

CITY OF OELWEIN

INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS &  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

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CITY OF OELWEIN

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
<u>BEFORE JANUARY 2008</u>		
Larry Murphy	Mayor	January 2008
Duane Brandt	Mayor Pro Tem	January 2008
Mike Kerns	Council Member	January 2010
John Gosse	Council Member	January 2010
Gene Vine	Council Member	January 2008
Curt Solsma	Council Member	January 2008
Rex Ericson	Council Member	January 2010
Steven H. Kendall	City Administrator/Clerk/ Treasurer	Indefinite
Barb Rigdon	Deputy City Clerk/	Indefinite
Ronald VanVeldhuizen	Attorney	Indefinite
<u>AFTER JANUARY 2008</u>		
Larry Murphy	Mayor	January 2010
Duane Brandt	Mayor Pro Tem	January 2012
Mike Kerns	Council Member	January 2010
John Gosse	Council Member	January 2010
Paul Ryan	Council Member	January 2012
Rex Ericson	Council Member	January 2010
Gene Vine	Council Member	January 2012
(Resigned 2/08)		
Nathan Lein	Council Member	January 2012
(Elected 3/08 to replace Gene Vine)		
Steven H. Kendall	City Administrator/Clerk/ Treasurer	Indefinite
Barb Rigdon	Deputy City Clerk/	Indefinite
Ronald VanVeldhuizen	Attorney	Indefinite

James R. Ridihalgh, C.P.A.  
Gene L. Fuelling, C.P.A.  
Donald A. Snitker, C.P.A.

14 East Charles St. PO Box 639  
Oelwein, IA 50662  
(319)283-1173  
Fax (319)283-2799

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

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

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 Oelwein 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, we have also issued our reports dated December 2, 2008 on our consideration of the City of Oelwein's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of those reports is to describe the scope of our testing if 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. Those reports are 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 I through VII and 22 through 24 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We 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 Oelwein'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 (none of which are 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 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, 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.

*Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.*

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

December 2, 2008

# CITY OF OELWEIN

20 2<sup>nd</sup> Ave SW, Oelwein, IA 50662  
319-283-5440 Fax 319-283-4032

Larry Murphy, Mayor  
Duane Brandt, Mayor Pro Tem  
Mike Kerns, Council At-Large  
John Gosse, 2<sup>nd</sup> Ward Council  
Nathan Lein, 3<sup>rd</sup> Ward Council  
Rex Ericson, 4<sup>th</sup> Ward Council  
Paul Ryan, Council At-Large

Steven Kendall, City Administrator  
Barbara Rigson, Deputy City Clerk  
Ron Van Veldhuizen, City Attorney  
Jeremy Logan, Police Chief  
Wally Rundle, Fire Chief  
Victor Kane, Utilities Superintendent  
Tom Stewart, Street Superintendent  
Susan Macken, Librarian  
Durango Steggall, Park Superintendent

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Oelwein's financial performance provides an overview of the City's activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the City's financial statements that begin on page 4.

### FINANCIAL HIGHLIGHTS

The City's total expenses exceeded total revenues by \$824,592 for the year, resulting in a decrease in total net assets of approximately 18% over the previous year.

The City acting as the lead agency received a Homeland Security grant for the 15 county LEIN region, providing equipment, salaries and expenses in law enforcement.

A Brownfields grant in the amount of \$100,000 was awarded to the City to begin the process of acquiring and clearing hazardous waste sites which were previously identified during the assessment process.

Cities are required by statute to contribute to employee retirement plans. The City of Oelwein Police and Fire personnel participate in the Municipal Fire and Police Retirement System of Iowa (MFPRSI). MFPRSI employees contribute 9.35 percent of earnable compensation. Employer (City) contribution for this audit period (2007-2008) was 25.48% of compensation. The employer rate for FY 08-09 will be 18.75%.

Most other regular City employees are members of Iowa Public Employees Retirement System (IPERS). The City's portion of IPERS was 6.05 percent for regular employees. IPERS employees contribute 3.9% of earnable compensation.

Water rates were increased one dollar per month May 1, 2008. An additional increase in water rates will be necessary to fund major improvements to the system beginning in 2009.

The City contributed \$275,000 in Economic Development for the new RAMS building.

In November, 2007 the City pledged up to \$75,000 for soft costs for the first year of the spec building.

The City's General Fund ended the year with a fund balance of \$318,071. This is a decrease of \$164,702 (34%) since the close of last fiscal year. It is recommended the General Fund balance remain at least 25% of the General Fund budget. During this past fiscal year 25% of the General Fund budget was \$423,070. Therefore, the General Fund was \$104,999 below the recommended minimum figure.

## **USING THIS ANNUAL REPORT**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB Statement 34 was implemented in 2004 as a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report.

