

**CITY OF OAKLAND**

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

**JUNE 30, 2007**



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**CITY OF OAKLAND**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before February 20, 2007)</b>		
Gayle Perkins	Mayor	December 2009
Tim White	Mayor Pro-Tem	December 2007
Terry Gleaves	Council Member	December 2009
Pat Newberg	Council Member	December 2009
Betsy Moniz	Council Member	December 2009
Debbie Rollins	Council Member	December 2007
Sabrina Johnson	City Clerk	Indefinite
Richard Merkle	City Treasurer	Appointed yearly
Richard Henninger	City Attorney	Indefinite
<b>(After March 12, 2007)</b>		
Tim White	Mayor	December 2007
Debbie Rollins	Mayor Pro-Tem	December 2007
Terry Gleaves	Council Member	December 2009
Betsy Moniz	Council Member	December 2009
Pat Newberg	Council Member	December 2009
Joseph Wede	Council Member	December 2007
Marissa Lockwood	City Clerk	Indefinite
Richard Merkle	City Treasurer	Appointed yearly
Richard Henninger	City Attorney	Indefinite

# MUXFELDT

## ASSOCIATES, CPA, P.C.

Certified Public Accountant

August 8, 2007

**Lonnie G. Muxfeldt**  
Certified Public  
Accountant

### Independent Auditor's Report

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**Licensed In:**

Iowa  
Missouri

To the Honorable Mayor and  
Members of the City Council:

I 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 Oakland, 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 Oakland's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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 principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

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.

Continued . . .

August 8, 2007

Page Two

To the Honorable Mayor and  
Members of the City Council:

In my opinion, 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 Oakland 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*, I have also issued my report dated August 8, 2007 on my consideration of the City of Oakland's internal control over financial reporting and my 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 my 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 my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 9 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Oakland's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight months ended February 28, 2007 and the year ended June 30, 2006. (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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 the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
M. J. S. Associates, CPA, P.C.



**CITY OF OAKLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2007**

As management of the City of Oakland, Iowa we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2007.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's statements include three components: 1) a cash basis government-wide financial statement, 2) cash basis fund financial statements, and 3) notes to the financial statements.

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

**Fund financial statements:** The financial statement for governmental funds is the statement of cash receipts, disbursements and changes in cash balances. It is organized by funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has two kinds of funds:

- 1) Governmental fund account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Tax, Ambulance and Urban Renewal Tax Increment, 3) Debt Service Fund, and 4) the Capital Projects 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.
- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and sanitation funds, considered to be major funds of the City.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**Analysis of significant changes in financial position and fund balances:** The cash balances of the City's governmental activities increased 19.7% from June 30, 2006, increasing from \$968,540 to \$1,159,543 for a net change of \$191,003 during the year ended June 30, 2007.

The following are the changes in the cash balances of the City's governmental activities:

Changes in Cash Basis Net Assets of Governmental Activities		
	Year Ended June 30, 2007	Year Ended June 30, 2006
Receipts:		
Program receipts:		
Charges for services	\$ 95,892	\$ 78,746
Operating grants, contributions and restricted interest	278,131	210,043
Capital grants, contributions and restricted interest	351,414	94,636
General receipts:		
Property tax	407,493	309,135
Local option sales tax	165,717	178,253
Unrestricted investment earnings	52,679	39,344
Miscellaneous	27,189	6,134
Transfers	-0-	-0-
Total receipts	<u>1,378,515</u>	<u>916,291</u>
Disbursements:		
Public safety	155,821	83,211
Public works	143,761	238,518
Culture and recreation	175,994	236,698
Community and economic development	15,939	62,007
General government	98,789	111,683
Debt service	81,720	118,085
Capital projects	834,590	55,853
Total disbursements	<u>1,506,614</u>	<u>906,055</u>
Change in cash basis net assets before transfers	(128,099)	10,236
Transfers, net	<u>319,102</u>	<u>(3,681)</u>
Change in cash basis net assets	191,003	6,555
Cash basis net assets, beginning of year	<u>968,540</u>	<u>961,985</u>
Cash basis net assets, end of year	<u>\$ 1,159,543</u>	<u>\$ 968,540</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

The cash basis of the net assets of the City's business type activities decreased \$290,599 during the year ended June 30, 2007. This 65 % decrease is primarily attributable to transfers from the Water fund to the Schueman Park Project.

The following are the changes in the cash basis of the net assets of the City's business type activities:

Changes in Cash Basis Net Assets of Business Type Activities		
	Year Ended June 30, 2007	Year Ended June 30, 2006
Receipts:		
Program receipts:		
Charges for services and sales:		
Water	\$ 522,994	\$ 495,527
Sewer	65,740	47,310
Sanitation	125,026	126,891
General receipts:		
Rental income	18,665	10,200
Meter deposits	3,887	4,000
Total receipts	<u>736,312</u>	<u>683,928</u>
Disbursements:		
Water	579,025	379,508
Sewer	18,244	69,326
Sanitation	110,540	120,702
Total disbursements	<u>707,809</u>	<u>569,536</u>
Change in cash basis net assets before transfers	28,503	114,392
Transfers, net	<u>(319,102)</u>	<u>3,681</u>
Change in cash basis net assets	(290,599)	118,073
Cash basis net assets, beginning of year	<u>449,934</u>	<u>331,861</u>
Cash basis net assets, end of year	<u>\$ 159,335</u>	<u>\$ 449,934</u>

**Analysis between actual and budget amounts:** The City amended its budget on May 14, 2007.



**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Debt Administration:** At June 30, 2007, the City had \$420,217 in notes and other long-term debt compared to \$532,985 as of June 30, 2006, as shown below.

