

CITY OF ESTHERVILLE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2008

Table of Contents

		<u>Page</u>
Officials		4
Independent Auditor’s Report		6-7
Management’s Discussion and Analysis		8-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	16
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	17
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	C	19
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	20
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	E	21
Notes to Financial Statements		22-31
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		33
Notes to Required Supplementary Information – Budgetary Reporting		34
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	36-37
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Proprietary Funds	2	38
Schedule of Indebtedness	3	39
Bond and Note Maturities	4	40
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	5	41

Table of Contents - Continued

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 <u>Government Auditing Standards</u>	43-45
Schedule of Findings	46-48

CITY OF ESTHERVILLE

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lyle Hevern	Mayor	January, 2010
Harold Sawyer	Mayor Pro Tem	January, 2012
Susan Nelson	Council Member	January, 2012
Harold Sawyer	Council Member	January, 2012
Richard Sidles	Council Member	January, 2010
Joseph Swisher	Council Member	January, 2010
Larry W. Anderson	Council Member	January, 2010
Loralee Donovan	Council Member	January, 2010
Gene Haukoos	Council Member	January, 2012
Steven D. Woodley	City Administrator	Indefinite
Vaughn Bua	City Clerk/Finance Director/Treasurer	January, 2010
Connie Hanson	Deputy City Clerk	January, 2010
Forsyth Law Office	Attorney	January, 2010

City of Estherville

Brinkman & Reed, CPA's

103 South Sixth Street Estherville, Iowa 51334 712-362-5891 Phone 712-362-7172 Fax

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Estherville, 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 Estherville's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our 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 Estherville 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.

Members of American Institute of Certified Public Accountants
Iowa Society of Certified Public Accountants

INVEST Financial Corporation (INVEST), member NASD, SIPC, a registered broker dealer and registered investment advisor, is not affiliated with Brinkman & Reed, CPA's. Securities, advisory services and insurance products are offered through INVEST and its affiliated insurance agencies.

In accordance with Government Auditing Standards, we have also issued our report dated September 9, 2008 on our consideration of the City of Estherville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 8 through 13 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Estherville's basic financial statements. We 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 (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 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Schedule 5, Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds, for the years ended June 30, 2004, 2003, 2002, and 2001 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and, accordingly, we express no opinion on it.

Brinkman + Reed, CPA's

Brinkman & Reed, CPA's

September 9, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements.

This is the fifth fiscal year the City has implemented new reporting standards with significant changes in content and structure. The City was required to comply with Government Standard Board Statement No. 34 (GASB-34), which mandated the changes. Theoretically, comparisons may be more meaningful and go further in explaining the City's financial position and results of operations.

2008 FINANCIAL HIGHLIGHTS

Expenditures during fiscal year 2008 did not exceed budgeted appropriation.

The City's total revenues exceeded total expenses by \$507,250 during fiscal year 2008. Income had exceeded expenses by \$347,583 during fiscal year 2007.

The City's total expenditures increased from \$10,250,397 in fiscal year 2007 to \$11,558,586 in fiscal year 2008. This is an increase of \$1,308,189 or 12.8%.

The City's total revenue increased from \$10,597,980 in fiscal year 2007 to \$12,065,836 in fiscal year 2008. This is an increase of \$1,467,856 or 13.9%.

The majority of the increase in revenue is the result of an electric rate increase which became effective in fiscal year 2008 and the majority of the increase in expense is related to the city's increased cost of purchased power.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as required by Governmental Accounting Standard Board Statement No. 34. The required information is:

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 non-major governmental and proprietary 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, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax, state assistance and grants finance most of these activities.
- Business Type Activities include the water, sanitary sewer, and electric systems. The airport operations is also included.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing Funds, 3) the Debt Service Fund, 4) the Capital Projects Funds 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 and for the Internal Service Funds. Enterprise Funds are used to report business type activities. The City maintains Enterprise Funds to provide separate information for the water, sewer, electric, and airport funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from one year ago, from \$4.599 million to \$5.127 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

	Change in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)	
	Year ended June 30,	
	2008	2007
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 688	\$ 638
Operating grants, contributions and restricted interest	646	656
Capital grants, contributions and restricted interest	133	23
General receipts:		
Property tax levied for:		
General purposes	1,724	1,720
Tax increment financing	207	280
Debt service	145	157
Hotel/Motel Tax	81	68
Unrestricted investment earnings	234	291
Miscellaneous	38	37
Loan Proceeds	268	0
Sale of Assets	4	2
Transfers, net	<u>1,209</u>	<u>1,082</u>
Total receipts and transfers	5,377	4,954
Disbursements:		
Public safety	1,455	1,066
Public works	1,473	1,606
Health and social services	5	6
Culture and recreation	601	730
Community and economic development	196	190
General government	804	836
Debt service	237	243
Capital projects	<u>78</u>	<u>30</u>
Total disbursements	4,849	4,707
Increase (decrease) in cash basis net assets	528	247
Cash basis net assets beginning of year	<u>4,599</u>	<u>4,352</u>
Cash basis net assets end of year	<u>\$ 5,127</u>	<u>\$ 4,599</u>

The City's cash balance for business type activities decreased from \$4.355 million one year ago to \$4.334 million at year-end. The analysis that follows focuses on changes in business type activities.

Change 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 service		
Water	\$1,098	\$ 1,179
Sewer rental	1,156	1,150
Electric	5,504	4,211
Electric emergency	0	11
Airport	54	53
Electric Aerial Service	1	6
General receipts:		
Unrestricted interest on investment	82	109
Miscellaneous	1	6
Sale of Assets	<u>2</u>	<u>0</u>
Total receipts	7,898	6,725
Disbursements and transfers:		
Water	1,030	1,150
Wastewater emergency	30	0
Sewer rental	1,094	862
Electric	4,469	3,408
Electric emergency	19	30
Airport	53	65
Electric Aerial Service	4	3
Enterprise equipment revolving	11	25
Transfers	<u>1,209</u>	<u>1,082</u>
Total disbursements and transfers	7,919	6,625
Increase (decrease) in cash basis net assets	(21)	100
Cash basis net assets beginning of year	<u>4,355</u>	<u>4,255</u>
Cash basis net assets end of year	<u>\$4,334</u>	<u>\$ 4,355</u>

To aid in the understanding of the Statement of Activities on page 16, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers and utility customers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

For the year ending June 30, 2008, governmental funds totaled \$5,127,048. This is an increase of \$528,083 from the June 30, 2007 balance of \$4,598,965.