### **Report Components**

This annual report consists of the following parts:

#### **Financial Statements**

#### **Notes to the Financial Statements**

#### **Required Supplementary Information**

#### **Other Supplementary Information**

### **Basis of Accounting**

The City of Oelwein has elected to present its financial statements on a cash basis of accounting. A cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the City's cash basis, revenues and expenses are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. 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*

The Statement of Activities and Net Assets reports information which help express whether the City is better off than one year ago. 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:

- 1 – 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.
- 2 – Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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 two Enterprise Funds to provide separate information for the water and sewer 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 decreased from a year ago, from \$3,104,139 to \$2,314,730. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Receipts and transfers		
Program receipts:		
Charge for service	\$ 146	269
Operating grants and contributions	872	1,370
Capital grants and contributions	320	280
General receipts:		
Property tax	1,812	1,828
Local option sales tax	474	508
Tax Increment taxes	136	138
Investment Earnings	271	225
Other general receipts	599	640
Transfers, net	<u>101</u>	<u>407</u>
Total receipts and transfers	4,731	5,665
Disbursements:		
Public safety	1,507	1,508
Public works	642	546
Health and social services	19	15
Culture and recreation	674	596
Community and economic development	672	388
General government	250	249
Debt service	755	1,663
Capital projects	<u>1,002</u>	<u>3,335</u>
Total disbursements	5,521	8,300
Increase (decrease) in cash basis net assets	( 790)	(2,638)
Cash basis net assets beginning of year	<u>3,104</u>	<u>5,738</u>
Cash basis net assets end of year	<u>\$ 2,314</u>	<u>3,104</u>

The City's total receipts for governmental activities decreased by 16 %, or \$934,000. The total cost of all programs and services decreased by approximately \$2,779,000, or 33%. The significant decrease in disbursements was primarily the result of completion of capital projects and prior year bonded debt repayment.

Because the City is at the maximum General Fund rate allowed (8.10) employee benefits are paid from the Trust and Agency levy.

The cost of all governmental activities this year was \$5,520,992 compared to \$8,299,830 last year. However, as shown in the Statement of Activities and Net Assets on pages 5 and 6, the

amount taxpayers ultimately financed for these activities was approximately \$3,837,204. This was possible 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 totaling approximately \$1,683,788. Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2008 to \$4,731,585, from \$5,665,790 in 2007, as capital projects were completed using loan proceeds from prior years.

Changes in Cash Basis Net Assets of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2008	2007
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 521	488
Sewer	1,136	1,158
Landfill	217	220
Recycling	82	82
Williams Center	135	110
Fuel Fund	114	106
General receipts:		
Unrestricted interest on investments	51	17
Bond proceeds	190	1,975
Other general receipts	23	105
Total receipts	2,469	4,261
Disbursements:		
Water	506	647
Sewer	442	418
Landfill	220	222
Recycling	82	82
Fuel fund	135	103
Wellness Center	181	165
Capital Projects	230	1,714
Debt Service	618	592
Transfers	89	407
Total disbursements and transfers	2,503	4,350
Increase (decrease) in cash balance	( 34)	( 89)
Cash basis net assets beginning of year	1,366	1,455
Cash basis net assets end of year	\$1,332	1,366

Total business type activities receipts for the fiscal year were \$2,468,939 compared to \$4,259,718 last year. This decrease was due to completion of the new waste treatment plant. Therefore disbursements and transfers for the fiscal year decreased by \$1,865,000.

### Individual Major Governmental Fund Analysis

- As Oelwein completed the year, its governmental funds reported a combined

balance of \$2,314,730, a decrease of \$789,409 from last year's total of \$3,104,139. 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 decreased \$164,747 from the prior year to \$318,025.
- The Road Use Tax Fund cash balance decreased by \$112,966 to \$224,729 during the fiscal year. This was attributable to increased costs during fiscal year. The City uses R.U.T. money for maintenance of all City roads.
- The Debt Service Fund cash balance increased by \$111,294 to \$183,038 during the fiscal year.

**Individual Major Business Type Fund Analysis**

- The Water Fund cash balance decreased by \$14,298 to \$(-19,703).
- The Sewer Fund cash balance increased by \$489 to \$339,501.

**Budgetary Highlights**

The City amended its budget in May. This was necessary because of additional disbursements and receipts in certain City departments. The City had sufficient cash balances and grant funds to absorb these additional costs.

**Debt Administration**

At June 30, 2008 the City had approximately \$4,307,000 in general obligation bonds and \$8,768,000 in other long-term debt, compared to \$13,803,000 last year as shown below.

	Outstanding Debt at Year End (Expressed in Thousands)	
	June 30, 2008	2007
General obligation bonds	\$ 4,250	4,595
Urban renewal tax increment financing revenue bonds	57	84
<b>Total</b>	<b>\$ 4,307</b>	<b>4,679</b>
Sewer Revenue Notes	8,273	8,426
CEBA Loan Agreement	2	27
Economic Development Loan	143	143
Library Pledge Loan	350	528
<b>Total</b>	<b>\$ 13,075</b>	<b>13,803</b>

Debt decreased during the 2008 fiscal 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's outstanding general obligation debt of \$4,307,106 is below its constitutional debt limit of \$9,468,928.

### **Economic Factors and Next Year's Budget and Rates**

The City Council considered many factors when setting the fiscal year 2009 budget, tax rates and fees that will be charged for various City activities.

Large expenditures from the Economic Development Fund are budgeted for next fiscal year. The City Council has programmed to donate \$75,000 towards a Tech/Spec building and \$40,000 additional match following the \$85,000 contribution this fiscal year for a \$500,000 revolving loan fund grant.

The City will begin major water and sewer system upgrades during the next fiscal year.

### **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 Steven Kendall, City Treasurer, 20 Second Avenue SW, Oelwein, Iowa.