Outstanding Debt			
		Year Ended June. 30, 2007	Year Ended June 30, 2006
General obligation notes	\$	185,000	\$ 252,772
Revenue bonds		235,213	280,213
Total	\$	420,213	\$ 532,985

Scheduled principal payments for the year ended June 30, 2007 were \$55,460. The fire truck and the ambulance were paid off. The City made additional principal payments of \$57,308 which should save the City considerable interest expenditures in future years.

**Future financial statement impact:** The renovation of City Hall is projected to cost approximately \$55,000. The City was awarded a 50/50 matching grant from the Iowa West Foundation. The lime sludge lagoon project is projected to cost approximately \$448,500. The City was awarded a 50/50 matching CITIES grant from the Pottawattamie County Board of Supervisors.

**Requests for information:** Requests for additional information can be made to the Oakland City Clerk, Marissa Lockwood, at 101 North Main Street, PO Box 396, Oakland, Iowa 51560.



**BASIC FINANCIAL STATEMENTS**

CITY OF OAKLAND

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	Disbursements	Charges for Services	Program Receipts	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions / Programs:</b>				
Governmental activities:				
Public safety	\$ 155,821	\$ 68,563	\$ 126,148	\$ -0-
Public works	143,761	915	123,934	0-
Cultures and recreation	175,994	20,211	25,944	24,930
Community and economic development	15,939	-0-	-0-	-0-
General government	98,789	5,416	2,105	-0-
Debt service	81,720	-0-	-0-	-0-
Capital projects	834,590	787	-0-	326,484
Total governmental activities	<u>1,506,614</u>	<u>95,892</u>	<u>278,131</u>	<u>351,414</u>
Business type activities:				
Water	579,025	545,546	-0-	-0-
Sewer	18,244	65,740	-0-	-0-
Sanitation	110,540	125,026	-0-	-0-
Total business type activities	<u>707,809</u>	<u>736,312</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>2,214,423</u>	\$ <u>832,204</u>	\$ <u>278,131</u>	\$ <u>351,414</u>
<b>General receipts:</b>				
Property taxes levied for:				
General purposes				
Tax increment financing				
Local option sales tax				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets, beginning of year				
Cash basis net assets, end of year				
<b>Cash basis net assets</b>				
Restricted:				
Streets				
Urban renewal				
Ambulance				
Capital projects				
Library				
Water reserves				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.

EXHIBIT A

Net (Disbursements), Receipts and Changes in Net Assets			
	Governmental Activities	Business Type Activities	Total
<b>Functions / Programs:</b>			
Governmental activities:			
Public safety	\$ 38,890	\$ -0-	\$ 38,890
Public works	(18,912)	-0-	(18,912)
Cultures and recreation	(104,909)	-0-	(104,909)
Community and economic development	(15,939)	-0-	(15,939)
General government	(91,268)	-0-	(91,268)
Debt service	(81,720)	-0-	(81,720)
Capital projects	(507,319)	-0-	(507,319)
Total governmental activities	(781,177)	-0-	(781,177)
Business type activities:			
Water	-0-	(33,479)	(33,479)
Sewer	-0-	47,496	47,496
Sanitation	-0-	14,486	14,486
Total business type activities	-0-	28,503	28,503
Total	(781,177)	28,503	(752,674)
	198,773	-0-	198,773
	208,720	-0-	208,720
	165,717	-0-	165,717
	52,679	-0-	52,679
	27,189	-0-	27,189
	319,102	(319,102)	-0-
	972,180	(319,102)	653,078
	191,003	(290,599)	(99,596)
	968,540	449,934	1,418,474
	\$ 1,159,543	\$ 159,335	\$ 1,318,878
	\$ 146,146	\$ -0-	\$ 146,146
	330,654	-0-	330,654
	9,159	-0-	9,159
	81,784	-0-	81,784
	244,045	-0-	244,045
	-0-	41,640	41,640
	347,755	117,695	465,450
	\$ 1,159,543	\$ 159,335	\$ 1,318,878

CITY OF OAKLAND

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	Urban Renewal Tax Increment
<b>Receipts:</b>			
Property tax	\$ 198,773	\$ -0-	\$ -0-
Tax increment financing	-0-	-0-	208,720
Other city tax	-0-	-0-	-0-
Licenses and permits	6,302	-0-	-0-
Use of money and property	61,473	-0-	-0-
Intergovernmental	113,379	123,934	-0-
Charges for services	12,086	-0-	-0-
Miscellaneous	92,938	915	-0-
Total receipts	<u>484,951</u>	<u>124,849</u>	<u>208,720</u>
<b>Disbursements:</b>			
<b>Operating:</b>			
Public safety	119,096	-0-	-0-
Public works	-0-	143,761	-0-
Culture and recreation	175,994	-0-	-0-
Community and economic development	-0-	-0-	15,939
General government	98,789	-0-	-0-
Debt service	-0-	-0-	-0-
Capital projects	-0-	-0-	-0-
Total disbursements	<u>393,879</u>	<u>143,761</u>	<u>15,939</u>
Excess (deficiency) of receipts over (under) disbursements	91,072	(18,912)	192,781
<b>Other financing sources (uses):</b>			
Operating transfers in	82,859	82,859	212,000
Operating transfers out	(3,406)	(200,000)	(599,859)
Total other financing sources (uses)	<u>79,453</u>	<u>(117,141)</u>	<u>(387,859)</u>
Net change in cash balances	170,525	(136,053)	(195,078)
Cash balances, beginning of year	<u>421,275</u>	<u>282,199</u>	<u>265,066</u>
Cash balances, end of eight months	\$ <u>591,800</u>	\$ <u>146,146</u>	\$ <u>69,988</u>
<b>Cash Basis Fund Balances</b>			
<b>Unreserved:</b>			
General fund	\$ 347,755	\$ -0-	\$ -0-
Library	244,045	-0-	-0-
Special revenue funds	-0-	146,146	69,988
Capital projects	-0-	-0-	-0-
Total cash basis fund balances	\$ <u>591,800</u>	\$ <u>146,146</u>	\$ <u>69,988</u>