A number of funds have been designated as major funds based on fund balance, revenues or expenditures. They include:

- The total General Fund cash balance increased \$153,468 from the prior year to \$1,722,240 on June 30, 2008. On June 30, 2007, the General Fund consisted of six balances. During the fiscal year the undesignated General Fund increased \$34,719 to \$1,002,264. The designated Parks & Recreation Revolving Fund decreased \$5,068 to \$33,395, the designated Equipment Revolving Fund increased \$113,132 to \$383,760, the designated Library - Sanborn Fund increased \$7,868 to \$238,451, the designated Library - Pearson Fund increased \$1,397 to \$51,990, and the designated Police Miscellaneous Fund increased \$1,420 to a \$12,380.
- The Road Use Tax Fund cash balance increased by \$271,473 to \$2,456,372 during the fiscal year. The City agreed to participate in the Iowa Department of Transportation (IDOT) 2005 construction projects on Highways #9 & #4. The City's share of the projects is estimated at approximately \$550,000. The IDOT has not submitted a billing to the City.
- Detailed information on the major governmental funds is shown on page 17.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

- The water fund cash balance decreased by \$143,648 to \$324,131 on June 30, 2008. The fund balance has declined by over \$320,000 in the last two fiscal years. A rate increase was approved after June 30, 2008.
- The water emergency fund increased by \$13,826 to \$514,705 on June 30, 2008.
- The wastewater fund cash balance decreased by \$102,460 to \$364,277 on June 30, 2008.
- The electric fund cash balance increased by \$160,010 to \$1,076,669 on June 30, 2008.
- The electric emergency fund cash balance decreased by \$26,554 to \$1,178,474 on June 30, 2008.
- During fiscal year 2008 the Equipment Revolving-Enterprise Fund met the criteria to be classified as a major fund. The fund balance on June 30, 2007, was \$423,244. The balance increased by \$103,431 to \$526,675 on June 30, 2008.
- Detailed information on the major business-type funds is shown on page 20.

BUDGETARY HIGHLIGHTS

On May 19, 2008, an amendment to the fiscal year 2008 budget was approved in the amount of \$191,100. The amendment provided additional funds for the purchase of a fire tanker truck through a lease-purchase agreement. A \$55,195 grant was received for purchase of fire equipment. The amendment authorized expending the grant funds and 5% local matching funds, a total expenditure of \$58,100. An additional \$15,000 was authorized for library personnel expense.

Total expenditures during the fiscal year did not exceed the authorized budget as amended.

DEBT ADMINISTRATION

On June 30, 2008, the City had \$1,275,000 in general obligation bonds/notes outstanding compared to \$1,425,000 last year.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City of Estherville's outstanding general obligation debt of \$1,275,000 is significantly below its constitutional debt limit of over \$9.2 million.

The balance of a loan for the purchase of a fire tanker truck decreased from \$86,720 on June 30, 2007, to \$71,601 on June 30, 2008.

On November 19, 2007, a lease-purchase agreement in the amount of \$268,000 was authorized for the purchase of a fire pumper truck. \$268,000 is the principal balance on June 30, 2008.

The total City debt on June 30, 2008, was \$1,614,601.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the upcoming fiscal year ending June 30, 2009, the City's budgeted expenditures are approximately \$1,850,000 larger than fiscal year 2008. The increase is necessary if three (3) grants are received and the state submits a bill for the city's share of improvements on the 2005 Highways #9 and #4 project. \$250,000 has also been budgeted for repair of generator unit #5 at the power plant. The total budget for fiscal year 2009 is approximately \$15,470,000. The budget includes a decline of \$1,875,000 in fund balances.

The property tax levy remains at \$16.50/\$1,000 of taxable valuation. The budgeted fund balance for the General Fund declines by \$350,000 during fiscal year 2009.

The City is appealing a number of conditions/requirements in the Iowa Department of Natural Resources' proposed Wastewater Treatment Discharge Permit. The proposed requirements would require extensive improvements at the Wastewater Treatment Plant and dramatically increase Sanitary Sewer Rates. The final conditions contained in the discharge permit is one of the most important economic issues the City will face in the next 10 years.

Additional engineering work will be performed regarding major improvements to the water plant in the next few years.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Vaughn Brua, City Clerk, 2 North 7th Street, Estherville, Iowa 51334 or telephone (712) 362-7771.

City of Estherville

Basic Financial Statements

CITY OF ESTHERVILLE
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2008

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Public safety	\$ 1,454,875	\$ 36,799	\$ 49,848	\$ 63,159	\$ (1,305,069)	\$ -	\$ (1,305,069)
Health and social services	1,473,098	542,055	570,237	61,932	(298,874)	-	(298,874)
Culture and recreation	4,923	-	-	-	(4,923)	-	(4,923)
Community and economic development	600,593	20,899	18,460	1,121	(560,113)	-	(560,113)
General government	195,775	-	7,500	-	(188,275)	-	(188,275)
Debt service	803,714	88,551	-	-	(715,163)	-	(715,163)
Capital projects	237,058	-	-	-	(237,058)	-	(237,058)
	78,194	-	-	6,652	(71,542)	-	(71,542)
Total governmental activities	4,948,230	688,304	646,045	132,864	(3,381,017)	-	(3,381,017)
Business type activities:							
Water	1,030,248	1,098,183	-	-	-	67,935	67,935
Wastewater	1,094,515	1,156,327	-	-	-	61,812	61,812
Wastewater emergency	30,246	-	-	-	-	(30,246)	(30,246)
Electric	4,468,918	5,503,822	-	-	-	1,034,904	1,034,904
Electric emergency	19,000	-	-	-	-	(19,000)	(19,000)
Airport	52,630	54,398	-	-	-	1,768	1,768
Electric aerial services	3,980	1,001	-	-	-	(2,979)	(2,979)
Enterprise equipment revolving	10,819	-	-	-	-	(10,819)	(10,819)
Total business type activities	6,710,356	7,813,731	-	-	(3,381,017)	1,103,375	(2,277,642)
General Receipts:							
Property tax levied for:							
General purposes							
Tax increment financing							
Debt service							
Hotel/Motel Tax							
Unrestricted interest on investments							
Loan Proceeds							
Miscellaneous							
Sale of capital assets							
Transfers							
Total general receipts and transfers							
Change in cash basis net assets							
Cash basis net assets beginning of year							
Cash basis net assets end of year							
Cash Basis Net Assets							
Restricted:							
Permanent fund:							
Expendable							
Nonexpendable							
Unrestricted							
Total cash basis net assets							
	\$ 44,122	\$ -	\$ -	\$ -	\$ 44,122	\$ -	\$ 44,122
	57,574	-	-	-	57,574	-	57,574
	5,025,352	4,333,957	-	-	9,359,309	-	9,359,309
	\$ 5,127,048	\$ 4,333,957	\$ -	\$ -	\$ 9,461,005	\$ -	\$ 9,461,005

See notes to financial statements.