**FINANCIAL STATEMENTS**

## Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2008

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions / Programs:</b>				
Governmental activities:				
Public safety	\$ 1,506,802	69,047	264,262	-
Public works	641,866	176,662	575,429	79,125
Health and social services	19,092	-	-	-
Culture and recreation	673,792	173,364	203,485	3,830
Community and economic development	673,493	-	-	-
General government	250,274	-	-	-
Debt service	754,716	-	-	-
Capital projects	1,001,904	-	-	138,584
Enterprise	53	-	-	-
Total governmental activities	5,521,992	419,073	1,043,176	221,539
Business type activities:				
Water	487,519	521,221	-	-
Sewer	441,959	1,135,960	-	-
WWTP Improvements	230,359	-	-	-
Sewer Bond Sinking	618,163	-	-	-
Nonmajor business type funds	635,821	534,357	-	-
Total business type activities	2,413,821	2,191,538	-	-
Total	\$ 7,935,813	2,610,611	1,043,176	221,539

**General Receipts:**

Property tax levied for:  
 General purposes  
 Tax increment financing  
 Debt service  
 Local option sales tax  
 Hotel/Motel Tax  
 Unrestricted interest  
 Miscellaneous  
 SRF Loan Proceeds  
 Rents  
 Sale of property  
 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:  
 Debt service  
 Unrestricted

**Total cash basis net assets**

See notes to financial statements

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets

---

Governmental Activities	Business Type Activities	Total
(1,173,493)	-	(1,173,493)
189,350	-	189,350
(19,092)	-	(19,092)
(293,113)	-	(293,113)
(673,493)	-	(673,493)
(250,274)	-	(250,274)
(754,716)	-	(754,716)
(863,320)	-	(863,320)
(53)	-	(53)
(3,838,204)	-	(3,838,204)
-	33,702	33,702
-	694,001	694,001
-	(230,359)	(230,359)
-	(618,163)	(618,163)
-	(101,464)	(101,464)
-	(222,283)	(222,283)
(3,838,204)	(222,283)	(4,060,487)
1,350,774	-	1,350,774
136,547	-	136,547
461,592	-	461,592
449,935	-	449,935
24,069	-	24,069
109,093	50,839	159,932
248,934	36,925	285,859
-	189,637	189,637
165,559	-	165,559
11,989	-	11,989
90,930	(90,930)	-
3,049,422	186,471	3,235,893
(788,782)	(35,812)	(824,594)
3,104,139	1,365,662	4,469,801
\$ 2,315,357	1,329,850	3,645,207
\$ 923,522	91,603	1,015,125
1,391,835	1,238,247	2,630,082
\$ 2,315,357	1,329,850	3,645,207

City of Oelwein

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	Employee Benefits	Road Use Tax	Library Requests
<b>Receipts:</b>				
Property tax	\$ 869,993	451,787	-	-
Tax increment financing collections	-	-	-	-
Other city tax	-	-	-	-
Licenses and permits	72,053	-	-	-
Use of money and property	69,745	4,157	-	17,446
Intergovernmental	63,691	-	575,429	-
Special assessments	-	-	-	-
Charges for service	145,868	-	-	-
Miscellaneous	133,428	16,111	-	738
<b>Total receipts</b>	<b>1,354,778</b>	<b>472,055</b>	<b>575,429</b>	<b>18,184</b>
<b>Disbursements:</b>				
Operating:				
Public safety	853,659	399,030	-	-
Public works	65,419	25,644	550,803	-
Health and social services	-	-	-	-
Culture and recreation	550,549	114,912	-	8,331
Community and economic development	-	1,851	-	-
General government	194,989	55,285	-	-
Debt service	-	-	-	-
Capital projects	38,298	200	50,792	-
Enterprise	-	53	-	-
<b>Total disbursements</b>	<b>1,702,914</b>	<b>596,975</b>	<b>601,595</b>	<b>8,331</b>
<b>Excess of receipts over disbursements</b>	<b>(348,136)</b>	<b>(124,920)</b>	<b>(26,166)</b>	<b>9,853</b>
<b>Other financing sources (uses):</b>				
Sale of capital assets	11,989	-	-	-
Operating transfers in	211,840	-	-	-
Operating transfers out	(40,500)	-	(86,800)	-
<b>Total other financing sources (uses)</b>	<b>183,329</b>	<b>-</b>	<b>(86,800)</b>	<b>-</b>
<b>Net change in cash balances</b>	<b>(164,807)</b>	<b>(124,920)</b>	<b>(112,966)</b>	<b>9,853</b>
<b>Cash balances beginning of year</b>	<b>482,878</b>	<b>189,945</b>	<b>337,695</b>	<b>419,470</b>
<b>Cash balances end of year</b>	<b>\$ 318,071</b>	<b>65,025</b>	<b>224,729</b>	<b>429,323</b>
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ -	-	-	-
Unreserved				
General fund	318,071	-	-	-
Special revenue funds	-	65,025	224,729	429,323
Capital projects	-	-	-	-
Permanent fund	-	-	-	-
<b>Total cash basis fund balances</b>	<b>\$ 318,071</b>	<b>65,025</b>	<b>224,729</b>	<b>429,323</b>

See notes to financial statements

Capital Projects	Nonmajor Governmental Funds	Total
Economic Development		
-	490,586	1,812,366
1,608	134,939	136,547
-	474,004	474,004
-	-	72,053
134,956	44,783	271,087
-	552,441	1,191,561
-	131,537	131,537
-	-	145,868
23,664	221,327	395,268
160,228	2,049,617	4,630,291
-	254,113	1,506,802
-	-	641,866
-	19,092	19,092
-	-	673,792
624,099	47,543	673,493
-	-	250,274
-	754,716	754,716
-	912,614	1,001,904
-	-	53
624,099	1,988,078	5,521,992
(463,871)	61,539	(891,701)
-	-	11,989
375,297	498,994	1,086,131
(5,585)	(862,316)	(995,201)
369,712	(363,322)	102,919
(94,159)	(301,783)	(788,782)
498,734	1,175,417	3,104,139
404,575	873,634	2,315,357
-	190,540	190,540
-	-	318,071
-	295,417	1,014,494
404,575	137,753	542,328
-	249,924	249,924
404,575	873,634	2,315,357

City of Oelwein

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

**Total governmental funds cash balances (page 8)** \$ 2,315,357

The city does not have an internal service fund.  
Therefore there are no reconciling items.