See notes to financial statements.

EXHIBIT B

	Capital Projects		Other Non-major Governmental Funds		Total
Urban Renewal Tax Increment Bond Escrow	Schueman Park				
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 198,773	
-0-	-0-	-0-	-0-	208,720	
-0-	-0-	-0-	165,717	165,717	
-0-	-0-	-0-	-0-	6,302	
-0-	-0-	-0-	-0-	61,473	
-0-	327,271	-0-	-0-	564,584	
-0-	-0-	-0-	67,007	79,093	
-0-	-0-	-0-	-0-	93,853	
-0-	327,271	-0-	232,724	1,378,515	
-0-	-0-	-0-	36,725	155,821	
-0-	-0-	-0-	-0-	143,761	
-0-	-0-	-0-	-0-	175,994	
-0-	-0-	-0-	-0-	15,939	
-0-	-0-	-0-	-0-	98,789	
-0-	-0-	-0-	81,720	81,720	
-0-	834,590	-0-	-0-	834,590	
-0-	834,590	-0-	118,445	1,506,614	
-0-	(507,319)	-0-	114,279	(128,099)	
260,666	589,103	-0-	81,720	1,309,207	
-0-	-0-	-0-	(186,840)	(990,105)	
260,666	589,103	-0-	(105,120)	319,102	
260,666	81,784	-0-	9,159	191,003	
-0-	-0-	-0-	-0-	968,540	
\$ 260,666	\$ 81,784	\$ 9,159	\$ 1,159,543		
\$ -0-	\$ -0-	\$ -0-	\$ 347,755		
-0-	-0-	-0-	244,045		
260,666	-0-	9,159	485,959		
-0-	81,784	-0-	81,784		
\$ 260,666	\$ 81,784	\$ 9,159	\$ 1,159,543		

CITY OF OAKLAND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
 PROPRIETARY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	Water	Sewer
Operating receipts:		
Charges for services	\$ 518,322	\$ 65,740
Reconnections and new meters	2,901	-0-
Miscellaneous	1,771	-0-
Total receipts	<u>522,994</u>	<u>65,740</u>
Operating disbursements:		
Business type activities	<u>511,876</u>	<u>18,244</u>
Total disbursements	<u>511,876</u>	<u>18,244</u>
Operating income	11,118	47,496
Non-operating receipts (disbursements):		
Farm rent	18,665	-0-
Meter deposits	3,887	-0-
Meter deposit refunds	(8,138)	-0-
Debt service	(59,011)	-0-
Total non-operating receipts (disbursements)	<u>(44,597)</u>	<u>-0-</u>
Excess (deficiency) of receipts over (under) disbursements	(33,479)	47,496
Other financing sources (uses):		
Operating transfer in	-0-	-0-
Operating transfer out	(319,102)	-0-
Net financing sources (uses)	<u>(319,102)</u>	<u>-0-</u>
Net change in cash balance	(352,581)	47,496
Cash balances, beginning of year	<u>431,764</u>	<u>-0-</u>
Cash balances, end of year	<u>\$ 79,183</u>	<u>\$ 47,496</u>
<b>Cash Basis Fund Balances</b>		
Reserved:		
Meter deposits	\$ 41,613	\$ -0-
Reserve - repairs and replacement	41,640	-0-
Unreserved	(4,070)	47,496
Total cash basis fund balances	<u>\$ 79,183</u>	<u>\$ 47,496</u>

See notes to financial statements.

	Sanitation		Total
\$	125,026	\$	709,088
	-0-		2,901
	-0-		1,771
	<u>125,026</u>		<u>713,760</u>
	110,540		640,660
	<u>110,540</u>		<u>640,660</u>
	14,486		73,100
	-0-		18,665
	-0-		3,887
	-0-		(8,138)
	-0-		(59,011)
	<u>-0-</u>		<u>(44,597)</u>
	14,486		28,503
	-0-		-0-
	<u>-0-</u>		<u>(319,102)</u>
	<u>-0-</u>		<u>(319,102)</u>
	14,486		(290,599)
	18,170		449,934
\$	<u>32,656</u>	\$	<u>159,335</u>
\$	-0-	\$	41,613
	-0-		41,640
	<u>32,656</u>		<u>76,082</u>
\$	<u>32,656</u>	\$	<u>159,335</u>



**NOTES TO FINANCIAL STATEMENTS**

**CITY OF OAKLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Oakland is a political subdivision of the state of Iowa and located in Pottawattamie County. It was first incorporated in 1882 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 administrative services. The City also provides water, sewer and sanitation utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Oakland has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board 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 financial burdens on the City.

