

**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, 2007**

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**City of Aplington, Iowa**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dennis Matura	Mayor	Jan 2007
Lucy Miller	Mayor Pro Tem	Jan 2011
Jim Limburg	Council Member	Jan 2009
Laci Mulder	Council Member	Jan 2007
Duane Nevenhoven	Council Member	Jan 2009
Cory Troyna	Council Member	Jan 2009
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, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Aplington's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2006, 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, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 3, 2008 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, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 6 and 22 through 24 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 required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of 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, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

July 3, 2008

## *Management Discussion and Analysis*

### *2007 Financial Highlights for the City of Aplington*

Taxes were increased slightly bringing the revenue for property taxes to \$248,319.00. Total revenues, including proprietary funds totaled \$1,542,211. Disbursements were \$1,450,286. Excess receipts of \$91,925.00.

### *Annual Report*

This report gives the overview of the City's Financial Status and budgetary figures.

### *Basis of Accounting*

The City maintains its financial records on the basis of cash receipts and disbursements. 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.

Reporting the City's financial Activities  
Government-wide Financial Statement

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

Governmental Activities include public safety, public works, culture and recreations, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include electric, water, and sewer utilities. These activities are financed with user charges.

### Fund Financial Statements

The City has two kinds of funds:

**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:

- A. General Fund
- B. Special Revenue Funds (LOST, RUT, TIF)
- C. Debt Service Fund
- D. Capital Projects Fund
- E. Permanent Fund

The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

**Proprietary funds** account for the City's Enterprise Funds, including Enterprise Debt Service, Capital projects, and TIF capital Projects. Proprietary funds also account for Internal Service Fund – regular and TIF transfers out. Enterprise Funds are used to report business type activities. The City maintains three Enterprise funds to provide separate information for electric, water, and sewer funds. Internal service funds account for transfers between funds.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances. These are reported on Schedule 1 and Schedule 2 of the Auditor's report. The Schedule of Indebtedness is found on Schedule 3. This includes GO bonds of \$500,000 and \$550,000 and a special assessment capital loan of \$280,000. A loan of \$58,000 was used to purchase a snow plow. A loan of \$82,000 was paid off for the fiscal year ending June 2007 for the purchase of a new ambulance.

### ***INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS***

The General Fund cash balance shows a deficit of \$201,951. City officials need to look at eliminating this deficit.

Special Revenue Fund cash balance shows a balance of \$13652.00

Capital Projects Balance shows a deficit of \$18,986.00. This deficit will be eliminated upon transfer of funds.

Cemetery Perpetual Care (Permanent) has a balance of \$12,452.

Proprietary Funds of Water, Sewer balanced at \$156,957. Electric fund had a cash balance of \$212,543.

### ***TAX LEVIES***

Tax levy for the year ending June 30 was at \$14.10219.

### ***BUDGETARY HIGHLIGHTS***

The City amended its budget one time in the course of the year. However, an additional amendment should have been filed in the community and economic development and business-type activities functions.

### ***DEBT ADMINISTRATION***

At the end of the Fiscal year of June 2007, the City's Debt outstanding was \$540,000. Short term debt outstanding was \$47,291.

Debt Limitation as of June 30, 2007 was \$1,980,443.

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 with the City's corporate limits. The actual valuation from January 1, 2005 of 39,608,857 was used to compute the limitation.

***ECONOMIC FACTORS AND NEXT YEAR'S BUDGET***

Street repairs continue yearly. TIF projects include a grant of \$178,500 for residential development.

Capital Projects for the next five years may include: water service, improve pressure and water treatment plant; complete the balance of street improvements; downtown sidewalks.