-

**Cash basis net assets of governmental  
activities (page 8)**

\$ 2,315,357

**Net change in cash balances (page 8)**

\$ (788,782)

The city does not have an internal service fund.  
Therefore there are no reconciling items.

-

**Change in cash basis net assets of governmental  
activities (page 8)**

\$ (788,782)

See notes to financial statements

## City of Oelwein

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

As of and for the year ended June 30, 2008

	Enterprise Funds					Total
	Water	Sewer	WWTP Improvement	Sewer Bond Sinking	Nonmajor	
Operating receipts:						
Charges for service	480,763	1,126,574	-	-	534,357	2,141,694
Miscellaneous	40,458	9,386	-	-	-	49,844
Total operating receipts	521,221	1,135,960	-	-	534,357	2,191,538
Operating disbursements:						
Business type activities	487,519	441,959	230,359	21,227	635,821	1,816,885
Debt service:						
Principal	-	-	-	343,000	-	343,000
Interest	-	-	-	253,936	-	253,936
Total operating disbursements	487,519	441,959	230,359	618,163	635,821	2,413,821
Excess (deficiency) of operating receipts over (under) operating disbursements	33,702	694,001	(230,359)	(618,163)	(101,464)	(222,283)
Non-operating receipts (disbursements):						
SRF Loan	-	-	189,637	-	-	189,637
Interest on Investments	680	12,198	22,741	10,329	4,891	50,839
Miscellaneous	-	-	-	-	36,925	36,925
Total non-operating receipts (disbursements)	680	12,198	212,378	10,329	41,816	277,401
Excess (deficiency) of receipts over (under) disbursements	34,382	706,199	(17,981)	(607,834)	(59,648)	55,118
Operating transfers in	49,275	-	-	624,000	41,085	714,360
Operating transfers out	(99,580)	(705,710)	-	-	-	(805,290)
Net transfers	(50,305)	(705,710)	-	624,000	41,085	(90,930)
Net change in cash balances	(15,923)	489	(17,981)	16,166	(18,563)	(35,812)
Cash balances beginning of year	(5,405)	339,012	806,626	124,968	100,461	1,365,662
Cash balances end of year	\$ (21,328)	339,501	788,645	141,134	81,898	1,329,850
<b>Cash Basis Fund Balances</b>						
Reserved	\$ -	-	788,645	141,134	11,557	941,336
Unreserved	(21,328)	339,501	-	-	70,341	388,514
Total cash basis fund balances	\$ (21,328)	339,501	788,645	141,134	81,898	1,329,850

See notes to financial statements

City of Oelwein

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

<b>Total enterprise funds cash balances (page 10)</b>	\$ 1,329,850
The city does not have an internal service fund. Therefore there are no reconciling items.	<u>-</u>
<b>Cash basis net assets of business type activities (page 6)</b>	<u>\$ 1,329,850</u>
<b>Net change in cash balances (page 10)</b>	\$ (35,812)
The city does not have an internal service fund. Therefore there are no reconciling items.	<u>-</u>
<b>Change in cash basis net assets of business type activities (page 6)</b>	<u>\$ (35,812)</u>

See notes to financial statements

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2008

1. Summary of Significant Accounting Policies

The City of Oelwein is a political subdivision of the State of Iowa located in Fayette County. It was first incorporated in 1873 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 water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Oelwein 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: Fayette County's Assessor's Conference Board; Fayette County Homeland Security/Emergency Management Commission; Fayette County Compensation Board; Fayette County E911; the Fayette County Local Emergency Planning Committee; Fayette County Solid Waste Management Commission, Bremer County/City of Oelwein Law Enforcement Mutual Aid, Upper Explorerland Regional Planning Commission, Fayette County Firemen's Association, Buchanan County Firemen's Association, Iowa Firemen's Association, Iowa Fire Chief's Association, Iowa Arson Investigators Association, International Fire Chief's Association, Oelwein Chamber and Area Development, Northeast Iowa City Managers, Northeast Iowa Regional League, Iowa League of Cities, Iowa City Management Association, Iowa Water Pollution Control Association, Northeast Iowa Clerks Association, Iowa Municipal Finance Officers Association, Fayette County Library

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2008

Jointly Governed Organizations (continued)

Association, American Public Works Association, Iowa Chiefs of Police & Peace Officers Association; International Association of Chiefs of Police (IACP); Iowa Investigator Association; Iowa Crime Prevention Association; Governors Inoperability Board; Iowa Association of Municipal Utilities (IAMU); Iowa Rural Water Association; Iowa Municipal Workers Compensation Association (IMWCA); Trees Forever; National Arbor Day Foundation; Iowa Concrete Association; Iowa Asphalt Association, National Swimming Pool Association, Law Enforcement Intelligence Network, and Buchanan-Benton-Delaware-Fayette-Oelwein-Independence Law Enforcement Rural Area Interdiction Detail (RAID) Multi-Jurisdictional Narcotics Task Force.