**Blended Component Unit**

The Eckels Memorial Library is legally separate from the City but financially accountable to the City. The library is governed by a board approved by the City Council and its operating budget is subject to approval by the City Council. The library is presented as a blended component unit of the City. From 1999 through 2005, the library was presented as a discretely presented component unit.

**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 associations: Southwest Iowa Clerks Association, Iowa League of Cities, Iowa Municipal Financial Officers Association, Iowa Rural Water Association, Iowa Association of Municipal Utilities, MAPA, Southwest Iowa Planning Council, Western Iowa Development Association, International Municipal Clerks Institute and Chamber of Commerce.

**CITY OF OAKLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the non-fiduciary 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 from services.

The Statement of Net Assets presents the City's non-fiduciary assets and liabilities, which the difference reported as 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 whose purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions 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 non-major governmental funds.

The City reports the following major governmental funds:

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

**CITY OF OAKLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

B. Basis of Presentation (Cont'd)

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for a variety of projects financed by the local option sales tax.

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

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

Capital Projects Funds:

The Schueman Park Fund is utilized to account for the development of Schueman Park into a residential subdivision of the City.

The City reports the following major proprietary funds:

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

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

The Sanitation Fund accounts for the operation and maintenance of the City's sanitation service.

**CITY OF OAKLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

C. Measurement Focus and Basis of Accounting

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. As of June 30, 2007, disbursements did not exceed amounts budgeted.

NOTE 2 CASH AND POOLED INVESTMENTS

The City's deposits in bank at June 30, 2007, were covered entirely 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 and the Treasurer of the State of Iowa; 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, which consists of cash on hand, cash in bank and certificates of deposit, held at two local institutions in the City's name and its component unit for a total of \$1,318,878 as of June 30, 2007.

**CITY OF OAKLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

NOTE 3 NOTES PAYABLE

Annual debt service requirements to maturity for the City's urban renewal tax increment financing revenue notes and water revenue notes are as follows:

Year Ending June 30,	Urban Renewal Tax Increment Financing Notes		Water Revenue Notes	
	Principal	Interest	Principal	Interest
2008	\$ 45,000	\$ 9,868	\$ -0-	\$ 11,761
2009	55,000	7,248	-0-	11,761
2010	55,000	4,343	10,213	11,761
2011	15,000	1,383	35,000	11,250
2012	15,000	848	35,000	9,500
2013	-0-	-0-	35,000	7,750
2014	-0-	-0-	40,000	6,000
2015	-0-	-0-	40,000	4,000
2016	-0-	-0-	40,000	2,000
<b>Total</b>	<b>\$ 185,000</b>	<b>\$ 23,690</b>	<b>\$ 235,213</b>	<b>\$ 75,783</b>

Year Ending June 30,	Total	
	Principal	Interest
2008	\$ 45,000	\$ 21,629
2009	55,000	19,009
2010	65,213	16,104
2011	50,000	12,633
2012	50,000	10,348
2013	35,000	7,750
2014	40,000	6,000
2015	40,000	4,000
2016	40,000	2,000
<b>Total</b>	<b>\$ 420,213</b>	<b>\$ 99,473</b>

Urban Renewal Tax Increment Financing Notes

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

**CITY OF OAKLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

NOTE 3 NOTES PAYABLE (Continued)

Revenue Debt Resolutions

The resolutions providing for the issuance of the water revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the water funds.
- b) Sufficient monthly transfers shall be made to a water note sinking account for the purpose of making the note principal and interest payments when due.
- c) Additional monthly transfers to a water reserve account shall be made until a minimum balance of \$41,640 has been accumulated. This account is restricted for the purpose of paying for any additional improvements, extensions, or repairs to the water system.

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 a 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$12,093, \$11,044 and \$10,458, respectively, equal to the required contributions for each year.

**CITY OF OAKLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 5 COMPENSATED ABSENCES**

City employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, retirement or death and sick leave hours for subsequent use during employment. These accumulations are not recognized as disbursements by the City until used or paid. Sick leave hours accumulate but are not payable upon termination. Upon retirement, employees are paid a maximum of \$2,000 of accumulated sick leave. The City's approximate liability for earned vacation and sick leave payments payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount June 30, 2007
Vacation	\$ 17,767
Sick leave	12,885
	\$ 30,652

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

**NOTE 6 PROPERTY TAXES**

Property taxes become an enforceable lien on property when they are certified to the County Board of Supervisors on or before March 15. Taxes are payable on September 30 and March 31, payment later than this results in a penalty. The County bills and collects property taxes and remits them to the City monthly.

**NOTE 7 RELATED PARTY TRANSACTIONS**

The City had no business transactions between the City and City officials during the year ended June 30, 2007

**CITY OF OAKLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 8 INTERFUND TRANSFERS**

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

Transfer to	Transfer from	Amount
General	Special Revenue - Local Option Tax	\$ 82,859
Special Revenue - Road Use	Special Revenue - Local Option Tax	82,859
Debt Service	General	3,406
Debt Service	Special Revenue - Urban Renewal TIF	57,193
Debt Service	Special Revenue - Ambulance	21,123
Capital Projects - Schueman Park	Special Revenue - Road Use	200,000
Capital Projects - Schueman Park	Special Revenue - Urban Renewal TIF	282,000
Special Revenue - Urban Renewal TIF	Proprietary - Water	212,000
Capital Projects - Schueman Park	Proprietary - Water	107,102
Special Revenue - Bond Escrow	Special Revenue - Urban Renewal TIF	260,666
Total		<u>\$ 1,309,208</u>

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

**NOTE 9 RISK MANAGEMENT**

The City of Oakland 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 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.