CITY OF ESTHERVILLE
 Statement of Cash Receipts, Disbursements
 and Changes in Cash Balances
 Governmental Funds
 As of and for the year ended June 30, 2008

	Special Revenue			Total
	General	Road Use Tax	Nonmajor	
Receipts:				
Property tax	\$ 978,769	\$ -	\$ 862,360	\$ 1,841,129
Tax increment financing	-	-	206,847	206,847
Other city tax	96,914	-	11,428	108,342
Licenses and permits	80,157	-	-	80,157
Use of money and property	231,736	-	11,073	242,809
Intergovernmental	114,333	570,237	6,652	691,222
Charges for service	608,147	-	-	608,147
Special assessments	-	11,366	-	11,366
Miscellaneous	40,174	54,771	10,918	105,863
Total receipts	2,150,230	636,374	1,109,278	3,895,882
Disbursements:				
Operating:				
Public safety	1,200,469	-	254,406	1,454,875
Public works	957,029	364,901	151,168	1,473,098
Health and social services	4,923	-	-	4,923
Culture and recreation	489,043	-	111,550	600,593
Community and economic development	41,839	-	153,936	195,775
General government	652,751	-	150,963	803,714
Debt service	-	-	237,058	237,058
Capital projects	-	-	78,194	78,194
Total disbursements	3,346,054	364,901	1,137,275	4,848,230
Excess (deficiency) of receipts over (under) disbursements	(1,195,824)	271,473	(27,997)	(952,348)
Other financing sources (uses):				
Loan proceeds	268,000	-	-	268,000
Sale of capital assets	4,096	-	-	4,096
Operating transfers in	1,143,561	-	525,229	1,668,790
Operating transfers out	(66,365)	-	(393,300)	(459,665)
Total other financing sources (uses)	1,349,292	-	131,929	1,481,221
Net change in cash balances	153,468	271,473	103,932	528,873
Cash balances beginning of year	1,568,772	2,184,899	810,527	4,564,198
Cash balances end of year	\$ 1,722,240	\$ 2,456,372	\$ 914,459	\$ 5,093,071
Cash Basis Fund Balances				
Reserved:				
Debt Service	\$ -	\$ -	\$ 44,274	\$ 44,274
Permanent fund	-	-	57,574	57,574
Unreserved:				
General fund	1,722,240	-	-	1,722,240
Special revenue funds	-	2,456,372	794,786	3,251,158
Capital projects funds	-	-	(26,297)	(26,297)
Permanent fund	-	-	44,122	44,122
Total cash basis fund balances	\$ 1,722,240	\$ 2,456,372	\$ 914,459	\$ 5,093,071

See notes to financial statements.

City of Estherville

CITY OF ESTHERVILLE
Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds
As of and for the year ended June 30, 2008

Exhibit C

Total governmental funds cash balances (page 17) \$ 5,093,071

Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

The Garage Fund is used by management to account for costs associated with the City's use of vehicles. The assets of the Garage Fund are included in governmental activities in the Statement of Net Assets.

33,977

Cash basis net assets of governmental activities (page 16) \$ 5,127,048

Net change in governmental funds cash balances (page 17) \$ 528,873

Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

The Garage Fund is used by management to account for costs associated with the City's use of vehicles. The change in net assets of the Garage Fund is included in governmental activities in the Statement of Net Assets.

(790)

Change in cash balance of governmental activities (page 16) \$ 528,083

See notes to financial statements.

CITY OF ESTHERVILLE
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2008

Exhibit D

	Enterprise						Internal Service Funds	
	Water	Water Emergency	Wastewater	Electric	Electric Emergency	Equipment Revolving		Other Nonmajor Proprietary Funds
Operating receipts:								
Use of money and property	\$	\$	\$	\$	\$	\$	\$	\$
Charges for service	1,098,183	-	2,176	20	-	-	41,448	43,644
Miscellaneous	-	-	1,154,151	5,503,802	-	-	13,951	7,770,087
Total operating receipts	1,098,183	-	1,156,327	5,503,822	-	-	55,399	7,813,731
Operating disbursements:								
Governmental activities:								
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	-
Business type activities	1,030,248	-	1,094,515	4,488,918	19,000	10,819	86,856	6,710,356
Total operating disbursements	1,030,248	-	1,094,515	4,488,918	19,000	10,819	86,856	6,710,356
Excess (deficiency) of operating receipts over (under) operating disbursements	67,935	-	61,812	1,034,904	(19,000)	(10,819)	(31,457)	1,103,375
Non-operating receipts (disbursements):								
Interest on investments	-	13,826	-	26,845	33,009	-	8,789	82,469
Sale of capital asset	-	-	-	-	-	1,650	-	1,650
Non-program	-	-	-	-	-	-	-	(10,880)
Total non-operating receipts (disbursements)	-	13,826	-	26,845	33,009	1,650	8,789	84,119
Excess (deficiency) of receipts over (under) disbursements	67,935	13,826	61,812	1,061,749	14,009	(9,169)	(22,668)	1,187,494
Operating transfers in	-	-	-	10,000	43,045	112,600	5,000	170,645
Operating transfers out	(211,583)	-	(164,272)	(911,739)	(83,608)	-	(8,568)	(1,379,770)
Net change in cash balances	(143,648)	13,826	(102,460)	160,010	(26,554)	103,431	(26,236)	(21,631)
Cash balances beginning of year	467,779	500,879	466,737	916,659	1,205,029	423,244	358,060	4,338,387
Cash balances end of year	324,131	514,705	364,277	1,076,669	1,178,475	526,675	331,824	4,316,756
Cash Basis Fund Balances								
Unrestricted	\$ 324,131	\$ 514,705	\$ 364,277	\$ 1,076,669	\$ 1,178,475	\$ 526,675	\$ 331,824	\$ 4,316,756
Total cash basis fund balances	\$ 324,131	\$ 514,705	\$ 364,277	\$ 1,076,669	\$ 1,178,475	\$ 526,675	\$ 331,824	\$ 4,316,756

See notes to financial statements.

