City of Minden
Notes to Financial Statements
June 30, 2006

NOTE (8) Risk Management - Continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE (9) Deficit Fund Balance

The Enterprise Fund – Sewer Capital Projects account had a deficit balance of \$32,204 at June 30, 2006. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of state grants.

NOTE (10) Agreement

In November 2003, the City signed an agreement with the Iowa Underground Storage Tank Board to replace City Well #1 which has been contaminated. The Board will reimburse the City up to \$350,000 in costs to replace the well. As of June 30, 2006, the City has incurred expenses and been reimbursed a total of \$100,359 on this project. In June 2006, this agreement was modified to allow the City to contract with a local rural water operation for the purchase of water and to close Well #1.

City of Minden
Notes to Financial Statements
June 30, 2006

NOTE (11) Construction Project

The City has the following commitment on a construction contract for wastewater treatment lagoon improvements:

	<u>Contract Amount</u>	<u>Paid to Date</u>	<u>Remaining Commitment</u>	<u>Retainage Payable</u>
Construction	\$ 1,054,211	\$ 871,472	\$ 182,739	\$ 45,867

Additional expenses incurred on this project include the following:

Prior year	\$ 74,000
Current year:	
Engineering	38,395
Legal	11,026
Grant administration	9,000
Purchase of land	<u>65,120</u>
	<u>\$ 197,541</u>

This project is being funded in part by the following:

Community Development Block Grant	\$	250,000
Iowa West Grant		350,000
SRF Sewer Revenue Bonds		350,000
SRF General Obligation Sewer Improvement Notes		350,000

NOTE (12) Subsequent Events

In July 2006, the City entered into a contract for the purchase and usage of water from a rural water corporation.

City of Minden
Notes to Financial Statements
June 30, 2006

NOTE (13) Accounting Change and Restatements

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, 2006. 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.

The government-wide financial statement reports the City’s governmental and business type activities. The accounting change had no effect on beginning net assets.

Required Supplementary Information

City of Minden
 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, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts			
Property tax	\$ 66,875	-	66,875
Tax increment financing collections	90,019	-	90,019
Other city tax	71,520	-	71,520
Licenses and permits	538	-	538
Use of money and property	1,232	2,804	4,036
Intergovernmental	67,064	186,798	253,862
Charges for service	29,380	125,164	154,544
Miscellaneous	125,780	303,581	429,361
Total receipts	<u>452,408</u>	<u>618,347</u>	<u>1,070,755</u>
Disbursements			
Public safety	43,150	-	43,150
Public works	92,587	-	92,587
Culture and recreation	2,084	-	2,084
Community and economic development	16,250	-	16,250
General government	68,731	-	68,731
Debt service	103,544	15,121	118,665
Capital projects	145,429	995,013	1,140,442
Business type activities	-	96,006	96,006
Total disbursements	<u>471,775</u>	<u>1,106,140</u>	<u>1,577,915</u>
Deficiency of receipts under disbursements	(19,367)	(487,793)	(507,160)
Other financing sources, net	<u>80,958</u>	<u>436,504</u>	<u>517,462</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	61,591	(51,289)	10,302
Balances beginning of year	<u>76,954</u>	<u>413,795</u>	<u>490,749</u>
Balances end of year	<u>\$ 138,545</u>	<u>362,506</u>	<u>501,051</u>

See accompanying independent Auditors' report

Budgeted Amounts		Final to Net Variance
Original	Final	
67,038	67,038	(163)
82,860	82,860	7,159
30,187	40,187	31,333
540	2,160	(1,622)
2,000	2,000	2,036
66,758	1,393,783	(1,139,921)
149,030	149,030	5,514
30,400	30,400	398,961
<u>428,813</u>	<u>1,767,458</u>	<u>(696,703)</u>
35,570	43,350	200
132,143	204,143	111,556
5,400	5,400	3,316
40,000	162,000	145,750
63,000	69,500	769
-	-	(118,665)
-	-	(1,140,442)
152,700	1,346,230	1,250,224
<u>428,813</u>	<u>1,830,623</u>	<u>252,708</u>
-	(63,165)	(443,995)
<u>-</u>	<u>-</u>	<u>517,462</u>
-	(63,165)	73,467
<u>483,978</u>	<u>483,978</u>	<u>6,771</u>
<u><u>483,978</u></u>	<u><u>420,813</u></u>	<u><u>80,238</u></u>

City of Minden
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2006

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 eight functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. 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, one budget amendment increased budgeted disbursements by \$1,401,810. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the debt service and capital project functions.