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, claim 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.

**CITY OF OAKLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

NOTE 9 RISK MANAGEMENT (Continued)

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 sufficient, 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, 2007 were \$42,864.

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 of \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and 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, 2007, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

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 liability 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 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 workers' compensation insurance purchased from the Iowa Municipalities Workers' Compensation Association, IMWCA. 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.

**CITY OF OAKLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 10 URBAN RENEWAL**

On May 11, 1998, the City established the Oakland Urban Renewal Area. The objective of the plan is to encourage residential development in this urban renewal area. The urban renewal includes the Water Expansion Project completed as of June 30, 2000. Urban Renewal Tax Increment Financing Revenue Notes were issued to finance the Street Project. On July 11, 2005, the City approved a program within this urban renewal plan for residential and commercial development in cooperation with the Oakland Industrial Foundation.

On January 10, 2000, the City established the Oakland Urban Renewal Area South. The objective of the plan was to encourage commercial development in this urban renewal area. The project included the construction of a distribution facility of approximately 18,000 square feet to be used as a retail discount store. Once these improvements were completed the City agreed to make an Economic Development Grant to the Developer, Oakland Industrial Foundation, Inc. The Economic Development Urban Renewal Tax Increment Financing Revenue Notes were issued as a result of this project.

On May 5, 2001, the City established the Oakland Manor Urban Renewal Area. The project involved providing direct financial assistance to a developer to help finance the construction of an assisted living health care facility. The City intends to provide assistance in the form of property tax rebates. Under the proposal, 100% of the incremental property tax generated by the project will be rebated to the developer for a maximum of 5 years, from the time debt is first certified to the County. These rebates will not be general obligation of the City, but will be payable solely from incremental property taxes generated by the project.

**NOTE 11 LIBRARY CONSTRUCTION AND CONTINGENCY**

On April 7, 1997, the City entered into a gift agreement for an addition to the Eckles Memorial Library. The donor paid the construction costs up to \$100,000. The agreement contains a covenant requiring the City to allow a genealogy group to occupy and use a portion of the building for fifty years with a right to renewal for an additional fifty years. Breach of the covenant would require the City to pay over \$100,000 to an educational trust.

**CITY OF OAKLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

NOTE 12 COMMITMENTS

Garbage Collection Service Agreement

The City signed an agreement on June 28, 2002 with M & K Mills Tree Service, Inc. for the collection of garbage, rubbish, and recyclables. The contract runs from July 1, 2002 to June 30, 2007. The contracted amount per residential unit for up to six 32-gallon containers per week for the first two years is \$4.75 and \$5.00 for the remaining three years. The contracted amount for commercial, industrial and institutional premises with dumpsters is \$2.50 per yard per week for five years and \$.75 per unit per month for recyclables for five years.

Atlantic Bottling Agreement

On May 26, 2004, the City entered into an agreement with the Atlantic Bottling Company. They agreed that the Atlantic Bottling Company will be the sole provider of soft drinks, new age products, juices and water for the Little League, Soccer, Swimming Pool, and all City owned locations through May of 2011. In return, Atlantic Bottling Company paid for one of the scoreboards valued at \$3,358. Either party may terminate this agreement; however, in that event, the City agrees to pay back Atlantic Bottling Company for the scoreboard for the valued amount.

Administrative Services Agreement

On July 1, 2004, the City entered in to an agreement with Select Benefit Administrators, Inc. for the purpose of establishing terms for a third party administrator of the City of Oakland's self-funding benefit plan. The annual administration fee is \$300 and a monthly administrative fee per employee is \$6.50. The fees are subject to change by Select Benefit Administrators on July 1, 2005, and each year thereafter on the same date. There was no change to the fees on July 1, 2006 or July 1, 2007.

MidAmerican Energy Company Ordinance

On December 12, 2004, the city passed an ordinance granting to MidAmerican Energy Company, its successors and assigns, the right and franchise to acquire, construct, erect, maintain and operate a natural gas system in the City of Oakland and to furnish and sell natural gas to the City and its inhabitant's for a period of twenty-five years.

Law Enforcement Service Contract

The City renewed its Law Enforcement Services Contract with Pottawattamie County for the services of the Pottawattamie County Sheriff's Department as of July 1, 2007. The contract is payable in four installments of \$6,506 on July 1 and October 1, 2007 and January 1 and April 1, 2008.

**CITY OF OAKLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

NOTE 13 GRANTS

Park Shelter Grant

On July 7, 2006, the City received a 50/50 matching grant from Iowa West Foundation for the construction of a park shelter. The grant award amount was \$24,930. The grant expired on June 30, 2007.

Jensen Grant - Fire

On September 20, 2006, the Oakland Volunteer Fire Department received an \$18,000 grant from the Andreas C. Jensen & Minnie V. Jensen Memorial Trust. The City donated the funds to the Oakland Volunteer Firemen's Association.

Assistance to Firefighters Grant

On May 15, 2007, the Oakland Volunteer Fire Department was awarded a \$64,894 grant from the Department of Homeland Security, Federal Emergency Management Agency, for the purchase of updated firemen's gear and equipment. The grant stipulated a 5% local match.