CITY OF ESTHERVILLE
 Reconciliation of the Statement of Cash
 Receipts, Disbursements and Changes in Cash Balances
 to the Statement of Activities and Net Assets -
 Proprietary Funds
 As of and for the year ended June 30, 2008

Exhibit E

Total enterprise funds cash balances (page 20) \$4,316,756

Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

The Garage Fund is used by management to account for costs associated with the City's use of vehicles. The assets of the Garage Fund are included in business type activities in the Statement of Net Assets. 17,340

The Computer Clearing Fund is used by management to record customer checks returned due to non-sufficient funds. The assets of the Computer Clearing Fund are included in business type activities in the Statement of Net Assets. (139)

Cash basis net assets of business type activities (page 16) \$4,333,957

Net change in enterprise funds cash balances (page 20) \$ (21,631)

Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

The Garage Fund is used by management to account for costs associated with the City's use of vehicles. The change in net assets of the Garage Fund is included in business type activities in the Statement of Net Assets. 790

The Computer Clearing Fund is used by management to record customer checks returned due to non-sufficient funds. The change in net assets of the Computer Clearing Fund is included in business type activities in the Statement of Net Assets. 8

Change in cash balance of business type activities (page 16) \$ (20,833)

See notes to financial statements.

CITY OF ESTHERVILLE
Notes to Financial Statements
June 30, 2008

(1) Summary of Significant Accounting Policies

The City of Estherville is a political subdivision of the State of Iowa located in Emmet County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides electric, water and sewer utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

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

B. Basis of Presentation

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

CITY OF ESTHERVILLE
Notes to Financial Statements – Continued
June 30, 2008

Government-wide Financial Statement – Continued

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 not meeting 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.

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 not paid from other funds.

Special Revenue:

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

CITY OF ESTHERVILLE
Notes to Financial Statements – Continued
June 30, 2008

Fund Financial Statements - Continued

The City reports the following major proprietary funds:

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

The Water Emergency Fund accounts for the accumulation of funds for expenditures for the City in case of a water emergency.

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

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

The Electric Emergency Fund accounts for the accumulation of funds for expenditures for the City in case of an electrical emergency.

The Enterprise Equipment Revolving Fund accounts for the accumulation of funds for capital equipment expenditures for the City's Enterprise funds.

The City also reports the following additional proprietary funds:

Internal Service:

The Garage Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

The Computer Clearing Fund is utilized to account for customer checks returned due to non-sufficient funds.

C. Measurement Focus and Basis of Accounting

The City of Estherville 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.

It is the City's policy to determine on a case by case basis whether to use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF ESTHERVILLE
Notes to Financial Statements – Continued
June 30, 2008

Measurement Focus and Basis of Accounting - Continued

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 did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks 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; 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.

At June 30, 2008, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
U. S. Treasury Note	<u>\$32,760</u>	<u>\$32,436</u>	September 2008
U. S. Treasury Note	<u>4,953</u>	<u>4,898</u>	November 2008
U. S. Treasury Note	<u>4,922</u>	<u>5,109</u>	March 2010
U. S. Treasury Note	<u>13,764</u>	<u>14,573</u>	February 2011

CITY OF ESTHERVILLE
Notes to Financial Statements – Continued
June 30, 2008

(2) Cash and Pooled Investments - Continued

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Notes Payable

Annual debt service requirements to maturity for general obligation notes are as follows:

<u>Year Ending June 30,</u>	<u>General Obligation Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2009	155,000	61,133
2010	165,000	54,528
2011	175,000	47,253
2012	180,000	39,315
2013	110,000	30,870
2014	115,000	25,370
2015	120,000	19,505
2016	125,000	13,325
2017	130,000	6,825
Totals	<u>\$1,275,000</u>	<u>\$298,124</u>

The note payable is for equipment purchased in 2005 and has a principal balance outstanding of \$71,601 at June 30, 2008. This note is payable in equal yearly installments of \$18,955 plus interest through the year ending June 30, 2013. The note interest rate is 4.5%.

The lease purchase is for equipment purchased in 2007 and has a principal balance outstanding of \$268,000 at June 30, 2008. The lease purchase is payable in equal yearly installments of \$33,524 plus interest through the year ending June 30, 2018. The lease interest rate is 4.29%.

(4) Pension and Retirement Benefits

IPERS

The City contributes to the Iowa Public Employees Retirements 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

CITY OF ESTHERVILLE
Notes to Financial Statements – Continued
June 30, 2008

IPERS – Continued

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. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate, except police employees who are covered by the Municipal Fire and Police Retirement System of Iowa (see below). Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$122,611, \$113,831, and \$105,143, respectively, equal to the required contributions for each year.

Municipal Fire and Police Retirement System of Iowa

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, Iowa 50266.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, cannot be less than 17% of earnable compensation. Contribution requirements are established by state statute. The City's contributions to the Plan for the years ended June 30, 2008, 2007, and 2006 were \$125,273, \$128,226, and \$129,872, respectively, which met the required contribution rate for each year.

(5) Contracts Receivable

The City has contracts receivable as follows:

<u>Entity / Project</u>	<u>Balance</u>	<u>Interest Rate / Security</u>
Loaned to Estherville Industrial Development Corporation:		
Medieval Glass	\$70,619	7.00%/ Real Estate – Building

The City has provided the funding for Tax Increment Financing (TIF) projects. The City will be repaid through the collection of real estate taxes which are generated by the

CITY OF ESTHERVILLE
Notes to Financial Statements – Continued
June 30, 2008

(5) Contracts Receivable – continued

projects funded. Outstanding receivables for TIF projects at June 30, 2008 are as follows:

<u>Project</u>	<u>Balance</u>	<u>Interest Rate / Security</u>
Hy-Vee	\$ 39,750	6.00 /Unsecured
Iowa Lakes Electric Cooperative	168,628	6.00 /Unsecured
WWTP Improvements	142,418	6.00 /Unsecured
Northern Bio Energy	7,002	6.00 /Unsecured
Medieval Glass	85,000	6.00 /Unsecured

(6) 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:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$127,164
Sick Leave	<u>471,699</u>
Total	<u>\$598,863</u>

This liability has been computed based on rates of pay in effect at June 30, 2008.

