

**CITY OF SUMNER**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**CITY OF SUMNER**

**INDEPENDENT AUDITOR'S REPORT**

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**AUDITOR'S REPORT ON COMPLIANCE,  
COMMENTS AND RECOMMENDATIONS**

**JUNE 30, 2008**

CITY OF SUMNER  
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CITY OF SUMNER

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**(Before January 2008)**

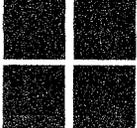
Gary Walke	Mayor	January 2008
Dr. Richard Haw	Mayor Pro Tem	January 2010
Wayne Meyer	Council Member	January 2008
Billy Lehmkuhl	Council Member	January 2008
Linda Meier	Council Member	January 2010
Dave Meighan	Council Member	January 2010

**(After December 2007)**

Gary Walke	Mayor	January 2012
Dr. Richard Haw	Mayor Pro Tem	January 2010
Linda Meier	Council Member	January 2010
Dave Meighan	Council Member	January 2010
Billy Lehmkuhl	Council Member	January 2012
Jackie Schlatter	Council Member	January 2012

Lisa Oberbroeckling	City Clerk	Indefinite
Marlowe Hoth	Public Works Director	Indefinite
Michael Stoessel	Treasurer	Indefinite
David Engelbrecht	City Attorney	Indefinite
Arlin Rieck	Chief of Police	Indefinite
Tim Duhrkopf	Fire Chief	Indefinite

**CITY OF SUMNER**



# SHAFFER COMPANY, P.C.

Certified Public Accountant

P. O. Box 125  
117 East First Street  
Sumner, Iowa 50674  
Phone (563) 578-3211  
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Member AICPA and ISCPA

A Professional Corporation  
**Roger L. Shaffer, C.P.A.**

roger@shaffercpa.com  
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## Independent Auditor's Report

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 Sumner, Iowa, as of and for the year ended June 30, 2008, 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 Sumner's management. My responsibility is to express an opinion 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 principles 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.

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 Sumner as of June 30, 2008, 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 reports dated March 9, 2009 on my consideration of the City of Sumner's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 8 through 14 and 32 through 33 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 the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Sumner'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 three years ended June 30, 2007 (none of which are presented herein) and expressed an unqualified opinion 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 my 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.

**SHAFFER COMPANY, P.C.**

*Shaffer Company, P.C.*

**Sumner, Iowa**

**March 9, 2009**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Sumner provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2008 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 3.8%, or approximately \$50,000, from fiscal 2007 to fiscal 2008.
- Disbursements decreased 3.5%, or approximately \$44,000, in fiscal 2008 from fiscal 2007.
- The City's total cash basis net assets increased 6.4%, or approximately \$141,000, from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities increased approximately \$138,000 and the assets of the business type activities decreased by approximately \$3,000.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

## **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and refuse pickup and transportation to the county owned landfill. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out to 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 and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the 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.

- 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.

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

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

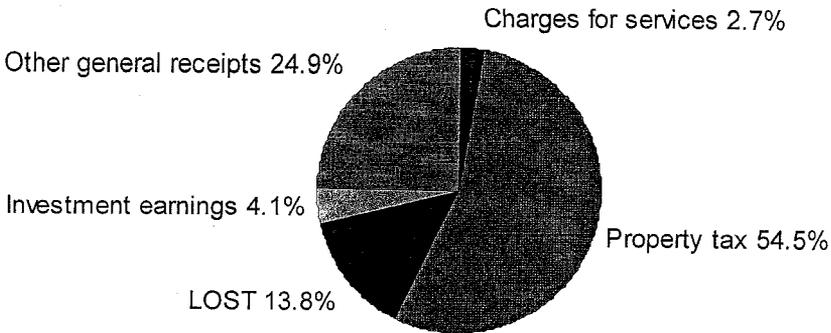
## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$1.338 million to \$1.476 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