## **Basic Financial Statements**

City of Aplington, Iowa  
Statement of Activities and Net Assets - Cash Basis  
As of and for the year ended June 30, 2007

		Program Receipts		
<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>	
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 180,091	86,926	-	-
Public works	147,047	60,088	87,846	-
Health and social services	1,432	-	-	-
Culture and recreation	80,288	5,740	27,565	-
Community and economic development	82,950	-	-	-
General government	107,433	465	-	-
Debt service	158,989	-	-	-
Capital projects	74,346	-	36,460	14,507
Total governmental activities	832,576	153,219	151,871	14,507
Business type activities:				
Electric	528,098	590,744	-	-
Water	47,565	48,535	2,400	-
Sewer	42,047	45,736	-	-
Total business type activities	617,710	685,015	2,400	-
Total	\$ 1,450,286	838,234	154,271	14,507

**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
(93,165)	-	(93,165)
887	-	887
(1,432)	-	(1,432)
(46,983)	-	(46,983)
(82,950)	-	(82,950)
(106,968)	-	(106,968)
(158,989)	-	(158,989)
(23,379)	-	(23,379)
<u>(512,979)</u>	<u>-</u>	<u>(512,979)</u>
-	62,646	62,646
-	3,370	3,370
<u>-</u>	<u>3,689</u>	<u>3,689</u>
-	69,705	69,705
<u>(512,979)</u>	<u>69,705</u>	<u>(443,274)</u>
164,923	-	164,923
167,401	-	167,401
87,297	-	87,297
49,591	-	49,591
11,133	-	11,133
54,854	-	54,854
<u>132,500</u>	<u>(132,500)</u>	<u>-</u>
<u>667,699</u>	<u>(132,500)</u>	<u>535,199</u>
154,720	(62,795)	91,925
<u>36,325</u>	<u>432,295</u>	<u>468,620</u>
<u>\$ 191,045</u>	<u>369,500</u>	<u>560,545</u>
\$ 74,111	-	74,111
4,601	-	4,601
343,769	-	343,769
<u>(231,436)</u>	<u>369,500</u>	<u>138,064</u>
<u>\$ 191,045</u>	<u>369,500</u>	<u>560,545</u>

City of Aplington, Iowa  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2007

		Special Revenue	
	General	Road Use	Tax Increment Financing
<b>Receipts:</b>			
Property tax	\$ 131,842	-	-
Tax increment financing collections	-	-	167,401
Other city tax	2,915	-	-
Licenses and permits	465	-	-
Use of money and property	19,038	-	-
Intergovernmental	50,857	87,846	-
Charges for service	129,372	-	-
Special assessments	-	796	-
Miscellaneous	10,457	-	2,726
Total receipts	344,946	88,642	170,127
<b>Disbursements:</b>			
Operating:			
Public safety	180,091	-	-
Public works	66,670	80,377	-
Health and social services	1,432	-	-
Culture and recreation	80,288	-	-
Community and economic development	19,378	-	58,595
General government	107,433	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	455,292	80,377	58,595
Excess (deficiency) of receipts over (under) disbursements	(110,346)	8,265	111,532
<b>Other financing sources (uses):</b>			
Operating transfers in	228,664	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	228,664	-	-
Net change in cash balances	118,318	8,265	111,532
Cash balances beginning of year	(320,269)	65,846	195,634
Cash balances end of year	\$ (201,951)	74,111	307,166
<b>Cash Basis Fund Balances</b>			
Reserved:			
Debt service	\$ -	-	-
Unreserved:			
General fund	(201,951)	-	-
Special revenue funds	-	74,111	307,166
Capital projects funds	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	\$ (201,951)	74,111	307,166

See notes to financial statements.

<u>Debt Service</u>	Other Nonmajor Governmental <u>Funds</u>	<u>Total</u>
86,613	29,864	248,319
-	-	167,401
684	49,893	53,492
-	-	465
-	31	19,069
-	14,507	153,210
-	934	130,306
-	32,095	32,891
-	36,460	49,643
<u>87,297</u>	<u>163,784</u>	<u>854,796</u>
-	-	180,091
-	-	147,047
-	-	1,432
-	-	80,288
-	4,977	82,950
-	-	107,433
121,785	37,204	158,989
-	74,346	74,346
<u>121,785</u>	<u>116,527</u>	<u>832,576</u>
<u>(34,488)</u>	<u>47,257</u>	<u>22,220</u>
34,000	-	262,664
-	(130,164)	(130,164)
<u>34,000</u>	<u>(130,164)</u>	<u>132,500</u>
(488)	(82,907)	154,720
<u>5,089</u>	<u>90,025</u>	<u>36,325</u>
<u>4,601</u>	<u>7,118</u>	<u>191,045</u>
4,601	-	4,601
-	-	(201,951)
-	13,652	394,929
-	(18,986)	(18,986)
-	12,452	12,452
<u>4,601</u>	<u>7,118</u>	<u>191,045</u>