B. Basis of Presentation

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

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2008

B. Basis of Presentation (continued)

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 that are not paid from other funds.

Special Revenue:

The Employee Benefits Fund is used to account for receipt of property tax allocated for employee benefits.

The Road Use Tax Funds is used to account for receipt and disbursements of Road Use Tax Funds from the State of Iowa.

The Library Bequest Fund is used to account for receipts and disbursements of funds bequested to the Library.

Capital Projects:

The Economic Development Fund is used to account for Community and Economic Development projects.

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 Waste Treatment Improvement Fund is used to account for the cost of the improvements being made to the Wastewater Treatment Plant.

The Sewer Bond Sinking Fund is used to account for payments on the sewer bond debt.

C. Measurement Focus and Basis of Accounting

The City of Oelwein 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

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2008

C. Measurement Focus and Basis of Accounting (continued)

not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in governmental activities - Public Works.

2. Cash and Pooled Investments

The City's deposits 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 evidence of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

The City had no investments at June 30, 2008.

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2008

3. Bonded Indebtedness

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

Year Ending June 30,	General Obligation Notes & Bonds		Urban Renewal Tax Increment Financing (TIF) Revenue Bond		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 350,000	140,020	27,212	4,416	354,000	248,340	731,212	392,776
2010	365,000	133,450	29,362	2,261	364,000	237,720	758,362	373,431
2011	295,000	125,520	532	306	375,000	226,800	670,532	352,626
2012	305,000	118,970	-	-	386,000	215,550	691,000	334,520
2013-2017	1,965,000	433,288	-	-	2,113,000	896,820	4,078,000	1,330,108
2018-2022	970,000	62,758	-	-	2,449,000	560,310	3,419,000	623,068
2022-2026	-	-	-	-	2,232,000	161,460	2,232,000	161,460
Tot.	\$4,250,000	1,014,006	57,106	6,983	8,273,000	2,547,000	12,580,106	3,567,989

On December 23, 1998, the City issued \$221,000 in Urban Renewal Tax Increment Revenue Bond with Union Planters Bank of Oelwein, Iowa. Interest rate is 6.25%. Interest only to be paid December 1, 1999 and June 1, 2000. Thereafter, semi-annual installments of principal and interest of \$15,845 on December 1 and June 1 until paid. Bond was issued to defray a portion of the costs of carrying out an urban renewal project in the Oelwein Industrial Park Urban Renewal Area of the City, consisting of an economic development grant to Bertch Cabinet Mfg, Inc. This note had a June 30, 2008 balance of \$57,106. The City reserves the right to call and prepay any principal amount of this Bond at any time.

General Corporate Purpose Loan Agreement dated May 28, 2003. The loan matures on June 1 of each year, starting June 1, 2004, and interest is paid semiannually, commencing December 1, 2003. Interest rates are from 1.50% to 4.00%. The notes maturing in each of the years 2011 to 2014, inclusive, are subject to redemption prior to maturity at the times and on the terms specified in the notes.

Essential Corporate Purpose Loan Agreement dated May 28, 2003. The loan agreement matures on June 1 of each year, starting June 1, 2004, and interest is paid semiannually, commencing December 1, 2003. Interest rates are from 1.50% to 4.00%. The notes maturing in each of the years 2011 to 2014, inclusive, are subject to redemption prior to maturity at the times and on the terms specified in the notes. The combined General Corporate Purpose Loan and the Essential Corporate Purpose Loan had a combined balance of \$640,000 at June 30, 2008.

On November 30, 2005, the City issued \$3,995,000 in General Obligation Corporate Purpose and Refunding Bonds, Series 2005A. The loan matures on June 1 of each year, starting June 1, 2006. Interest is payable June 1, 2006 and semiannually thereafter on the first day of June and December of each year. Principal is payable June 1, 2006 and annually thereafter on the first day of June each year. The City has the right to repay part or all of the Bonds, maturing in the years 2014 to 2019. Prior to and in any

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2008

3. Bonded Indebtedness (continued)

order of maturity on June 1, 2012 or any date thereafter upon the terms of par and accrued interest in order to establish a Municipal Sanitary Sewer System, the City has entered into a Loan and disbursement Agreement with Iowa Finance Authority not to exceed \$8,954,000. Sewer Revenue Bonds will be issued in evidence of the obligation at the rate of 3% per annum. The City borrowed \$189,637 during the year ended June 30, 2008, of which the federal share was \$104,085. As of June 30, 2008 the City had borrowed \$8,949,000. Interest is payable each December 1 and June 1, with the first interest payment due December 1, 2005. During fiscal year ended June 30, 2008, the City paid \$343,000 in principal and \$253,936 in interest on this debt. Since the full amount has not been borrowed a final payment schedule had not been determined. The city will establish a Sewer Revenue Bond Sinking Fund, from which will be paid the principal and interest on this debt. The Bonds are not general obligations of the City, and thus not payable in any manner by taxation. The Bonds are subject to optional redemption by the City at a price of par plus accrued interest on any interest payment date after the ten year anniversary of the Agreement. Any optional redemption may be made from any funds regardless of source.