(7) Related Party Transactions

The City had business transactions between the City and City employees and officials totaling \$5,320 during the year ended June 30, 2008.

(8) Risk Management

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

CITY OF ESTHERVILLE
Notes to Financial Statements – Continued
June 30, 2008

(9) Lease

The City of Estherville entered into a twelve year operating lease agreement on May 31, 2001 with Estherville Housing, Inc. to lease office space. The lease amount is \$8,000 per year through June 30, 2004. The City's total rent expense for the year ending June 30, 2008 was \$8,320.

After June 30, 2004, the lease amount may be re-negotiated in three year intervals. The maximum increase in rent for any three year term shall not exceed twelve percent. The lease may be terminated by either party at any time upon three years written notice to the other party by registered mail or in person.

Future Minimum Rental Payments

<u>Year ending June 30,</u>	<u>Amount</u>
2009	8,320
2010	8,320
2011	8,320
2012	8,320
2013	<u>8,320</u>
Total	<u>\$41,600</u>

(10) Special Assessments Interest

The City of Estherville collects special assessments from property owners related to certain construction projects. Property owners may pay the assessment in full without interest by a certain date. Subsequently, annual payments are made which bear a stated interest rate.

(11) Joint Venture

On November 4, 1997, the City entered into a joint venture agreement pursuant to the provisions of Chapter 390 of the Code of Iowa with the Municipal Electric Utility of the City of Cedar Falls, Algona Municipal Utilities, the City of Ellsworth, Westfield Municipal Utilities, Montezuma Light and Power, and the City of Fonda.

This joint venture agreement is a collaborative effort of the parties above, the U.S. Department of Energy ("DOE"), and the Electric Power Research Institute ("EPRI") to develop, construct and operate a wind-powered electric generation facility (Iowa Distributed Wind Generation Project – "IDWGP"). The project is partially funded by a grant from EPRI consisting of 47.42% of construction and operating expenses for 1999 and 2000 funded by EPRI.

CITY OF ESTHERVILLE
Notes to Financial Statements – Continued
June 30, 2008

(11) Joint Venture – continued

The City of Estherville owns an 8% interest in the project. The energy produced by the IDWGP will be apportioned among the parties based on their percentages of ownership. Currently, Algona Municipal Utilities is purchasing the generated power at their avoided cost which has been determined to be \$.01517/KWH, effective January of 2005. It has not been determined how long this arrangement will continue.

The City receives 8% of the income and pays 8% of the expenses generated by IDWGP. Generally, expenses exceed income.

(12) Interest Paid

During the year ended June 30, 2008, interest paid by the City on bonds, notes and customer utility deposits totaled \$73,126.

(13) General Fund – Designated Balance

The City had designated part of the balance of the general fund for specific future uses. The balance which has been designated as Parks and Recreation Revolving is for funding future parks and recreation projects. The Equipment Revolving balance is for future purchases of equipment needed for the general fund. The Library - Pearson and Library - Sanborn are for library expenditures. The Forfeiture is for deterring criminal activity.

<u>Designated Balances at June 30, 2008</u>	<u>Amount</u>
Parks and Recreation Revolving	\$33,395
Library - Pearson	51,989
Library - Sanborn	238,451
Forfeiture	12,380
Equipment Revolving	<u>383,760</u>
Total Designated Balances	<u>\$719,975</u>

(14) Deficit Fund Balance

The Capital Projects Funds - Airport Hangar Construction had a deficit balance of \$26,297 at June 30, 2008. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit balance will be eliminated upon receipt of federal grants.

CITY OF ESTHERVILLE
Notes to Financial Statements - Continued
June 30, 2008

(15) Construction Commitment

The City has entered into a contract totaling \$541,403 for improvements made to Highways # 4 & # 9. As of June 30, 2008, costs of \$0 on the project have been paid. The balance remaining on the project at June 30, 2008 (\$541,403) will be paid when the City is billed for the work.

The City has entered into a contract totaling \$83,986 for water main improvements. As of June 30, 2008, costs of \$49,214 on the project have been paid. The balance remaining on the project at June 30, 2008 (\$34,772) will be paid as work on the project progresses.

The City has entered into a contract totaling \$73,345 for improvements to the street garage. As of June 30, 2008, costs of \$0 on the project have been paid. The balance remaining on the project at June 30, 2008 (\$73,345) will be paid as work on the project progresses.

The City has entered into a contract totaling \$56,544 for removal and replacement of curb and gutter. As of June 30, 2008, costs of \$53,717 on the project have been paid. The balance remaining on the project at June 30, 2008 (\$2,827) will be paid as work on the project progresses.

The City has entered into a contract totaling \$215,845 for resurfacing of city streets. As of June 30, 2008, costs of \$205,053 on the project have been paid. The balance remaining on the project at June 30, 2008 (\$10,792) will be paid as work on the project progresses.

The City has entered into a contract totaling \$26,974 for improvements to the streets. As of June 30, 2008, costs of \$0 on the project have been paid. The balance remaining on the project at June 30, 2008 (\$26,974) will be paid as work on the project progresses.

The City has entered into a contract totaling \$89,434 for removal and replacement of curb and gutter. As of June 30, 2008, costs of \$0 on the project have been paid. The balance remaining on the project at June 30, 2008 (\$89,434) will be paid as work on the project progresses.

(16) Interfund Transfers

The City had numerous interfund transfers during the year ended June 30, 2008. The transfers generally move resources from funds with available resources to those funds with expenses that need to be paid.

(17) Subsequent Events

The City Council approved a water rate increase after June 30, 2008. The rate increase will go into effect with the monthly billing on September 30, 2008.