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

As of and for the year ended June 30, 2007

	<u>Electric</u>	Other Nonmajor Proprietary <u>Funds</u>	<u>Total</u>
Operating receipts:			
Use of money and property	\$ -	2,400	2,400
Charges for service	<u>590,744</u>	<u>94,271</u>	<u>685,015</u>
Total operating receipts	<u>590,744</u>	<u>96,671</u>	<u>687,415</u>
 Operating disbursements:			
Business type activities	<u>528,098</u>	<u>89,612</u>	<u>617,710</u>
Total operating disbursements	<u>528,098</u>	<u>89,612</u>	<u>617,710</u>
 Excess (deficiency) of operating receipts over (under) operating disbursements	62,646	7,059	69,705
 Operating transfers out	<u>(120,000)</u>	<u>(12,500)</u>	<u>(132,500)</u>
 Net change in cash balances	(57,354)	(5,441)	(62,795)
 Cash balances beginning of year	<u>269,897</u>	<u>162,398</u>	<u>432,295</u>
 Cash balances end of year	<u>\$ 212,543</u>	<u>156,957</u>	<u>369,500</u>
 <b>Cash Basis Fund Balances</b>			
 Unreserved	<u>\$ 212,543</u>	<u>156,957</u>	<u>369,500</u>
 Total cash basis fund balances	<u>\$ 212,543</u>	<u>156,957</u>	<u>369,500</u>

See notes to financial statements.

City of Aplington, Iowa

Notes to Financial Statements

June 30, 2007

**(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, the 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 participates in several 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, 2007

B. Basis of Presentation

Government-wide Financial Statement – 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. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

City of Aplington, Iowa  
Notes to Financial Statements

June 30, 2007

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

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

The City reports the following major proprietary fund:

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

City of Aplington, Iowa  
Notes to Financial Statements

June 30, 2007

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, 2007, disbursements exceeded the amounts budgeted in the community and economic development, and business-type activities functions.

**(2) Cash**

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

There were no investments at June 30, 2007. During the year, the City invested its excess funds in certificates of deposit and money market savings accounts.

City of Aplington, Iowa  
Notes to Financial Statements

June 30, 2007

**(3) Bonds and Notes 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,						
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	\$ 340,000	38,380	40,000	3,060	140,000	23,117
	=====	=====	=====	=====	=====	=====

Year Ending	Total	
	<u>Principal</u>	<u>Interest</u>
June 30,		
2008	153,000	26,635
2009	153,000	18,932
2010	93,000	11,120
2011	93,000	6,330
2012	28,000	1,540
Total	\$ 520,000	64,557
	=====	=====

City of Aplington, Iowa  
Notes to Financial Statements

June 30, 2007

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

- (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, 2005, 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 note was 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.

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. This note was paid off during the year ended June 30, 2007. The total paid was \$9,117 which included \$413 interest expense.

On July 1, 2006, the City obtained a five-year note of \$58,000 to purchase a snow plow. The City paid \$13,027 on this note during the year ended June 30, 2007 which included \$2,318 of interest expense.

City of Aplington, Iowa  
Notes to Financial Statements

June 30, 2007

Future payments are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 11,137	1,890	13,027
2009	11,582	1,445	13,027
2010	12,045	982	13,027
2011	<u>12,526</u>	<u>501</u>	<u>13,027</u>
Total	\$ 47,290	4,818	52,108
	=====	=====	=====

On June 6, 2007, the City obtained a ten-year note of \$90,000 to purchase real estate. The City did not make any payments on this note during the year ended June 30, 2007.

Future payments are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 11,115	354	11,509
2009	6,976	4,534	11,510
2010	7,377	4,132	11,509
2011	7,801	3,708	11,509
2012	8,250	3,260	11,510
Thereafter	<u>48,441</u>	<u>8,613</u>	<u>57,054</u>
Total	\$ 90,000	24,601	114,601
	=====	=====	=====

**(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.

City of Aplington, Iowa  
Notes to Financial Statements

June 30, 2007

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 annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2007 was \$15,785, equal to the required contribution for the year.