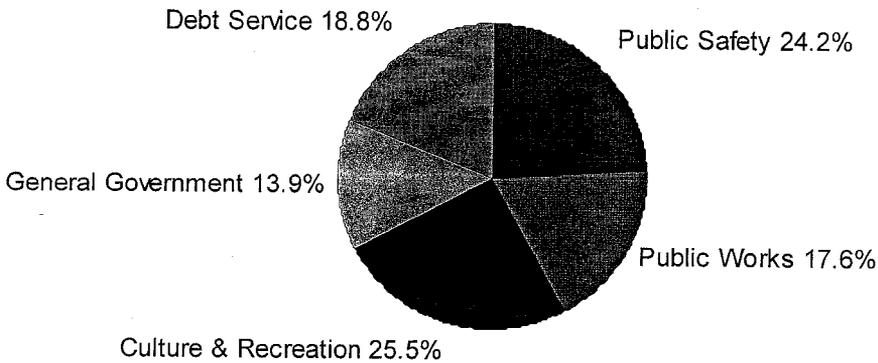
## GOVERNMENTAL ACTIVITIES

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2008	2007
Receipts:		
Program receipts:		
Charges for services	\$ 37	39
General receipts:		
Property tax	737	685
Local option sales tax	187	162
Unrestricted investment earnings	55	104
Other general receipts	336	313
<b>Total receipts</b>	<b>1,352</b>	<b>1,303</b>
Disbursements and transfers:		
Public Safety	271	385
Public Works	196	208
Culture & Recreation	284	276
General Government	155	131
Debt Service	209	210
Capital Projects	0	37
Transfers out	99	11
<b>Total disbursements and transfers</b>	<b>1,214</b>	<b>1,258</b>
Increase in cash basis net assets	138	45
Cash basis net assets beginning of year	1,338	1,293
<b>Cash basis net assets end of year</b>	<b>\$ 1,476</b>	<b>1,338</b>

### Receipts by Source



### Disbursements by Function



The City's total receipts for governmental activities increased by 3.8%, or \$50,000. The total cost of all programs and services decreased by approximately \$44,000, or 3.5%.

The City increased property tax rates from \$12.126 per \$1,000 of taxable valuation in 2007 to \$12.804 for 2008. Since taxable valuations were down, property taxes were down 8.5% or \$49,500 from 2007 to \$531,700 for 2008, excluding tax increment financing (TIF). Taxes raised from TIF increased from \$104,111 in 2007 to \$205,300 in 2008, a 97.2% increase.

The cost of all governmental activities this year was \$1.115 million compared to \$1.247 million last year. However, as shown in the Statement of Activities and Net Assets on pages 16-17, the amount taxpayers ultimately financed for these activities was only \$855,000 because some of the cost was paid by those directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest.

## BUSINESS TYPE ACTIVITIES

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2008	2007
Receipts and Transfers:		
Program receipts:		
Charges for services		
Water	\$ 130	127
Sewer	371	367
Sanitation	180	181
General receipts:		
Unrestricted interest on investments	13	19
Bond proceeds	0	65
Other general receipts	7	7
Total receipts	701	766
Transfers In	99	11
Total receipts and transfers	800	777
Disbursements and Transfers:		
Water	157	134
Sewer	144	251
Sanitation	287	170
Debt Service	209	281
Total disbursements	797	836
Increase (decrease) in cash balance	3	(59)
Cash basis net assets beginning of year	858	917
Cash basis net assets end of year	\$ 861	858

Total business type activities receipts for the fiscal year were \$701,000 compared to \$766,000 last year. The cash balance increased by approximately \$3,000 from the prior year. Total disbursements for the fiscal year decreased by 4.7% to a total of \$797,000.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Sumner completed the year, its governmental funds reported a combined fund balance of \$1.479 million, an increase of \$141,000 above last year's total of \$1.338 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$21,000 from the prior year to \$308,000.
- The Road Use Tax Fund cash balance increased by \$41,500 to \$332,800 during the fiscal year. The City intends to use this money to upgrade the condition of all the City's roads.
- At the end of the fiscal year, the cash balance of the Urban Renewal Tax Increment Fund was \$183,700, an increase of \$20,000 from the previous year.
- The Special Revenue Fund (Local Option Sales Tax) cash balance increased by \$84,000 to \$346,700 during the fiscal year.
- The Capital Projects Fund (Streetscape) cash balance decreased by \$29,000 to \$144,000 during the fiscal year.

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

For the propriety funds, the City reported a combined fund balance of \$860,500, an increase of approximately \$2,000 above last year's total of \$858,500. The following are the major reasons for the changes in fund balances from the prior year.