Schueman Park Grant

On August 15, 2006, the City was awarded a 30/70 CITIES matching grant from the Pottawattamie County Board of Supervisors for the installation of a new concrete street, curb and gutter (Walnut Street), the widening, lengthening and resurfacing of Grove Street, curb and gutter installation, and the installation of 1,800 feet of sewer and water mains. The grant award amount was \$326,484. The grant expired June 30, 2007.

Jensen Grant - Library

On January 10, 2007, the Eckles Memorial Library received a \$5,000 grant from the Andreas C. Jensen & Minnie V. Jensen Memorial Trust.



**CITY OF OAKLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

NOTE 14 SUBSEQUENT EVENTS

Renovation of City Hall

On July 16, 2007, the City was awarded a 50/50 matching grant from the Iowa West Foundation for the renovation of City Hall with attention to preserving the historic character of the building. The grant award amount is \$27,500. The grant expires June 30, 2008.

Lime Sludge Lagoon Project

In July 2007, the City was awarded a 50/50 matching CITIES grant from the Pottawattamie County Board of Supervisors for the construction of an earthen lagoon for the removal of lime sludge and other solids from backwash created by the water treatment process. The grant award amount is \$224,250. The grant expires March 1, 2008.



**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF OAKLAND

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

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 198,773	\$ -0-
Tax increment financing	208,720	-0-
Other city tax	165,717	-0-
Licenses and permits	6,302	-0-
Use of money and permits	61,473	-0-
Intergovernmental	564,584	-0-
Charges for services	79,093	736,312
Miscellaneous	93,853	-0-
Total receipts	<u>1,378,515</u>	<u>736,312</u>
Disbursements:		
Public safety	155,821	-0-
Public works	143,761	-0-
Health and social services	-0-	-0-
Culture and recreation	175,994	-0-
Community and economic development	15,939	-0-
General government	98,789	-0-
Debt service	81,720	-0-
Capital projects	834,590	-0-
Business type	-0-	707,809
Total disbursements	<u>1,506,614</u>	<u>707,809</u>
Excess (deficiency) of receipts over (under) disbursements	(128,099)	28,503
Other financing sources, net	<u>319,102</u>	<u>(319,102)</u>
Excess (deficiency) of receipts and other financing sources	191,003	(290,599)
Balance beginning of year	<u>968,540</u>	<u>449,934</u>
Balance end of year	<u>\$ 1,159,543</u>	<u>\$ 159,335</u>

See Accompanying Independent Auditor's Report

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
\$ 198,773	\$ 190,187	\$ 190,187	\$ 8,586
208,720	140,000	204,000	4,720
165,717	178,151	178,151	(12,434)
6,302	3,400	4,235	2,067
61,473	17,000	74,838	(13,365)
564,584	682,000	750,824	(186,240)
815,405	839,345	908,511	(93,106)
93,853	7,300	2,400	91,453
<u>2,114,827</u>	<u>2,057,383</u>	<u>2,313,146</u>	<u>(198,319)</u>
155,821	104,269	253,900	98,079
143,761	197,822	158,453	14,692
-0-	-0-	-0-	-0-
175,994	151,892	204,258	28,264
15,939	27,000	27,000	11,061
98,789	101,817	110,356	11,567
81,720	82,145	84,319	2,599
834,590	948,765	834,590	-0-
707,809	629,158	723,483	15,674
<u>2,214,423</u>	<u>2,242,868</u>	<u>2,396,359</u>	<u>181,936</u>
(99,596)	(185,485)	(83,213)	(16,383)
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
(99,596)	(185,485)	(83,213)	(16,383)
<u>1,418,474</u>	<u>1,418,474</u>	<u>1,418,474</u>	<u>1,418,474</u>
\$ <u>1,318,878</u>	\$ <u>1,232,989</u>	\$ <u>1,335,261</u>	\$ <u>1,402,091</u>



**CITY OF OAKLAND**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -  
BUDGETARY REPORTING**

**JUNE 30, 2007**

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

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$153,491. The budget amendments are reflected in the final budgeted amounts.



**OTHER SUPPLEMENTARY INFORMATION**



## CITY OF OAKLAND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES -  
NON-MAJOR GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue			Total
	Local Option Tax	Ambulance Billing	Debt Service	
<b>Receipts:</b>				
Other city taxes	\$ 165,717	\$ -0-	\$ -0-	\$ 165,717
Charges for services	-0-	67,007	-0-	67,007
Total receipts	<u>165,717</u>	<u>67,007</u>	<u>-0-</u>	<u>232,724</u>
<b>Disbursements:</b>				
Operations:				
Public safety	-0-	36,725	-0-	36,725
Debt service	-0-	-0-	81,720	81,720
Total disbursements	<u>-0-</u>	<u>36,725</u>	<u>81,720</u>	<u>118,445</u>
Excess (deficiency) of receipts over (under) disbursements	165,717	30,282	(81,720)	114,279
<b>Other financing sources (uses):</b>				
Operating transfers in	-0-	-0-	81,720	81,720
Operating transfers out	(165,717)	(21,123)	-0-	(186,840)
Net financing sources (uses)	<u>(165,717)</u>	<u>(21,123)</u>	<u>81,720</u>	<u>(105,120)</u>
Net change in cash balances	-0-	9,159	-0-	9,159
Cash balances beginning of year	-0-	-0-	-0-	-0-
Cash balances end year	<u>\$ -0-</u>	<u>\$ 9,159</u>	<u>\$ -0-</u>	<u>\$ 9,159</u>
<b>Cash Basis Fund Balances</b>				
Unreserved:				
Special revenue	\$ -0-	\$ 9,159	\$ -0-	\$ 9,159
Total cash basis fund balances	<u>\$ -0-</u>	<u>\$ 9,159</u>	<u>\$ -0-</u>	<u>\$ 9,159</u>