4. Other Notes Payable

There is a note payable to Fidelity Bank of Oelwein, Iowa with a balance of \$350,000. Original amount \$700,000. Original date May 18, 2006. Interest rate 4%. Due date June 1, 2010. Purpose of the loan was the new library.

There is a line of credit for \$600,000 with Fidelity Bank of Oelwein, Iowa with an outstanding balance of \$143,191. Original date January 9, 2004. Interest rate 4.5%. Due date January 9, 2009. Purpose of the note was for the maintenance of the Donaldson Building.

5. Pension and Retirement Benefits

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, which are 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, 2836 104th St., Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate may not be less than 17%, actual was 25.48%, of earnable compensation. Contribution requirements are established by State statute. The City's contribution to the Plan for the years ended

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2008

5. Pension and Retirement Benefits (continued)

June 30, 2008, 2007 and 2006 were 134,627, \$140,069, and \$100,961 respectively, which met the required minimum contribution for each year.

Other City Employees - 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 salary and the City is required to contribute 6.05% of covered salary.

Certain employees in special risk occupations contribute an actuarially determined contribution rate. Contributions requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$66,890, \$61,535, and \$60,065 respectively, equal to the required contributions for each year.

6. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for employee vacation hours is \$74,555. This liability has been computed based on rates of pay in effect at June 30, 2008.

Sick leave hours are accumulated for subsequent use. Sick leave is not payable upon termination, retirement or death. These accumulations are not recognized as expenditures by the City, until used or paid.

7. Related Party Transactions

No business between the City and City officials was noted for the year ended June 30, 2008.

8. Landfill Contract

The City has contracted with Fayette County Solid Waste Management Commission for solid waste disposal for all household residences within the City. For the year ended June 30, 2008, \$300,137 was paid pursuant to the agreement.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2008

9. Deficit Fund Balances

Capital Project Funds - Downtown Betterment and Brownsfield Grant, Special Revenue Fund Lein3-03 and Proprietary Funds Water, Williams Center and Fuel had deficit balances at June 30, 2008, which the City considers temporary in nature.

10. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfers to	Transfers from	Amount
General	Special Revenue:	
	Local Option Tax	\$ 135,200
	Road Use Tax	14,000
	Emergency	28,994
	James TIF	5,646
	Enterprise:	
	Water	14,000
	Sewer	<u>14,000</u>
		<u>211,840</u>
Special Revenue:	Enterprise:	
Municipal Trust	Water	<u>28,994</u>
Debt Service:	Debt Service:	
Debt Service	Special Assessments	18,266
	Special Revenue:	
	Road Use Tax	25,800
	Enterprise:	
	Water	55,700
	Sewer	<u>67,710</u>
		<u>167,476</u>
Capital Projects:	Special Revenue:	
Economic Development	Local Option Tax	315,400
	Capital Projects:	
	Library Construction	<u>59,897</u>
		<u>375,297</u>
CDBG Housing	Capital Projects:	
	Economic Development	<u>5,000</u>
Downtown Betterment	Debt Service:	
	Special Assessments	<u>115,710</u>
Trails-Platts	Capital Projects:	
	Trails	<u>133,693</u>
City Park Shelter	Capital Projects:	
	Sports Complex	<u>235</u>
7 <sup>th</sup> Street SE	Special Revenue:	

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2008

10. Interfund Transfers (continued)

	Road Use Tax	<u>47,000</u>
Enterprise:		
Water	Special Revenue:	
	Industrial Park TIF	<u>49,275</u>
Housing Authority	Capital Projects:	
	Economic Development	<u>585</u>
Williams	General:	
	General	<u>38,000</u>
Sewer Bond Sinking	Enterprise:	
	Sewer	<u>624,000</u>
Williams Reserve	General:	
	General	<u>2,500</u>
		<u>\$1,800,492</u>

11. Risk Management

The City of Oelwein 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.

12. CEBA Grant

On April 18, 2002 the City was awarded \$234,000 from the Iowa Department of Economics Development (IDED) under the Community Economic Betterment Account (CEBA) program for the benefit of Transco. The award consisted of a loan for \$117,000 with interest at 0% for five years, and a forgivable loan portion for \$117,000. The City has entered into a similar loan/forgivable loan agreement with Transco.

The funds were received by the City in June of 2003. The City transferred this money to Transco. Payments on the \$117,000 loan are \$1,950 per month, to be received from Transco and then remitted to IDED beginning September 1, 2003. Per letter dated June 23, 2003 IDED has requested that Transco make payments directly to IDED.

The balance of this forgivable loan at June 30, 2008 was \$1,950. The loan was paid off in July 2008.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2008

13. Gift of Donaldson Property

On July 1, 2003 the Donaldson Corporation gifted the property at 301 5<sup>th</sup> Ave SW to the City.

On January 9, 2004 the City secured a revolving line of credit for \$600,000 from the First National Bank of Oelwein, Iowa for the purpose of paying the expenses of the Donaldson property. It is the intention of the City to sell the building and then to pay off the revolving loan. The loan matures January 9, 2009. Interest rate is Wall Street Journal Prime minus .50%. Interest rate at June 30, 2008 was 7.75%. The loan is secured by property at 301 5<sup>th</sup> Ave SW, Oelwein, Iowa. The balance of the loan at June 30, 2008 was \$143,191.

14. Intermediary Relending Program Loan Agreement (IRP)

In April 2008, the City entered into a loan agreement with the United States Department of Agriculture (U.S.D.A.) for \$500,000 at 1% on the funds as they are dispersed. The loan is a thirty year loan starting April 25, 2008.