Required Supplementary Information

CITY OF ESTHERVILLE
 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, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
					Original	Final	
Receipts:							
Property tax	\$ 1,841,129	\$ -	\$ -	\$ 1,841,129	\$ 1,845,747	\$ 1,845,747	\$ (4,618)
Tax increment financing	206,847	-	-	206,847	206,600	206,600	247
Other city tax	108,342	-	-	108,342	107,364	107,364	978
Licenses and permits	80,157	-	-	80,157	10,750	10,750	69,407
Use of money and property	242,809	126,113	-	368,922	367,815	367,815	1,107
Intergovernmental	691,222	-	-	691,222	1,527,833	1,583,028	(891,806)
Charges for service	608,147	8,084,895	314,808	8,378,234	7,140,745	7,140,745	1,237,489
Special assessments	11,366	-	-	11,366	11,337	11,337	29
Miscellaneous	105,863	10,888	10,888	105,863	96,150	96,150	9,713
Total receipts	3,895,882	8,221,896	325,696	11,792,082	11,314,341	11,369,536	422,546
Disbursements:							
Public safety	1,454,875	46,056	46,056	1,454,875	1,336,480	1,512,580	57,705
Public works	1,473,098	141,695	141,695	1,473,098	1,747,950	1,747,950	274,852
Health and social services	4,923	-	-	4,923	6,200	6,200	1,277
Culture and recreation	600,593	14,922	14,922	600,593	620,710	635,710	35,117
Community and economic development	195,775	-	-	195,775	606,900	606,900	411,125
General government	803,714	5,761	5,761	803,714	876,870	876,870	73,156
Debt service	237,058	-	-	237,058	238,058	238,058	1,000
Capital projects	78,194	-	-	78,194	655,550	655,550	577,356
Business type activities	-	6,816,730	106,374	6,710,356	7,526,239	7,526,239	815,883
Non-program	-	10,880	10,880	-	-	-	-
Total disbursements	4,848,230	7,036,044	325,688	11,558,586	13,614,957	13,806,057	2,247,471
Excess (deficiency) of receipts over (under) disbursements	(952,348)	1,185,852	8	233,496	(2,300,616)	(2,436,521)	2,670,017
Other financing sources, net	1,481,221	(1,209,125)	-	272,096	150,000	268,000	4,096
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	528,873	(23,273)	8	505,592	(2,150,616)	(2,168,521)	2,674,113
Balances beginning of year	4,564,198	4,389,557	108,744	8,845,011	7,732,832	7,732,832	1,112,179
Balances end of year	\$ 5,093,071	\$ 4,366,284	\$ 108,752	\$ 9,350,603	\$ 5,582,216	\$ 5,564,311	\$ 3,786,292

See accompanying independent auditor's report.

CITY OF ESTHERVILLE
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2008

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 nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Enterprise 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 \$191,100. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted in any function.

CITY OF ESTHERVILLE
 Schedule of Cash Receipts, Disbursements
 and Changes in Cash Balances
 Nominal Governmental Funds
 As of and for the year ended June 30, 2008

	Special Revenue										
	Group Insurance	Police Retirement	FICA & IPERS	Economic Development	Industrial Park TIF	Oakridge TIF	Subdivision Development	Morrell TIF	Hy-Vee TIF	Housing Rehab Grant	
Receipts:											
Property tax	\$ 462,546	\$ 128,787	\$ 127,953	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Increment financing	-	-	-	-	1,807	23,045	-	172,323	9,672	-	-
Other city tax	6,177	1,711	1,708	5,074	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-	1	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	3,418	-	-	-	-	-	-	7,500
Total receipts	468,723	130,498	129,661	8,492	1,807	23,045	1	172,323	9,672	7,500	
Disbursements:											
Operating:											
Public safety	122,742	125,273	6,391	-	-	-	-	-	-	-	-
Culture and recreation	108,581	-	42,587	-	-	-	-	-	-	-	-
Community and economic development	76,564	-	34,986	7,500	90,500	14,511	1,336	13,233	26,856	-	-
General government	92,985	-	57,978	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	400,872	125,273	141,942	7,500	90,500	14,511	1,336	13,233	26,856	-	
Excess (deficiency) of receipts over (under) disbursements	67,851	5,225	(12,281)	992	(88,693)	8,534	(1,335)	159,090	(17,184)	7,500	
Other financing sources (uses):											
Operating transfers in	-	-	-	173,801	90,500	83,608	1,388	13,233	26,856	-	-
Operating transfers out	-	-	-	(117,356)	(1,807)	(92,142)	-	(172,323)	(9,672)	-	-
Total other financing sources (uses)	-	-	-	56,445	88,693	(8,534)	1,388	(159,090)	17,184	-	-
Net change in cash balances	67,851	5,225	(12,281)	57,437	-	-	53	-	-	-	7,500
Cash balances beginning of year	185,332	37,742	57,489	388,409	-	-	29	-	-	-	-
Cash balances end of year	253,183	42,967	45,208	445,846	-	-	82	-	-	-	7,500
Cash Basis Fund Balances											
Reserved:											
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Permanent fund	-	-	-	-	-	-	-	-	-	-	-
Unreserved:											
Special revenue funds	253,183	42,967	45,208	445,846	-	-	82	-	-	-	7,500
Capital projects funds	-	-	-	-	-	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-	-	-	-	-	-
Total cash basis fund balances	253,183	42,967	45,208	445,846	-	-	82	-	-	-	7,500

See accompanying independent auditor's report.

CITY OF ESTHERVILLE
 Schedule of Cash Receipts, Disbursements
 and Changes in Cash Balances
 Nonmajor Governmental Funds
 As of and for the year ended June 30, 2008

	Capital Projects				Permanent		Total
	Debt Service	Parks & Recreation Construction	Airport Taxilane Construction	Airport Hangar Construction	Library Trust		
Receipts:							
Property tax	\$ 143,074	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 862,360
Tax increment financing	-	-	-	-	-	-	206,847
Other city tax	1,832	-	-	-	-	-	11,428
Use of money and property	2,171	-	-	-	-	3,827	11,073
Intergovernmental	-	-	6,652	-	-	-	6,652
Miscellaneous	-	-	-	-	-	-	10,918
Total receipts	147,077	-	6,652	-	-	3,827	1,109,278

Disbursements:							
Operating:							
Public safety	-	-	-	-	-	-	254,406
Public works	-	-	-	-	-	-	151,168
Culture and recreation	-	-	-	-	-	-	111,550
Community and economic development	-	-	-	-	-	-	153,936
General government	-	-	-	-	-	-	150,963
Debt service	237,058	-	-	-	-	-	237,058
Capital projects	-	45,978	4,719	27,497	-	-	78,194
Total disbursements	237,058	45,978	4,719	27,497	-	-	1,137,275
Excess (deficiency) of receipts over (under) disbursements	(89,981)	(45,978)	1,933	(27,497)		3,827	(27,997)