Other Supplementary Information

City of Minden
Schedule of Indebtedness
As of and for the year ended June 30, 2006

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Road improvements	Apr 1, 2006	0.00 %	\$ 312,419
Sewer improvements	Dec 14, 2005	3.00 %	350,000
Total			
Revenue notes:			
Sewer	Nov 15, 1996	5.15 %	\$ 115,000
Sewer	Dec 14, 2005	3.00 %	350,000
Total			

See accompanying independent Auditors' report

Schedule 1

<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>
-	312,419	103,544	208,875	-	-
-	174,462	-	174,462	45	-
-	486,881	103,544	383,337	45	-
23,000	-	11,495	11,505	893	-
-	350,000	-	350,000	1,878	-
23,000	350,000	11,495	361,505	2,771	-

City of Minden
 Bond and Note Maturities
 Year ended June 30, 2006

Year Ending June 30,	General Obligation Bonds					Total
	Road Improvements Issued Apr 1, 2006		Sewer Improvements Issued Jun 1, 1994			
	Interest Rate	Amount	Interest Rate	Amount		
2007	0.00 %	\$ 29,839	3.00 %	\$ 14,000	\$ 43,839	
2008	0.00 %	29,839	3.00 %	14,000	43,839	
2009	0.00 %	29,839	3.00 %	15,000	44,839	
2010	0.00 %	29,839	3.00 %	15,000	44,839	
2011	0.00 %	29,839	3.00 %	16,000	45,839	
2012	0.00 %	29,840	3.00 %	16,000	45,840	
2013	0.00 %	29,840	3.00 %	17,000	46,840	
2014	-	-	3.00 %	17,000	17,000	
2015	-	-	3.00 %	18,000	18,000	
2016	-	-	3.00 %	18,000	18,000	
2017	-	-	3.00 %	19,000	19,000	
2018	-	-	3.00 %	19,000	19,000	
2019	-	-	3.00 %	20,000	20,000	
2020	-	-	3.00 %	20,000	20,000	
2021	-	-	3.00 %	21,000	21,000	
2022	-	-	3.00 %	22,000	22,000	
2023	-	-	3.00 %	22,000	22,000	
2024	-	-	3.00 %	23,000	23,000	
2025	-	-	3.00 %	24,000	24,000	
Total		\$ 208,875		\$ 350,000	\$ 558,875	

Year Ending June 30,	Revenue Notes					Total
	Sewer Issued Nov 15, 1996		Sewer Issued Dec 14, 2005			
	Interest Rate	Amount	Interest Rate	Amount		
2007	5.15 %	\$ 11,505	3.00 %	\$ 13,000	\$ 24,505	
2008	-	-	3.00 %	13,000	13,000	
2009	-	-	3.00 %	14,000	14,000	
2010	-	-	3.00 %	14,000	14,000	
2011	-	-	3.00 %	15,000	15,000	
2012	-	-	3.00 %	15,000	15,000	
2013	-	-	3.00 %	16,000	16,000	
2014	-	-	3.00 %	16,000	16,000	
2015	-	-	3.00 %	16,000	16,000	
2016	-	-	3.00 %	17,000	17,000	
2017	-	-	3.00 %	17,000	17,000	
2018	-	-	3.00 %	18,000	18,000	
2019	-	-	3.00 %	19,000	19,000	
2020	-	-	3.00 %	19,000	19,000	
2021	-	-	3.00 %	20,000	20,000	
2022	-	-	3.00 %	20,000	20,000	
2023	-	-	3.00 %	21,000	21,000	
2024	-	-	3.00 %	22,000	22,000	
2025	-	-	3.00 %	22,000	22,000	
2026	-	-	3.00 %	23,000	23,000	
Total		\$ 11,505		\$ 350,000	\$ 361,505	

See accompanying independent Auditors' report

City of Minden
 Schedule of Expenditures of Federal Awards
 June 30, 2006

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	14.228	02-WS-091	\$ 174,100
Environmental Protection Agency:			
Iowa Department of Natural Resources:			
Clean Water State Revolving Fund Program	66.458	SRF-CWSRF-05	<u>437,034</u>
			<u>\$ 611,134</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Minden and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent Auditors' report

October 25, 2006

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

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the governmental activities, each major fund, and the remaining fund information of the City of Minden, Iowa, as of and for the year ended June 30, 2006, and have issued our report thereon dated October 25, 2006. Our report expressed a qualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting as we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2005. 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 Minden's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 Minden'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 II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable 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 caused by error or fraud 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 over financial reporting 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 that are described above, we believe item II-A-06 is a material weakness.

Continued...

City of Minden
Independent Auditors' Report on Internal Control

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Minden'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 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 and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 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.

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

**Independent Auditors' Report on Compliance with Requirements Applicable
to Its Major Program and Internal Control over Compliance in
Accordance with OMB Circular A-133**

October 25, 2006

Independent Auditors' Report on Compliance with Requirements Applicable to Its Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Minden, Iowa, with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. The City of Minden's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each major federal program is the responsibility of the City of Minden's management. Our responsibility is to express an opinion on City of Minden's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Minden's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Minden's compliance with those requirements.

In our opinion, the City of Minden complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

Continued...

October 25, 2006
City of Minden
Report on Compliance to Each Major Program

Internal Control Over Compliance

The management of the City of Minden is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Minden's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 non-compliance with applicable requirements of laws, regulations, contracts, and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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 Minden and other parties to whom the City of Minden 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.