In order to receive this loan the City had to commit 25% of the loan (\$125,000) to the I.R.P.

The I.R.P. is to be used for any project which will create permanent employment diversification of the local economy or increase to the local tax base of the City of Oelwein.

One loan for \$85,000 was made during year ended June 30, 2008. The loan was made with the City's share of I.R.P. since funds from U.S.D.A. had not been received as of June 30, 2008.

15. Litigation

The City has been notified of six potential claims. The City has insurance coverage which will provide cost of defense and coverage for any established loss or judgment.

16. Subsequent Events

No subsequent events were noted that we believe need to be noted.

City of Oelwein  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements and Changes in Balances-  
 Budgetary Comparison Schedule  
 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
<b>Receipts:</b>			
Property tax	\$ 1,812,366	-	-
Tax increment financing collections	136,547	-	-
Other city tax	474,004	-	-
Licenses and permits	72,053	-	-
Use of money and property	271,087	50,839	-
Intergovernmental	1,191,561	-	-
Charges for services	145,868	2,141,694	-
Special assessments	131,537	-	-
Miscellaneous	395,268	49,844	-
<b>Total Receipts</b>	<b>4,630,291</b>	<b>2,242,377</b>	<b>-</b>
<b>Disbursements:</b>			
Public Safety	1,506,802	-	-
Public Works	641,866	-	-
Health and Social Services	19,092	-	-
Culture and Recreation	673,792	-	-
Community and Economic Development	673,493	-	-
General Government	250,274	-	-
Debt Service	754,716	-	-
Capital Projects	1,001,904	-	-
Business type activities	53	2,413,821	-
<b>Total Disbursements</b>	<b>5,521,992</b>	<b>2,413,821</b>	<b>-</b>
Excess (deficiency) of receipts over (under) disbursements	(891,701)	(171,444)	-
Other financing sources (uses):	102,919	135,632	-
<b>Net</b>	<b>(788,782)</b>	<b>(35,812)</b>	<b>-</b>
Balance, beginning of year	3,104,139	1,365,662	-
<b>Balance, end of year</b>	<b>\$ 2,315,357</b>	<b>1,329,850</b>	<b>-</b>

See accompanying independent auditor's report

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
1,812,366	1,742,166	1,742,166	70,200
136,547	140,625	140,625	(4,078)
474,004	552,843	578,843	(104,839)
72,053	48,620	48,620	23,433
321,926	125,569	154,169	167,757
1,191,561	1,776,940	1,939,240	(747,679)
2,287,562	2,417,690	2,417,690	(130,128)
131,537	51,600	130,200	1,337
445,112	275,945	418,890	26,222
<u>6,872,668</u>	<u>7,131,998</u>	<u>7,570,443</u>	<u>(697,775)</u>
1,506,802	1,471,628	1,623,828	117,026
641,866	565,549	608,901	(32,965)
19,092	17,520	19,520	428
673,792	697,521	724,616	50,824
673,493	843,770	931,836	258,343
250,274	337,905	337,905	87,631
754,716	1,855,043	1,855,043	1,100,327
1,001,904	1,497,805	1,879,159	877,255
2,413,874	3,329,835	3,613,860	1,199,986
<u>7,935,813</u>	<u>10,616,576</u>	<u>11,594,668</u>	<u>3,658,855</u>
(1,063,145)	(3,484,578)	(4,024,225)	2,961,080
238,551	1,115,000	1,115,000	(876,449)
(824,594)	(2,369,578)	(2,909,225)	2,084,631
4,469,801	5,585,549	5,585,549	(1,115,748)
<u>3,645,207</u>	<u>3,215,971</u>	<u>2,676,324</u>	<u>968,883</u>

City of Oelwein

Notes to Required Supplementary Information-Budgetary Reporting

June 30, 2008

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year the budget amendment increased budgeted disbursements by \$978,092. The budget amendment is reflected in the final budgeted amounts.