**(5) Compensated Absences**

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

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 15,000 =====

This liability has been computed based on rates of pay in effect at June 30, 2007.

**(6) Deficit Fund Balances**

The Special Revenue Fund, Street Assessments Fund had a negative fund balance at June 30, 2007 of \$2,723. This deficit will be eliminated upon receipt of property taxes.

The Capital Projects Fund, Capital Projects Account had a negative fund balance at June 30, 2007 of \$29,485. This deficit will be eliminated upon transfer of funds.

The General Fund had a negative balance of \$201,951 at June 30, 2007. City officials are considering alternatives to eliminate this deficit.

City of Aplington, Iowa  
Notes to Financial Statements

June 30, 2007

**(7) Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Capital Projects:	
	Capital Projects	\$ 16,000
	Permanent:	
	Cemetery Perpetual Care	3,000
	Special Revenue:	
	Local Option Sales Tax	22,659
	Employee Benefits	54,505
	Enterprise:	
	Electric	120,000
	Water	7,500
	Sewer	5,000
Debt Service	Special Revenue:	
	Local Option Sales Tax	<u>34,000</u>
Total		\$ 262,664 =====

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

City of Aplington, Iowa

Notes to Financial Statements

June 30, 2007

**(8) 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 past three fiscal years.

**(9) Commitments**

The City of Aplington has committed to a couple of projects. There are street repairs approved of \$55,000 and a grant to a local business of \$178,500.

## **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, 2007

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 248,319	-	248,319
Tax increment financing collections	167,401	-	167,401
Other city tax	53,492	-	53,492
Licenses and permits	465	-	465
Use of money and property	19,069	2,400	21,469
Intergovernmental	153,210	-	153,210
Charges for service	130,306	685,015	815,321
Special assessments	32,891	-	32,891
Miscellaneous	49,643	-	49,643
Total receipts	<u>854,796</u>	<u>687,415</u>	<u>1,542,211</u>
Disbursements:			
Public safety	180,091	-	180,091
Public works	147,047	-	147,047
Health and social services	1,432	-	1,432
Culture and recreation	80,288	-	80,288
Community and economic development	82,950	-	82,950
General government	107,433	-	107,433
Debt service	158,989	-	158,989
Capital projects	74,346	-	74,346
Business type activities	-	617,710	617,710
Total disbursements	<u>832,576</u>	<u>617,710</u>	<u>1,450,286</u>
Excess (deficiency) of receipts over (under) disbursements	22,220	69,705	91,925
Other financing sources (uses), net	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	22,220	69,705	91,925
Balances beginning of year	<u>36,325</u>	<u>432,295</u>	<u>468,620</u>
Balances end of year	<u>\$ 58,545</u>	<u>502,000</u>	<u>560,545</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to
<u>Original</u>	<u>Final</u>	Net
		<u>Variance</u>
248,820	248,820	(501)
119,740	119,740	47,661
44,930	44,930	8,562
465	465	-
15,660	15,660	5,809
123,798	124,334	28,876
777,225	777,225	38,096
50,000	50,000	(17,109)
7,000	7,000	42,643
<u>1,387,638</u>	<u>1,388,174</u>	<u>154,037</u>
181,514	186,514	6,423
157,112	157,112	10,065
1,432	1,432	-
85,679	86,215	5,927
30,265	30,265	(52,685)
112,660	112,660	5,227
159,025	159,025	36
100,000	75,000	654
<u>545,707</u>	<u>595,707</u>	<u>(22,003)</u>
<u>1,373,394</u>	<u>1,403,930</u>	<u>(46,356)</u>
14,244	(15,756)	200,393
-	25,000	(25,000)
14,244	9,244	82,681
<u>518,288</u>	<u>518,288</u>	<u>(49,668)</u>
<u>532,532</u>	<u>527,532</u>	<u>33,013</u>

City of Aplington, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, the permanent fund, 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 revenues by \$536 and budgeted disbursements by \$30,536 and other financing sources by \$25,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the community and economic development, and business-type activities functions.