- The Water Fund cash balance decreased by \$21,000 to \$215,600.
- The Sewer Fund cash balance increased by \$125,500 to \$440,600.
- The Sanitation Fund cash balance decreased by \$102,400 to \$204,300.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget. This amendment was approved on March 20, 2008 to provide for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$64,400 more than budgeted. This was primarily due to the City receiving more in local option sales taxes, use of money and property, charges for services, and miscellaneous than anticipated, even after the amendment.

While total disbursements were \$129,500 under amended budget, disbursements for the functions of general government and debt service exceeded their respective amended budgets.

## DEBT ADMINISTRATION

At June 30, 2008, the City had approximately \$3.556 million in bonds and other long-term debt, compared to approximately \$3.842 million last year, as shown below:

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year ended June 30,	
	2008	2007
General obligation bonds - Fire Station	\$ 165	195
General obligation bonds - Streetscape & Refunding	960	1,090
Sewer revenue bonds	2,431	2,557
<b>Total</b>	<b>\$ 3,556</b>	<b>3,842</b>

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, excluding agriculture land valuations and before rollback, within the City's corporate limits. The City's outstanding general obligation debt of \$1.125 million is significantly below its constitutional debt limit.

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

The City of Sumner's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates, and fees that will be charged for various City activities.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase.

These indicators were taken into account when adopting the budget for fiscal year 2009. Amounts available for appropriation in the operating budget are \$1.93 million, a decrease of 2.7% over the final 2008 budget. Budgeted disbursements are expected to fall by approximately \$206,000.

If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$153,000 by the end of the City's next fiscal year end.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Oberbroeckling, City Clerk, 105 East First Street, Sumner, Iowa.

**CITY OF SUMNER**  
**Basic Financial Statements**

City of Sumner

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2008

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Restricted Interest	Capital Grants Restricted Interest
<b>Governmental activities:</b>				
Public safety	\$ 270,317	0	16,350	0
Public works	195,663	0	184,945	0
Culture and recreation	284,308	37,155	21,324	0
Community and economic development	0	0	0	0
General government	155,188	0	0	0
Debt service	209,282	0	0	0
Capital projects	0	0	0	0
<b>Total governmental activities</b>	<b>1,114,758</b>	<b>37,155</b>	<b>222,619</b>	<b>0</b>
<b>Business type activities:</b>				
Water	157,306	129,596	0	0
Sewer	352,942	370,541	0	0
Sanitation	286,675	180,036	0	0
<b>Total business type activities</b>	<b>796,923</b>	<b>680,173</b>	<b>0</b>	<b>0</b>
<b>Totals</b>	<b>\$ 1,911,681</b>	<b>717,328</b>	<b>222,619</b>	<b>0</b>
<b>General Receipts:</b>				
Property tax levied for:				
General purposes				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Transfers				
<b>Total general receipts and transfers</b>				
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				
Debt service				
Unrestricted				
<b>Total Cash Basis Net Assets</b>				

See notes to financial statements.

Governmental Activities	Business Type Activities	Total
(253,967)	0	(253,967)
(10,718)	0	(10,718)
(225,829)	0	(225,829)
0	0	0
(155,188)	0	(155,188)
(209,282)	0	(209,282)
0	0	0
(854,984)	0	(854,984)
0	(27,710)	(27,710)
0	17,599	17,599
0	(106,639)	(106,639)
0	(116,750)	(116,750)
(854,984)	(116,750)	(971,734)
531,673	0	531,673
205,281	0	205,281
186,583	0	186,583
54,826	12,441	67,267
114,331	7,295	121,626
(99,209)	99,209	0
993,485	118,945	1,112,430
138,501	2,195	140,696
1,338,046	858,387	2,196,433
\$ 1,476,547	860,582	2,337,129
\$	100,000	100,000
1,476,547	760,582	2,237,129
\$ 1,476,547	860,582	2,337,129