See Accompanying Independent Auditor's Report

**CITY OF OAKLAND**  
**SCHEDULE OF INDEBTEDNESS**

**JUNE 30, 2007**

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation capital notes:			
TIF - Street Project	Oct 1, 1999	4.7%	\$ 325,000
Fire Truck Installment	Jan 3, 2000	6.00%	\$ 134,000
TIF- Economic Development	Nov 1, 2000	5.10-5.65%	\$ 90,000
Ambulance Installment	Jul 28, 2004	5.75% var	\$ 67,000
Revenue bonds:			
Water	Nov 17, 1976	5.00	\$ 700,000

See accompanying independent auditor's report.

SCHEDULE 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 150,000	\$ -0-	\$ 35,000	\$ 115,000	\$ 7,788	\$ 493
3,225	-0-	3,225	-0-	180	-0-
80,000	-0-	10,000	70,000	4,405	318
19,547	-0-	19,547	-0-	1,575	-0-
<u>\$ 252,772</u>	<u>\$ -0-</u>	<u>\$ 67,772</u>	<u>\$ 185,000</u>	<u>\$ 13,948</u>	<u>\$ 811</u>
280,213	-0-	45,000	235,213	14,011	-0-
<u>\$ 280,213</u>	<u>\$ -0-</u>	<u>\$ 45,000</u>	<u>\$ 235,213</u>	<u>\$ 14,011</u>	<u>\$ -0-</u>

CITY OF OAKLAND

DEBT MATURITIES

JUNE 30, 2007

Urban Renewal Tax Increment Financing (TIF) Notes

Year Ended June 30,	<u>Street Project</u> Issued October 1, 1999		<u>Economic Development</u> Issued November 1, 2000		Total
	Interest Rates	Amount	Interest Rates	Amount	
2008	5.10%	\$ 35,000	5.40%	\$ 10,000	\$ 45,000
2009	5.15%	40,000	5.45%	15,000	55,000
2010	5.20%	40,000	5.50%	15,000	55,000
2011	--	-0-	5.60%	15,000	15,000
2012	--	-0-	5.65%	15,000	15,000
Total		\$ 115,000		\$ 70,000	\$ 185,000

See Accompanying Independent Auditor's Report

**Revenue Notes**

Water Revenue Note  
Issued November 17, 1976

<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
2008	5.00%	\$ -0-	\$ -0-
2009	5.00%	-0-	-0-
2010	5.00%	10,213	10,213
2011	5.00%	35,000	35,000
2012	5.00%	35,000	35,000
2013	5.00%	35,000	35,000
2014	5.00%	40,000	40,000
2015	5.00%	40,000	40,000
2016	5.00%	40,000	40,000
Total		\$ <u>235,213</u>	\$ <u>235,213</u>

See Accompanying Independent Auditor's Report



## CITY OF OAKLAND

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

## FOR THE LAST FIVE YEARS

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts:					
Property and other city taxes	\$ 198,773	\$ 165,517	\$ 157,113	\$ 166,357	\$ 163,958
Tax increment financing	208,720	143,618	150,589	146,147	132,078
Other city taxes	165,717	178,253	147,404	147,628	138,291
License and permits	6,302	6,808	4,473	1,905	2,129
Use of money and property	61,473	56,214	26,437	21,051	26,816
Intergovernmental	564,584	165,354	157,314	230,995	205,900
Charges for service	79,093	53,849	90,932	41,365	28,560
Miscellaneous	93,853	146,678	222,388	310,187	79,221
Total	\$ <u>1,378,515</u>	\$ <u>916,291</u>	\$ <u>956,650</u>	\$ <u>1,065,635</u>	\$ <u>776,953</u>
Disbursements:					
Operating:					
Public safety	\$ 155,821	\$ 83,211	\$ 224,351	\$ 93,077	\$ 106,640
Public works	143,761	238,518	142,948	143,553	128,123
Culture and recreation	175,994	236,698	141,399	167,362	158,924
Comm and economic dev	15,939	62,007	18,943	-0-	70,490
General government	98,789	111,683	107,620	106,769	116,275
Debt service	81,720	118,085	117,296	87,848	18,211
Capital projects	834,590	55,853	128,233	410,356	101,173
Total	\$ <u>1,506,614</u>	\$ <u>906,055</u>	\$ <u>880,790</u>	\$ <u>1,008,965</u>	\$ <u>699,836</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**

# MUXFELDT

## ASSOCIATES, CPA, P.C.

Certified Public Accountant

August 8, 2007

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 STANDARD

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**Licensed In:**

Iowa  
Missouri

To the Honorable Mayor and  
Members of the City Council:

I 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 Oakland, 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 my report thereon dated August 8, 2007. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my 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 my audit, I considered the City of Oakland's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Oakland's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Continued . . .