## **Other Supplementary Information**

City of Aplington, Iowa

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

As of and for the year ended June 30, 2007

	Special Revenue		
	Local Option Sales Tax	Street Assessments	Employee Benefits
Receipts:			
Property tax	\$ -	-	29,864
Other city tax	49,591	-	302
Use of money and property	-	-	-
Intergovernmental	-	-	-
Charges for service	-	-	-
Special assessments	-	32,095	-
Miscellaneous	-	-	-
Total receipts	<u>49,591</u>	<u>32,095</u>	<u>30,166</u>
Disbursements:			
Operating:			
Community and economic development	4,977	-	-
Debt service	-	37,204	-
Capital projects	-	-	-
Total disbursements	<u>4,977</u>	<u>37,204</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>44,614</u>	<u>(5,109)</u>	<u>30,166</u>
Other financing uses:			
Operating transfers out	<u>(56,659)</u>	<u>-</u>	<u>(54,505)</u>
Net change in cash balances	(12,045)	(5,109)	(24,339)
Cash balances beginning of year	18,082	2,386	34,677
Cash balances end of year	<u>\$ 6,037</u>	<u>(2,723)</u>	<u>10,338</u>
<b>Cash Basis Fund Balances</b>			
Unreserved:			
Special revenue funds	\$ 6,037	(2,723)	10,338
Capital project fund	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	<u>\$ 6,037</u>	<u>(2,723)</u>	<u>10,338</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>		<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
<u>Capital Projects</u>	<u>IDED Housing Grant</u>		
-	-	-	29,864
-	-	-	49,893
31	-	-	31
-	14,507	-	14,507
-	-	934	934
-	-	-	32,095
<u>36,460</u>	<u>-</u>	<u>-</u>	<u>36,460</u>
<u>36,491</u>	<u>14,507</u>	<u>934</u>	<u>82,098</u>
-	-	-	4,977
-	-	-	37,204
<u>74,346</u>	<u>-</u>	<u>-</u>	<u>74,346</u>
<u>74,346</u>	<u>-</u>	<u>-</u>	<u>74,346</u>
<u>(37,855)</u>	<u>14,507</u>	<u>934</u>	<u>7,752</u>
<u>(16,000)</u>	<u>-</u>	<u>(3,000)</u>	<u>(130,164)</u>
(53,855)	14,507	(2,066)	(65,753)
<u>24,370</u>	<u>(4,008)</u>	<u>14,518</u>	<u>90,025</u>
<u>(29,485)</u>	<u>10,499</u>	<u>12,452</u>	<u>7,118</u>
-	-	-	13,652
(29,485)	10,499	-	(18,986)
<u>-</u>	<u>-</u>	<u>12,452</u>	<u>12,452</u>
<u>(29,485)</u>	<u>10,499</u>	<u>12,452</u>	<u>7,118</u>

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

As of and for the year ended June 30, 2007

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Use of money and property	\$ 2,400	-	2,400
Charges for service	<u>48,535</u>	<u>45,736</u>	<u>94,271</u>
Total operating receipts	<u>50,935</u>	<u>45,736</u>	<u>96,671</u>
Operating disbursements:			
Business type activities	<u>47,565</u>	<u>42,047</u>	<u>89,612</u>
Total operating disbursements	<u>47,565</u>	<u>42,047</u>	<u>89,612</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	3,370	3,689	7,059
Operating transfers out	<u>(7,500)</u>	<u>(5,000)</u>	<u>(12,500)</u>
Net change in cash balances	(4,130)	(1,311)	(5,441)
Cash balances beginning of year	<u>103,361</u>	<u>59,037</u>	<u>162,398</u>
Cash balances end of year	<u>\$ 99,231</u>	<u>\$ 57,726</u>	<u>\$ 156,957</u>
<b>Cash Basis Fund Balances</b>			
Unreserved	<u>\$ 99,231</u>	<u>57,726</u>	<u>156,957</u>
Total cash basis fund balances	<u>\$ 99,231</u>	<u>57,726</u>	<u>156,957</u>

See accompanying independent auditor's report.