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

As of and for the year ended June 30, 2008

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
<b>Receipts:</b>			
Property tax	\$ 409,986	0	0
Tax Increment Financing (TIF) receipts	0	0	205,281
Other city tax	0	0	0
Licenses and permits	4,811	0	0
Use of money and property	34,596	0	0
Intergovernmental	42,192	180,427	0
Charges for services	37,155	0	0
Miscellaneous	106,376	200	0
<b>Total receipts</b>	<b>635,116</b>	<b>180,627</b>	<b>205,281</b>
<b>Disbursements:</b>			
<b>Operating:</b>			
Public Safety	199,037	0	0
Public Works	33,197	139,067	0
Culture & Recreation	261,150	0	0
General Government	148,254	0	0
Debt Service	0	0	0
Capital Projects	0	0	0
<b>Total disbursements</b>	<b>641,638</b>	<b>139,067</b>	<b>0</b>
<b>Excess of receipts over disbursements</b>	<b>(6,522)</b>	<b>41,560</b>	<b>205,281</b>
<b>Other financing sources (uses):</b>			
Operating transfers in	28,000	0	0
Operating transfers out	0	0	(185,585)
<b>Total other financing sources (uses)</b>	<b>28,000</b>	<b>0</b>	<b>(185,585)</b>
<b>Net change in cash balances</b>	<b>21,478</b>	<b>41,560</b>	<b>19,696</b>
<b>Cash balances beginning of year</b>	<b>286,167</b>	<b>291,235</b>	<b>164,020</b>
<b>Cash balances end of year</b>	<b>\$ 307,645</b>	<b>332,795</b>	<b>183,716</b>
<b>Cash Basis Fund Balances</b>			
<b>Unreserved:</b>			
General fund	\$ 307,645	0	0
Special revenue funds	0	332,795	183,716
Debt service	0	0	0
Capital projects funds	0	0	0
Permanent fund	0	0	0
<b>Total cash basis fund balances</b>	<b>\$ 307,645</b>	<b>332,795</b>	<b>183,716</b>

Special Revenue				
Employees' Benefits	Local Option Sales Tax	Debt Service	Other Nonmajor Governmental Funds	Total
121,687	0	0	0	531,673
0	0	0	0	205,281
0	186,583	0	0	186,583
0	0	0	0	4,811
0	9,068	0	11,162	54,826
0	0	0	0	222,619
0	0	0	0	37,155
0	0	0	2,944	109,520
121,687	195,651	0	14,106	1,352,468
71,280	0	0	0	270,317
23,399	0	0	0	195,663
22,329	0	0	829	284,308
6,934	0	0	0	155,188
0	0	209,282	0	209,282
0	0	0	0	0
123,942	0	209,282	829	1,114,758
(2,255)	195,651	(209,282)	13,277	237,710
0	0	209,282	0	237,282
0	(111,602)	0	(39,304)	(336,491)
0	(111,602)	209,282	(39,304)	(99,209)
(2,255)	84,049	0	(26,027)	138,501
4,549	262,693	0	329,382	1,338,046
2,294	346,742	0	303,355	1,476,547
0	0	0	0	307,645
2,294	346,742	0	0	865,547
0	0	0	0	0
0	0	0	240,550	240,550
0	0	0	62,805	62,805
2,294	346,742	0	303,355	1,476,547

**Exhibit C**Statement of Cash Receipts, Disbursement and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2008

	Enterprise Funds			
	Water	Sewer	Sanitation	Total
Operating receipts:				
Use of money and property	\$ 2,492	6,348	3,601	12,441
Charges for service	129,596	370,541	180,036	680,173
Miscellaneous	4,285	2,355	655	7,295
Total operating receipts:	136,373	379,244	184,292	699,909
Operating disbursements:				
Business type activities	157,306	143,832	286,675	587,813
Excess (deficiency) of operating receipts over (under) operating disbursements	(20,933)	235,412	(102,383)	112,096
Non-operating receipts (disbursements)				
Debt service	0	(209,110)	0	(209,110)
Net non-operating receipts (disbursements)	0	(209,110)	0	(209,110)
Excess (deficiency) of receipts over (under) disbursements	(20,933)	26,302	(102,383)	(97,014)
Operating transfers in (out), net	0	99,209	0	99,209
Net change in cash balances	(20,933)	125,511	(102,383)	2,195
Cash balances beginning of year	236,553	315,112	306,722	858,387
Cash balances end of year	\$ 215,620	440,623	204,339	860,582
<b>Cash Basis Fund Balances</b>				
Reserve for debt service	\$ 0	100,000	0	100,000
Unreserved	215,620	340,623	204,339	760,582
Total cash basis fund balances	\$ 215,620	440,623	204,339	860,582

See notes to financial statements.