Other financing sources (uses):							
Operating transfers in	88,097	45,978	568	1,200	-	-	525,229
Operating transfers out	-	-	-	-	-	-	(393,300)
Total other financing sources (uses)	88,097	45,978	568	1,200	-	-	131,929
Net change in cash balances	(1,884)	-	2,501	(26,297)		3,827	103,932
Cash balances beginning of year	46,158	-	(2,501)	-		97,869	810,527
Cash balances end of year	\$ 44,274	\$ -	\$ -	\$ (26,297)		\$ 101,696	\$ 914,459

Cash Basis Fund Balances							
Reserved:							
Debt Service	\$ 44,274	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,274
Permanent fund	-	-	-	-	-	57,574	57,574
Unreserved:							
Special revenue funds	-	-	-	-	-	-	794,786
Capital projects funds	-	-	-	-	(26,297)	-	(26,297)
Permanent fund	-	-	-	-	-	44,122	44,122
Total cash basis fund balances	\$ 44,274	\$ -	\$ -	\$ (26,297)		\$ 101,696	\$ 914,459

See accompanying independent auditor's report.

CITY OF ESTHERVILLE
 Schedule of Cash Receipts, Disbursements
 and Changes in Cash Balances
 Nonmajor Proprietary Funds
 As of and for the year ended June 30, 2008

	Airport	Wastewater Emergency	Electric Aerial Service	Airport Revolving	Total
Operating receipts:					
Use of money and property	\$ 41,448	\$ -	\$ -	\$ -	\$ 41,448
Charges for service	12,950	-	1,001	-	13,951
Total operating receipts	54,398	-	1,001	-	55,399
Operating disbursements:					
Business type activities	52,630	30,246	3,980	-	86,856
Total operating disbursements	52,630	30,246	3,980	-	86,856
Excess (deficiency) of operating receipts over (under) operating disbursements	1,768	(30,246)	(2,979)	-	(31,457)
Non-operating receipts:					
Interest on investments	-	8,645	-	144	8,789
Total non-operating receipts	-	8,645	-	144	8,789
Excess (deficiency) of receipts over (under) disbursements	1,768	(21,601)	(2,979)	144	(22,668)
Operating transfers in	-	-	-	5,000	5,000
Operating transfers out	(8,568)	-	-	-	(8,568)
Net change in cash balances	(6,800)	(21,601)	(2,979)	5,144	(26,236)
Cash balances beginning of year	26,821	321,797	4,424	5,018	358,060
Cash balances end of year	\$ 20,021	\$ 300,196	\$ 1,445	\$ 10,162	\$ 331,824
Cash Basis Fund Balances					
Unrestricted	\$ 20,021	\$ 300,196	\$ 1,445	\$ 10,162	\$ 331,824
Total cash basis fund balances	\$ 20,021	\$ 300,196	\$ 1,445	\$ 10,162	\$ 331,824

See accompanying independent auditor's report.

CITY OF ESTHERVILLE
 Schedule of Indebtedness
 Year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation notes:									
Wastewater Treatment	June 1, 2002	2.75 - 5.25 %	1,465,000	1,075,000	-	85,000	990,000	52,795	-
Library	October 1, 2002	2.75 - 4.40 %	590,000	350,000	-	65,000	285,000	14,463	-
Total				\$ 1,425,000	-	150,000	1,275,000	67,258	-
Note Payable:									
Fire Truck	December 14, 2005	4.50 %	102,034	86,720	-	15,119	71,601	3,881	-
Lease Purchase:									
Fire Truck	December 21, 2007	4.29 %	268,000	-	268,000	-	268,000	-	-

See accompanying independent auditor's report.

CITY OF ESTHERVILLE
Bond and Note Maturities
June 30, 2008

Schedule 4

General Obligation Notes

Year Ending June 30,	Wastewater Treatment		Library		Total
	Issued June 1, 2002		Issued October 1, 2002		
	Interest Rates	Amount	Interest Rates	Amount	
2009	4.45	90,000	4.00	65,000	155,000
2010	4.60	95,000	4.15	70,000	165,000
2011	4.75	100,000	4.25	75,000	175,000
2012	4.90	105,000	4.40	75,000	180,000
2013	5.00	110,000	-	-	110,000
2014	5.10	115,000	-	-	115,000
2015	5.15	120,000	-	-	120,000
2016	5.20	125,000	-	-	125,000
2017	5.25	130,000	-	-	130,000
		<u>\$ 990,000</u>		<u>\$ 285,000</u>	<u>\$ 1,275,000</u>

Notes Payable

Year Ending June 30,	Fire Truck		Fire Truck	
	Issued December 14, 2005		Issued December 21, 2007	
	Interest Rates	Amount	Interest Rates	Amount
2009	4.50	15,725	4.29	22,022
2010	4.50	16,441	4.29	22,967
2011	4.50	17,181	4.29	23,952
2012	4.50	17,954	4.29	24,980
2013	4.50	4,300	4.29	26,053
2014	-	-	4.29	27,171
2015	-	-	4.29	28,337
2016	-	-	4.29	29,553
2017	-	-	4.29	30,821
2018	-	-	4.29	32,144
		<u>\$ 71,601</u>		<u>\$ 268,000</u>

See accompanying independent auditor's report.