City of Aplington, Iowa

Schedule of Indebtedness

Year ended June 30, 2007

<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) corporate purpose loan	Nov 1, 1999	4.90-5.10 %	\$ 140,000
Special assessment capital loan notes:			
Street improvement loan	May 15, 2002	5.50 %	\$ 280,000
Notes payable:			
Snow plow loan	Mar 20, 2006	5.25 %	\$ 58,000
Real estate loan	Jun 6, 2007	5.75 %	90,000

See accompanying independent auditor's report.

<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>
135,000	-	45,000	90,000	6,163	-
<u>305,000</u>	<u>-</u>	<u>55,000</u>	<u>250,000</u>	<u>18,383</u>	<u>-</u>
<u>\$ 440,000</u>	<u>-</u>	<u>100,000</u>	<u>340,000</u>	<u>24,546</u>	<u>-</u>
<u>55,000</u>	<u>-</u>	<u>15,000</u>	<u>40,000</u>	<u>2,770</u>	<u>-</u>
<u>168,000</u>	<u>-</u>	<u>28,000</u>	<u>140,000</u>	<u>9,204</u>	<u>-</u>
58,000	-	10,709	47,291	2,318	-
<u>-</u>	<u>90,000</u>	<u>-</u>	<u>90,000</u>	<u>-</u>	<u>-</u>
<u>\$ 58,000</u>	<u>90,000</u>	<u>10,709</u>	<u>137,291</u>	<u>2,318</u>	<u>-</u>

## Bond and Note Maturities

June 30, 2007

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>	
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>\$ 90,000</u>			<u>\$ 250,000</u>	<u>340,000</u>

  

Year Ending <u>June 30,</u>	<u>Urban Renewal TIF</u> (TIF) Corporate Purpose Issued Nov 1, 1999			<u>Special Assessment</u> Street Improvement Loan Issued May 15, 2002		<u>Total</u>
	Interest			Interest		
	<u>Rates</u>	<u>Amount</u>		<u>Rates</u>	<u>Amount</u>	
2008	5.00 %	20,000		5.50 %	28,000	48,000
2009	5.10	20,000		5.50	28,000	48,000
2010		-		5.50	28,000	28,000
2011		-		5.50	28,000	28,000
2012		-		5.50	28,000	28,000
Total		<u>\$ 40,000</u>			<u>\$ 140,000</u>	<u>180,000</u>

See accompanying independent auditor's report.

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

Based on an Audit of Financial Statements Performed in Accordance with Government Auditing  
Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Aplington, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated July 3, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Aplington's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Aplington's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Aplington's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Aplington's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Aplington's financial statements that is more than inconsequential will not be prevented or detected by the City of Aplington's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Aplington's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-07 is a material weaknesses.

#### Compliance and Other Matters

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, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit on the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Aplington's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Aplington's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Aplington and other parties to whom the City of Aplington may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of 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, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

July 3, 2008

City of Aplington, Iowa

Schedule of Findings

Year ended June 30, 2007

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

I-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts 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.

City of Aplington, Iowa

Schedule of Findings

Year ended June 30, 2007

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

II-A-07 Certified Budget - Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the community and economic development, and business-type activities 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-B-07 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-C-07 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

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

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

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

City of Aplington, Iowa

Schedule of Findings

Year ended June 30, 2007

II-G-07 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-H-07 Financial Condition – The Special Revenue Fund, had a deficit balance of \$2,723 and the Capital Projects Fund, Capital Projects accounts had a deficit balance at June 30, 2007, of \$29,485. Also, the General Fund had a deficit balance of \$201,951 at June 30, 2007.

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 6 to the financial statements for further detail.

Conclusion – Response accepted.

II-I-07 Excess Balances – The balance in the Enterprise Funds, Sewer and Water accounts at June 30, 2007, were in excess of disbursements for the year. The balance in the Special Revenue Fund, TIF Account was also in excess of disbursements for the year.

Recommendation – The City should review the balances in these accounts.

Response – We will review the Enterprise Funds for needed capital improvements. We also have some ongoing projects for which TIF funds are needed. After these projects are completed we will review our balance in the TIF account.

Conclusion – Response accepted.