**CITY OF SUMNER**

**Notes to the Financial Statements**

**CITY OF SUMNER**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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

The City of Sumner is a political subdivision of the State of Iowa located in Bremer and Fayette Counties. It was first incorporated in 1872 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, public improvements and general administrative service. The City also provides water, sewer and sanitation for its citizens.

**A. Reporting Entity**

For financial reporting purposes, City of Sumner has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has 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.

**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 OF SUMNER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

B. **Basis of Presentation**

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. 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 SUMNER**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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 disbursement, the fixed charges and the capital improvement costs that are not paid for other funds.

**Special Revenue:**

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

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

The Local Option Sales Tax Fund is used to account of the collection of the one percent sales tax and its uses.

The Employees' Benefits Fund is used to account for the collection of payroll taxes and provide social security and medicare, IPERS, and health insurance benefits to its employees.

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 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 system.

**CITY OF SUMNER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**C. Measurement Focus and Basis of Accounting**

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

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

**D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the functions of general government and debt service.

**(2) Deposits and Investments**

The City's deposits and investments at June 30, 2008, 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 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; and certain joint investment trusts.

**CITY OF SUMNER**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

**(3) Bonds and Notes Payable**

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

Year Ending June 30,	General Obligation Bonds		Sewer Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	160,000	43,302	130,000	79,015	290,000	122,317
2010	165,000	37,648	134,000	74,790	299,000	112,438
2011	175,000	31,655	138,000	70,435	313,000	102,090
2012	180,000	25,127	142,000	65,950	322,000	91,077
2013	185,000	18,233	146,000	61,335	331,000	79,568
2014	85,000	10,924	151,000	56,590	236,000	67,514
2015	85,000	7,440	155,000	51,683	240,000	59,123
2016	90,000	3,870	160,000	46,645	250,000	50,515
2017	0	0	164,000	41,445	164,000	41,445
2018	0	0	169,000	36,115	169,000	36,115
2019 and after	0	0	942,233	95,075	942,233	95,075
<b>TOTALS</b>	<b>1,125,000</b>	<b>178,199</b>	<b>2,431,233</b>	<b>679,078</b>	<b>3,556,233</b>	<b>857,277</b>

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

## CITY OF SUMNER

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

The urban renewal tax increment revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds 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. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$525,194, payable through June 2016. For the current year, interest paid and total TIF receipts were \$15,638 and \$205,281, respectively. These bonds are part of the streetscape and refunding bonds issued in August of 2005.

#### Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$3.1 million in sewer revenue notes issued in October 2003. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2024. Annual principal and interest payments on the notes are expected to require approximately 82 percent of net sewer receipts. The total principal and interest remaining to be paid on the notes is \$3,110,311. For the current year, principal and interest paid and total customer new receipts were \$209,110 and \$235,412, respectively.

The resolutions providing for the issuance of the 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 fund.
- (b) Sufficient monthly transfers shall be made to the sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.

#### (4) **Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary except for police employees, in which case the percentages are 5.64% and 8.47%, respectively. These rates tend to change from year to year. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$30,923, \$29,737, and \$29,061 respectively, equal to the required contributions for each year.

**CITY OF SUMNER**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2008, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	15,768
Sick Leave *	43,880
<b>Total</b>	<b>59,648</b>

\* Sick leave is not payable upon termination, retirement or death.

This liability has been computed based on rates of pay as of June 30, 2008.

**(6) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the program level. During the year ended June 30, 2008, disbursements in the General Government and Debt Service functions exceeded the amount budgeted.

**(7) Litigation**

The City had no pending litigation, claims, or assessments at June 30, 2008.

**CITY OF SUMNER**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

**(8) Risk Management**

The City of Sumner is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Related Party Transactions**

The City had business transactions between the City and the City's officials and employees totaling \$8,635 during the year ended June 30, 2008.

**(10) Special Investigation**

I performed a special investigation of the City of Sumner for the period July 1, 2007 through June 30, 2008. The special investigation report dated January 15, 2009 identified \$2,814.28 of undeposited collections during this period. The City is waiting to receive restitution from the courts.

Copies of the special investigation report have been filed with the Bremer County Attorney's Office, the Division of Criminal Investigation, Attorney General's Office, and the Office of Auditor of State. A copy of the report is available for review on the Auditor of State's web site at <http://auditor.iowa.gov/reports/search.php>.