City of Minden
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

Part I: Summary of the Independent Auditors' Results:

- (a) Qualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles, as we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2005.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No reportable condition or material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 66.458 – Clean Water State Revolving Fund Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Minden did not qualify as a low-risk auditee.

City of Minden
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-06 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. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

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

Response – We will consider this.

Conclusion – Response acknowledged. 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-06 Personnel Manual – The City has not documented its policy regarding payment of benefits upon termination for its employees.

Recommendation – The City should document its personnel policies and distribute a copy to all employees. An office copy should be accessible for reference.

Response – We will do this.

Conclusion – Response accepted.

II-C-06 Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared. Also, utility collections were not reconciled to deposits.

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. 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 have been implemented as recommended.

Conclusion – Response accepted.

City of Minden
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No comments or recommendations.

City of Minden
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2005

Part IV: Other Findings Related to Statutory Reporting:

IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the debt service and capital project 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 sufficiently amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

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

Conclusion – Response accepted.

IV-B-06 Entertainment Expense – We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-06 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-06 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Kevin Zimmerman, Council Member Owner of Zimmerman Sales	Parts and supplies	\$ 759

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Council Member do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year.

IV-E-06 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 Minden
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

Part IV: Other Findings Related to Statutory Reporting:

- IV-F-06 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

However, the City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should publish annual individual salaries as required.

Response – We will publish salaries as required.

Conclusion – Response accepted.

- IV-G-06 Revenue Bonds and Notes – The City has complied with the revenue bond and note resolutions.

- IV-H-06 Deposits and Investments – The City has not adopted a written investment policy.

Recommendation – The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Response – We will do this.

Conclusion – Response accepted.

- IV-I-06 Excess Balances – The balances in the Special Revenue Fund – Road Use account, Enterprise Fund – Water and Sewer accounts at June 30, 2006 were in excess of the accounts' disbursements for the year.

Recommendation – The City should consider the necessity of maintaining these substantial balances, and where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response – We are planning to utilize the funds from the accounts to pay for possible future improvements and construction.

Conclusion – Response accepted.

- IV-J-06 Financial Condition – The Enterprise Fund – Sewer Capital Projects Fund had a deficit balance at June 30, 2006.

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

Response – This deficit will be eliminated through grant and loan proceeds.

Conclusion – Response accepted.

NEWS RELEASE

Schroer & Associates, P.C. today released an audit report on the City of Minden, Iowa.

The City's receipts totaled \$1,588,217 for the year ended June 30, 2006. The receipts included \$69,001 in property tax, \$90,019 from tax increment financing collections, \$155,082 from charges for service, \$65,114 from operating grants, contributions and restricted interest, \$609,173 from capital grants, contributions and restricted interest, \$69,394 from local option sales tax, \$4,036 from unrestricted investment earnings, \$517,462 from bond proceeds and \$8,936 from other general receipts.

Disbursements for the year totaled \$1,577,915, and included \$145,429 for capital projects, \$103,544 for debt service, and \$92,587 for public works. Also, disbursements for business type activities totaled \$1,106,140.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

January 2, 2007

Joan Siebels
City of Minden
P.O. Box 68
Minden, IA 51553

Dear Joan:

Enclosed you will find a “draft” copy of City of Minden’s audit report for the year ended June 30, 2006. Please review it and let me know if you have any changes.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Barbara Mass
Shareholder

BM/sh
Enc.

January 30, 2007

David Vaudt
Office of State Auditor
State Capitol Building
Des Moines, IA 50319

Dear Sir:

We have enclosed for your records the following information regarding the audit of the City of Minden, Iowa for the year ended June 30, 2006.

- copy of the audit report
- 1 copy of the news release
- 1 copy of the number of hours worked
- 1 copy of the invoice

Sincerely,

SCHROER & ASSOCIATES, P.C.

Barbara Mass
Shareholder

BM/sh
Enc.

City of Minden

Hours Worked: 49

January 30, 2007

Joan Siebels
City of Minden
P.O. Box 68
Minden, IA 51553

Dear Joan:

We have filed the required copy of your audit report with the Office of Auditor of State. A filing fee is required to be paid based on your final amended budget, according to the following schedule:

<u>Budgeted Expenditures (in millions of dollars)</u>	<u>Fee Amount</u>
Under 1	\$100.00
At least 1, but less than 3	\$175.00
At least 3, but less than 5	\$250.00
At least 5, but less than 10	\$425.00
At least 10, but less than 25	\$625.00
25 and over	\$850.00

You are required to send the appropriate filing fee. The check should be made payable to "Auditor of State" and mailed to Office of Auditor of State, Capitol Building, Des Moines, IA 50319-0004.

If you have any questions, please do not hesitate to call me at 712-322-8734.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Barbara Mass
Shareholder

BM/sh

January 30, 2007

Federal Audit Clearinghouse
1201 E. 10th Street
Jeffersonville, IN 47132

Dear Sirs:

We have enclosed for your records one copy of the audit report and the data collection form for the City of Minden for the year ended June 30, 2006.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Barbara Mass
Shareholder

BM/sh
Enc.