CITY OF ESTHERVILLE
 Schedule of Receipts By Source and Disbursements By Function -
 All Governmental Funds
 For the Last Eight Years

	2008	2007	2006	2005	2004	2003	2002	2001
Receipts:								
Property tax	\$ 1,841,129	\$ 1,847,308	\$ 1,798,834	\$ 1,674,273	\$ 1,706,875	\$ 1,636,194	\$ 1,478,584	\$ 1,409,732
Tax increment financing	206,847	279,748	320,731	577,443	168,656	179,225	251,292	369,388
Other city tax	108,342	97,023	64,722	25,691	22,517	28,199	26,002	21,033
Licenses and permits	80,157	72,341	70,507	76,644	83,891	66,002	68,249	68,278
Use of money and permits	242,809	300,481	226,331	116,872	80,634	145,136	259,440	234,934
Intergovernmental	691,222	651,060	719,839	865,068	1,453,906	2,037,598	799,337	724,459
Charges for service	608,147	566,992	559,609	563,944	537,278	463,147	463,627	460,452
Special assessments	11,366	16,708	26,083	87,700	79,995	51,232	65,860	17,856
Miscellaneous	105,863	40,918	120,661	518,983	136,524	247,303	139,536	111,614
Total	\$ 3,895,882	\$ 3,872,579	\$ 3,907,317	\$ 4,506,618	\$ 4,270,276	\$ 4,854,036	\$ 3,551,927	\$ 3,417,746
Disbursements:								
Operating:								
Public safety	\$ 1,454,875	\$ 1,066,190	\$ 1,136,265	\$ 974,212	\$ 916,293	\$ 884,005	\$ 766,389	\$ 759,155
Public works	1,473,098	1,606,151	1,177,067	1,745,394	1,658,703	1,484,713	2,037,301	1,196,441
Health and social services	4,923	5,727	3,807	2,817	5,165	2,296	3,486	3,507
Culture and recreation	600,593	729,999	598,914	511,257	536,188	519,666	496,403	476,867
Community and economic development	195,775	190,272	288,216	187,524	212,978	1,442,675	127,166	174,140
General government	803,714	836,076	820,453	723,623	692,456	642,890	650,038	621,320
Debt service	237,058	242,925	343,096	226,495	580,835	1,023,149	218,751	221,299
Capital projects	78,194	29,749	471,702	200,947	1,214,255	567,381	1,085,754	245,941
Total	\$ 4,848,230	\$ 4,707,089	\$ 4,839,520	\$ 4,572,269	\$ 5,816,873	\$ 6,566,775	\$ 5,385,288	\$ 3,679,670

See accompanying independent auditor's report.

City of Estherville

Brinkman & Reed, CPA's

103 South Sixth Street Estherville, Iowa 51334 712-362-5891 Phone 712-362-7172 Fax

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Estherville, 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, and have issued our report thereon dated September 9, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

- 43 -

Members of American Institute of Certified Public Accountants
Iowa Society of Certified Public Accountants

INVEST Financial Corporation (INVEST), member NASD, SIPC, a registered broker dealer and registered investment advisor, is not affiliated with Brinkman & Reed, CPA's. Securities, advisory services and insurance products are offered through INVEST and its affiliated insurance agencies.

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 Estherville'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 Estherville's financial statements that is more than inconsequential will not be prevented or detected by the City of Estherville's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Estherville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

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 our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The

comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

In addition, we noted other matters involving the internal control and its operation that we have reported to management of the City of Estherville in a separate letter dated September 9, 2008.

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 Estherville and other parties to whom the City of Estherville may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Brinkman & Reed, CPA's

Brinkman & Reed, CPA's

September 9, 2008

CITY OF ESTHERVILLE
Schedule of Findings
Year ended June 30, 2008

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 a material weakness.
- c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF ESTHERVILLE
Schedule of Findings – Continued
Year Ended June 30, 2008

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-08 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that employees who handle cash receipts are also involved with the preparation of bank reconciliations. We also noted that one employee records sick leave and vacation, prepares and approves payroll input and prepares and distributes payroll checks.

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

Response – The City will make every effort to comply.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Part III: Other Findings Related to Statutory Reporting:

III-A-08 Certified Budget – City disbursements during the year ended June 30, 2008 did not exceed the amount budgeted.

III-B-08 Questionable Disbursements – No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

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

CITY OF ESTHERVILLE
 Schedule of Findings – Continued
 Year Ended June 30, 2008

MAY 21 11 17 AM '08

Part III: Other Findings Related to Statutory Reporting (Continued):

III-D-08 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Joe Swisher, City Council Member, Owner of Swisher, Inc.	Construction, per bid	\$3,018
Pete Redinius, Electric Dept Supervisor	Purchased used vehicles from the City	2,302

In accordance with Chapter 362.5(4) of the Code of Iowa, the transactions with the City Council Member and Electric Dept Supervisor do not appear to represent a conflict of interest since they were entered into through competitive bidding.

III-E-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 the coverage is adequate for current operations.

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

III-G-08 Deposit and Investments – We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy.

III-H-08 Financial Condition – The Capital Projects Fund - Airport Hangar Construction had a deficit balance at June 30, 2008 of \$26,297.

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

Response – The deficit was due to construction costs incurred prior to the receipt of a federal grant. The deficit will be subsequently eliminated.

Conclusion – Response accepted.

Brinkman & Reed, CPA's

103 South Sixth Street Estherville, Iowa 51334 712-362-5891 Phone 712-362-7172 Fax

September 9, 2008

City of Estherville
PO Box 417
Estherville, IA 51334

In planning and performing our audit of the financial statements of the City of Estherville as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered City of Estherville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Estherville's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Estherville's internal control.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding this matter. We previously reported on City of Estherville's internal control in our report dated September 9, 2008. This letter does not affect our report dated September 9, 2008, on the financial statements of City of Estherville.

City personnel occasionally use a signature stamp to sign checks when two authorized signers are not available to sign checks. There is no record kept to provide documentation of approval by the individual whose signature stamp is being used. This practice defeats the purpose of the requirement of dual signatures on checks which is put in place as a measure to prevent inappropriate or fraudulent disbursements from being paid. During last year's audit we provided a verbal recommendation that the City should keep a record of when the use of a signature stamp is authorized to sign checks. During this year's audit, we noted that the stamp is still being used. However, no authorization record is being kept. We recommend that a record is kept of when use of the signature stamp is authorized and the check numbers that the stamp is used on. We also recommend that the signer review the checks as they clear the bank statement to ensure that unauthorized checks are not being stamped. These procedures will reinforce the dual signature controls to prevent inappropriate or fraudulent disbursements.

Members of American Institute of Certified Public Accountants
Iowa Society of Certified Public Accountants

INVEST Financial Corporation (INVEST), member NASD, SIPC, a registered broker dealer and registered investment advisor, is not affiliated with Brinkman & Reed, CPA's. Securities, advisory services and insurance products are offered through INVEST and its affiliated insurance agencies.

We will review the status of this comment during our next audit engagement. We will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

Sincerely,

Brinkman + Reed, CPA's

Brinkman & Reed, CPA's