**CITY OF SUMNER**

**CITY OF SUMNER**

**Required Supplementary Information**

Budgetary Comparison Schedule  
Of Receipts, Disbursements, and Change in Balances  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 531,673	0
Tax Increment Financing (TIF) receipts	205,281	0
Other city tax	186,583	0
Licenses and permits	4,811	0
Use of money and property	54,826	12,441
Intergovernmental	222,619	0
Charges for services	37,155	680,173
Miscellaneous	109,520	7,295
<b>Total receipts</b>	<b>1,352,468</b>	<b>699,909</b>
Disbursements:		
Public Safety	270,317	0
Public Works	195,663	0
Culture & Recreation	284,308	0
General Government	155,188	0
Debt Service	209,282	0
Business type activities	0	796,923
<b>Total disbursements</b>	<b>1,114,758</b>	<b>796,923</b>
Excess of receipts over disbursements	237,710	(97,014)
Other financing sources, net	(99,209)	99,209
Excess of receipts and other financing sources over disbursements and other financing uses	138,501	2,195
Balances beginning of year	1,338,046	858,387
<b>Balances end of year</b>	<b>\$ 1,476,547</b>	<b>860,582</b>

See accompanying independent auditor's report.

Net	Budgeted Amounts Original	Budgeted Amounts Final	Final to Net Variance	Net as % of Final Budget
531,673	529,119	529,119	2,554	0%
205,281	205,376	205,376	(95)	-0%
186,583	153,683	159,159	27,424	17%
4,811	5,180	5,180	(369)	-7%
67,267	49,386	49,386	17,881	36%
222,619	237,388	237,388	(14,769)	-6%
717,328	688,830	703,830	13,498	2%
116,815	82,000	98,500	18,315	19%
<u>2,052,377</u>	<u>1,950,962</u>	<u>1,987,938</u>	<u>64,439</u>	<u>3%</u>
270,317	276,689	290,564	20,247	7%
195,663	249,125	273,125	77,462	28%
284,308	246,634	303,634	19,326	6%
155,188	140,309	153,309	(1,879)	-1%
209,282	208,883	208,883	(399)	-0%
796,923	681,943	811,643	14,720	2%
<u>1,911,681</u>	<u>1,803,583</u>	<u>2,041,158</u>	<u>129,477</u>	<u>6%</u>
140,696	147,379	(53,220)		
0	0	0		
140,696	147,379	(53,220)		
<u>2,196,433</u>	<u>1,911,052</u>	<u>1,911,052</u>		
<u>2,337,129</u>	<u>2,058,431</u>	<u>1,857,832</u>		

**CITY OF SUMNER**

**Other Supplementary Information**

City of Sumner

Schedule 1

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

As of and for the year ended June 30, 2008

	Capital Projects	Capital Projects	Permanent Cemetery Perpetual Care	Total
	Streetscape	Project Reach		
<b>Receipts:</b>				
Use of money and property	4,537	4,884	1,741	11,162
Miscellaneous	2,101	0	843	2,944
<b>Total receipts</b>	<b>6,638</b>	<b>4,884</b>	<b>2,584</b>	<b>14,106</b>
<b>Disbursements:</b>				
Culture & Recreation	0	0	829	829
<b>Total disbursements</b>	<b>0</b>	<b>0</b>	<b>829</b>	<b>829</b>
Excess (deficiency) of receipts over (under) disbursements	6,638	4,884	1,755	13,277
Operating transfers in (out), net	(29,304)	(10,000)	0	(39,304)
Net change in cash balances	(22,666)	(5,116)	1,755	(26,027)
Cash balances beginning of year	166,715	101,617	61,050	329,382
Cash balances end of year	144,049	96,501	62,805	303,355
<b>Cash Basis Fund Balances</b>				
Unreserved:				
Capital project fund	144,049	96,501	0	240,550
Permanent fund	0	0	62,805	62,805
<b>Total cash basis fund balances</b>	<b>144,049</b>	<b>96,501</b>	<b>62,805</b>	<b>303,355</b>

See accompanying independent auditor's report.