August 8, 2007  
To the Honorable Mayor and  
Members of the City Council:  
Page Two

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

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

My 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 over financial reporting 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, I believe items II-A-07, II-E-07, and II-F-07 are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Oakland's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Continued . . .



August 8, 2007  
To the Honorable Mayor and  
Members of the City Council:  
Page Three

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 my audit of the financial statements of the City. Since my 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 Oakland's responses to the findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I have expressed my conclusions on the City of Oakland's responses, I did not audit the City of Oakland's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the City of Oakland and other parties to whom the City of Oakland 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.

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

*Murphy Associates, CPA, P.C.*



**CITY OF OAKLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2007**

**PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS**

- a. Unqualified 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.
- b. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- c. The audit did not disclose any non-compliance which is material to the financial statements.

**PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

**SIGNIFICANT DEFICIENCIES:**

**II-A-07 Segregation of Duties**

Comment - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. For example, the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all performed by the same person.

Recommendation - I realize that with one full time city clerk and a part time deputy clerk, a proper segregation of duties is challenging. However, City Council should monitor control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged.

CITY OF OAKLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2007

II-B-07 Deposits in Excess of Depository Resolution

Comment - The City's deposits in a local bank exceeded the depository resolution passed in January 2006. The maximum of \$1,000,000 was exceeded by more than \$85,000 in December 2006.

Recommendation - I recommend that the City Council increase the maximum amounts on the depository resolution.

Response - The City Council passed Resolution 2007-01-02 on January 8, 2007 which increased the maximum deposit to \$5,000,000 per bank.

Conclusion - Response accepted.

II-C-07 Budget Overexpenditure

Comment - Disbursements in the Public Safety function exceeded the budgeted amounts in February 2007. The disbursements exceeded \$23,000 and were not noticed till April 2007. The budget was amended on May 14, 2007.

Recommendation - I recommend that the City Clerk more closely monitor the budget by utilizing the reports that the City's financial software generates. I also recommend that the City Council more closely monitor the budget.

Response - The Clerk will monitor the budget and report budgetary activity to the City Council on a monthly basis.

Conclusion - Response accepted.

II-D-07 Financial Reporting - Revenue

Comment - During the audit, I identified a material amount of Road Use revenue misposted to Local Option Sales Tax rather than the Road Use Fund. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements.

Recommendation - The Clerk should periodically review revenue accounts to identify posting errors.

Response - This is a relatively simple procedure that will be implemented immediately.

Conclusion - Response accepted.

**CITY OF OAKLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2007**

**II-E-07 Financial Reporting - Transfers**

Comment - During the audit, I identified a material transfer from the Tax Increment Financing Fund to the Debt Service Fund that should have been authorized and executed but was not. The oversight resulted in a potential \$51,000 deficit in the debt service fund. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements.

Recommendation - Transfers to the debt service fund have traditionally been authorized by the City Council by resolution prior to the payment of the principal, interest and fees on tax increment financing notes.

Response - I will review past transfer resolutions to become acquainted with transfer authorization procedures.

Conclusion - Response accepted.

**II-F-07 Financial Reporting - Disbursements**

Comment - During the audit, I identified a material disbursement from the Capital Projects Fund that did not appear on the list of claims approved by City Council. I also noted two instances of disbursements which cleared the bank before City Council approved payment. These occurred under the administration of the former City Clerk.

Recommendation - I recommend that the current City Clerk review Resolution 2006-02-05 which clearly identifies which claims may be paid prior to Council approval. I also recommend that the current City Clerk implement procedures to ensure that all claims are listed for Council scrutiny and approval.

Response - I will review Resolution 2006-02-05. I have improved procedures to ensure all claims are listed.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

CITY OF OAKLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2007

PART III: OTHER FINDINGS RELATED TO STATUTORY REPORTING:

III-A-07 Certified Budget - Disbursements during the year ended June 30, 2007, exceeded the amounts budgeted in the public safety function before the budget was amended. 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 was amended on May 14, 2007.

Conclusion - Response accepted.

III-B-07 Questionable Disbursements - I noted no disbursements for parties, banquets or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

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

III-D-07 Business Transactions - In accordance with Chapter 362.5(10) of the Code of Iowa, there have been no transactions that appear to represent a conflict of interest.

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

**CITY OF OAKLAND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2007**

PART III: OTHER FINDINGS RELATED TO STATUTORY REPORTING (Continued)

III-F-07 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not. It was noted that there was no proof of publication of Council minutes, a summary of receipts and disbursements, and a list of claims for July 2006.

Recommendation - Disclosure of the City's financial activity is in the public interest. The City should maintain complete proof of publications.

Response - We will adopt this recommendation.

Conclusion - Response accepted.

III-G-07 Revenue Notes - The City has complied with water revenue note resolutions.

III-H-07 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's deposit and investment policy were noted.



CITY OF OAKLAND  
OAKLAND, IOWA 51560

**NEWS RELEASE**

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an audit report on the City of Oakland, Iowa.

The City's receipts totaled \$2,114,827 for the year ended June 30, 2007. The receipts included \$198,773 from property tax, \$832,204 from charges for services, \$629,545 from grants, contributions and restricted interest, \$165,717 from local option sales tax, \$208,720 from tax incremental financing, \$52,679 from unrestricted investment earnings and \$27,189 in other general receipts.

Disbursements for the year totaled \$2,214,423 and included \$834,590 for capital projects, \$579,025 for water, and \$175,994 for culture and recreation.

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