City of Sumner

Schedule 2

Statement of Indebtedness

Year ended June 30, 2008

	Sewer Revenue Bonds	General Obligation Bond Fire Station	General Obligation Bond Streetscape
Date of Issue	October 27, 2003	June 17, 2004	August 1, 2005
Interest Rates	3.25%	1.5 to 3.95%	3.5 to 4.3%
Amount Originally Issued	\$ 3,100,000	\$ 285,000	\$ 1,270,000
Balance Beginning of Year	2,557,233	195,000	1,090,000
Issued During Year	0	0	0
Redeemed During Year	126,000	30,000	130,000
Balance End of Year	2,431,233	165,000	960,000
Interest Paid	83,110	6,912	41,970
Fees Paid	0	400	400
Interest Due and Unpaid	6,585	501	3,108

See notes to financial statements.

Bond and Note Maturities  
June 30, 2008

Year Ending June 30,	Fire Station \$285,000 Issued June 17, 2004		Streetscape & Refunding \$1,270,000 Issued August 1, 2005		Total
	Interest Rates	Amount	Interest Rates	Amount	
2009	3.250%	30,000	3.600%	130,000	160,000
2010	3.550%	30,000	3.650%	135,000	165,000
2011	3.650%	35,000	3.750%	140,000	175,000
2012	3.750%	35,000	3.850%	145,000	180,000
2013	3.950%	35,000	3.950%	150,000	185,000
2014			4.100%	85,000	85,000
2015			4.200%	85,000	85,000
2016			4.300%	90,000	90,000
<b>Total</b>		<b>\$165,000</b>		<b>\$960,000</b>	<b>\$1,125,000</b>

Sewer Revenue Bonds \$3,100,000 Issued October 27, 2003		
Year Ending June 30,	Interest Rates	Amount
2008	3.250% A	126,000
2009	3.250%	130,000
2010	3.250%	134,000
2011	3.250%	138,000
2012	3.250%	142,000
2013	3.250%	146,000
2014	3.250%	151,000
2015	3.250%	155,000
2016	3.250%	160,000
2017	3.250%	164,000
2018	3.250%	169,000
2019	3.250%	175,000
2020	3.250%	180,000
2021	3.250%	185,000
2022	3.250%	191,000
2023	3.250%	196,000
2024	3.250%	15,233
<b>Total</b>		<b>\$2,557,233</b>

A - Interest rate of 3% plus a service fee of .25% for a total of 3.25%

See accompanying independent auditor's report.

## Schedule 4

Schedule of Receipts by Source and Disbursements by Function  
All Governmental Funds

For the Last Four Years ended June 30, 2008

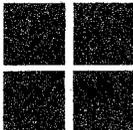
	2008	2007	2006	2005
Receipts:				
Property tax	\$ 531,673	581,249	571,683	524,802
Tax Increment Financing (TIF) receipts	205,281	104,111	32,267	146,895
Other city tax	186,583	162,488	146,654	176,797
Licenses and permits	4,811	5,081	6,920	5,379
Use of money and property	54,826	104,161	65,698	30,252
Intergovernmental	222,619	217,118	218,377	215,032
Charges for services	37,155	39,470	46,968	54,101
Bond proceeds	0	0	1,270,000	0
Miscellaneous	109,520	89,653	239,856	90,031
<b>Total receipts</b>	<b>\$ 1,352,468</b>	<b>1,303,331</b>	<b>2,598,423</b>	<b>1,243,289</b>
Disbursements:				
Operating:				
Public Safety	\$ 270,317	385,227	277,381	316,433
Public Works	195,663	207,944	234,852	256,823
Culture & Recreation	284,308	276,250	257,385	242,507
Community & Economic Development	0	0	0	4,401
General Government	155,188	130,564	159,763	169,339
Debt Service	209,282	209,408	633,691	419,263
Capital Projects	0	37,253	713,713	281,271
<b>Total disbursements</b>	<b>\$ 1,114,758</b>	<b>1,246,646</b>	<b>2,276,785</b>	<b>1,690,037</b>

See accompanying independent auditor's report.

**CITY OF SUMNER**

**CITY OF SUMNER**

**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**



# SHAFFER COMPANY, P.C.

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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:**

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the City of Sumner, as of and for the year ended June 30, 2008, which collectively comprise of the City's basic financial statements listed in the table of contents and have issued my report thereon dated March 19, 2009. 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 auditing standards generally accepted in the United States of America 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 Sumner's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the City of Sumner's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Sumner'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, including deficiencies I 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 Sumner'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 Sumner's financial statements that is more than inconsequential will not be prevented or detected by the City of Sumner's internal control. I consider the deficiencies in internal control described in Part II of the accompanying schedule of findings and responses 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 Sumner'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 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 reportable conditions described above, I believe item II-A-08 is a material weakness. Prior year reportable conditions have been resolved except for item II-A-08.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sumner's financial statements are free of material misstatements, I 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 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 Governmental Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the Accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 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 the statutes.

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

A special investigation of the City of Sumner was performed by my office and a report dated January 15, 2009 was issued covering the period July 1, 2007 through June 30, 2008 relating to undeposited collections. The special investigation also includes additional recommended control procedures. See Note 10 to the financial statements.

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 Sumner, and other parties to whom the City of Sumner 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 Sumner 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.

SHAFFER COMPANY, P.C.

*Shaffer Company, P.C.*

Sumner, Iowa

March 9, 2009

CITY OF SUMNER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

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

- (a) An unqualified opinion was 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) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose a non-compliance which is material to the financial statements.

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

**INSTANCES OF NON-COMPLIANCE:**

A special investigation of the City of Sumner was performed by my office and a report dated January 15, 2009 was issued covering the period July 1, 2007 through June 30, 2008 relating to undeposited collections. See Note 10 to the financial statements.

**REPORTABLE CONDITIONS:**

II-A-08 Segregation of duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all sometimes done by the same person.

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

Response - We will investigate this.

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

CITY OF SUMNER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

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

**REPORTABLE CONDITIONS, Continued:**

II-B-08 Utility Billings – Utility billings, collections and delinquent accounts should be reconciled on a monthly basis. The reconciliation should be reviewed by an independent person and traced to the general ledger.

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

Response – The City is developing a process to reconcile delinquent and collection accounts in order to address this issue.

Conclusion - Response accepted.

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

III-A-08 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2008.

III-B-08 Certified Budget - Disbursements during the year ended June 30, 2008, exceeded the amounts budgeted in the General Government and Debt Service functions. Chapter 384.18 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 - While the budget was amended once during the year, it should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

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

Conclusion - Response accepted.

III-C-08 Questionable Disbursements - No disbursements were noted 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.

CITY OF SUMNER  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2008

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

III-D-08 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-E-08 Business Transactions - Business transactions between the City and City officials or employees are summarized as follows:

Name, title, and business connection	Transaction description	Amount
Roger Burgart, Employee d/b/a Burgart Lawn Care	Spraying	\$7,275
David Meighan, Council Member d/b/a Meighan Drainage	Backhoe work	\$880
Gary Walke, Mayor d/b/a Sumner Recycling, LLC	Purchases	\$180
Mike Sattler	Lawn Care	\$300

The transactions above do not appear to represent conflicts of interest.

Competitive pricing was used for spraying with Burgart Lawn Care being the lower cost. This does not appear to represent a conflict of interest.

III-F-08 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-G-08 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

III-H-08 Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

CITY OF SUMNER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

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

III-I-08 Revenue Bonds and Notes - The City has complied with revenue bond and note resolutions.

III-J-08 Payment of General Obligation Bonds - The City properly paid for its general obligation bonds out of the Debt Service Fund.

III-K-08 Urban Renewal Tax Increment Fund - The Urban Renewal Tax Increment Fund (TIF) balance at June 30, 2008 is \$183,716 and appears to be an excessive amount.

Recommendation - The City should reduce future TIF Debt Certificate amounts to correct this overage.

Response - The City will implement a plan to reduce the cash balance of the TIF Fund on hand.

Conclusion - Response accepted.

III-L-08 Lack of Documentation on Skate Park Raffle - During the year, a committee held a raffle to raise money for the Skate Park. Raffle tickets were purchased, handed out, sold, and turned into the City to be deposited. While the general ledger show a cash deposit of \$2,096 for the sale of raffle tickets, there are no records to substantiate the activity.

Recommendation - The City should have controls in place to monitor the distribution of raffle tickets and the return of unsold raffle tickets and the cash from the sold tickets. These records should become part of the City's accounting records.

Response - The City will make sure committee chairpersons are aware of these rules in the future.

Conclusion - Response accepted.

This audit was performed by:

Roger L. Shaffer, C.P.A., Owner & Manager of the Firm

SHAFFER COMPANY, P.C.

A handwritten signature in black ink, appearing to read 'R. Shaffer', written over the printed name.

ROGER L. SHAFFER  
Certified Public Accountant