REQUIRED SUPPLEMENTAL INFORMATION

## City of Oelwein

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

As of and for the year ended June 30, 2008

	Special Revenue	Capital Projects	Debt Service		Permanant Cemetary Perpetual Care	TOTAL
			Debt Service	Special Assessments		
<b>Receipts:</b>						
Property tax	\$ 28,994	-	461,592	-	-	490,586
TIF Collections	134,939	-	-	-	-	134,939
Other city tax	474,004	-	-	-	-	474,004
Use of money and property	15,418	21,088	6,074	2,203	-	44,783
Intergovernmental	232,634	319,807	-	-	-	552,441
Special assessments	-	-	-	131,537	-	131,537
Charges for services	-	-	-	-	-	-
Miscellaneous	38,547	176,324	-	-	6,456	221,327
<b>Total receipts</b>	<b>924,536</b>	<b>517,219</b>	<b>467,666</b>	<b>133,740</b>	<b>6,456</b>	<b>2,049,617</b>
<b>Disbursements:</b>						
<b>Operating:</b>						
Public safety	254,113	-	-	-	-	254,113
Public works	-	-	-	-	-	-
Health & Social Services	19,092	-	-	-	-	19,092
Culture and recreation	-	-	-	-	-	-
Community and economic devel.	47,543	-	-	-	-	47,543
General government	-	-	-	-	-	-
Debt service	31,690	199,178	523,848	-	-	754,716
Capital projects	-	912,614	-	-	-	912,614
Enterprise	-	-	-	-	-	-
<b>Total disbursements</b>	<b>352,438</b>	<b>1,111,792</b>	<b>523,848</b>	<b>-</b>	<b>-</b>	<b>1,968,078</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>572,098</b>	<b>(594,573)</b>	<b>(56,182)</b>	<b>133,740</b>	<b>6,456</b>	<b>61,539</b>
<b>Other financing sources:</b>						
Operating transfers in	29,880	301,638	167,476	-	-	498,994
Operating transfers out	(534,515)	(193,825)	-	(133,976)	-	(862,316)
<b>Net change in cash balances</b>	<b>67,463</b>	<b>(486,760)</b>	<b>111,294</b>	<b>(236)</b>	<b>6,456</b>	<b>(301,783)</b>
Cash balances beginning of year	227,954	624,513	71,639	7,843	243,468	1,175,417
Cash balances end of year	\$ 295,417	137,753	182,933	7,607	249,924	873,634
<b>Cash Basis Fund Balances</b>						
Reserved for debt service	\$ -	-	182,933	7,607	-	190,540
<b>Unreserved:</b>						
Special revenue	295,417	-	-	-	-	295,417
Capital projects fund	-	137,753	-	-	-	137,753
Permanent Fund	-	-	-	-	249,924	249,924
<b>Total cash basis fund balances</b>	<b>\$ 295,417</b>	<b>137,753</b>	<b>182,933</b>	<b>7,607</b>	<b>249,924</b>	<b>873,634</b>

See accompanying independent auditor's report

City of Oelwein

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

As of and for the year ended June 30, 2008

	Lein3-03	DARE	Flex Spending	Motel/ Hotel Tax	Sales Tax
<b>Receipts:</b>					
Property tax	\$ -	-	-	-	-
Tax increemnt financing	-	-	-	-	-
Other city tax	-	-	-	24,069	449,935
Use of money and property	-	-	-	114	4,418
Intergovernmental	232,634	-	-	-	-
Miscellaneous	-	5,332	19,684	-	-
<b>Total receipts</b>	<b>232,634</b>	<b>5,332</b>	<b>19,684</b>	<b>24,183</b>	<b>454,353</b>
<b>Disbursements:</b>					
<b>Operating:</b>					
Public safety	240,365	4,326	-	-	-
Public works	-	-	-	-	-
Health & Social Service	-	-	19,092	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	-	-	-	-	-
General government	-	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
<b>Total disbursements</b>	<b>240,365</b>	<b>4,326</b>	<b>19,092</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>(7,731)</b>	<b>1,006</b>	<b>592</b>	<b>24,183</b>	<b>454,353</b>
<b>Other financing sources:</b>					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	(450,600)
<b>Net change in cash balances</b>	<b>(7,731)</b>	<b>1,006</b>	<b>592</b>	<b>24,183</b>	<b>3,753</b>
<b>Cash balances beginning of year</b>	<b>3,494</b>	<b>9,400</b>	<b>911</b>	<b>-</b>	<b>(29)</b>
<b>Cash balances end of year</b>	<b>\$ (4,237)</b>	<b>10,406</b>	<b>1,503</b>	<b>24,183</b>	<b>3,724</b>
<b>Cash Basis Fund Balances</b>					
<b>Unreserved:</b>					
Special revenue funds	\$ (4,237)	10,406	1,503	24,183	3,724
<b>Total cash basis fund balances</b>	<b>\$ (4,237)</b>	<b>10,406</b>	<b>1,503</b>	<b>24,183</b>	<b>3,724</b>

Emergency	Municipal Trust	Forfitted Assets	Industrial			Total
			Park TIF	Bertch TIF	James Dev TIF	
28,994	-	-	-	-	-	28,994
-	-	-	50,713	31,400	52,826	134,939
-	-	-	-	-	-	474,004
-	10,029	-	180	314	363	15,418
-	-	-	-	-	-	232,634
-	-	13,531	-	-	-	38,547
28,994	10,029	13,531	50,893	31,714	53,189	924,536
-	-	9,422	-	-	-	254,113
-	-	-	-	-	-	-
-	-	-	-	-	-	19,092
-	-	-	-	-	-	-
-	-	-	-	-	47,543	47,543
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	31,690	-	31,690
-	-	-	-	-	-	-
-	-	9,422	-	31,690	47,543	352,438
28,994	10,029	4,109	50,893	24	5,646	572,098
-	29,880	-	-	-	-	29,880
(28,994)	-	-	(49,275)	-	(5,646)	(534,515)
-	39,909	4,109	1,618	24	-	67,463
-	213,123	2,377	(1,618)	296	-	227,954
-	253,032	6,486	-	320	-	295,417
-	253,032	6,486	-	320	-	295,417
-	253,032	6,486	-	320	-	295,417

City of Oelwein

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

As of and for the year ended June 30, 2008

	Housing Grant	Airport Grants	Capital Equipment	TRAILS	Downtown Betterment	City Park Shelter
<b>Receipts:</b>						
Tax increemnt financing	\$ -	-	-	-	-	-
Other city tax	-	-	-	-	-	-
Use of money and property	-	50	7,168	6,221	-	-
Intergovernmental	103,185	78,038	-	-	-	-
Charges for Services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	1,000	-
<b>Total receipts</b>	<b>103,185</b>	<b>78,088</b>	<b>7,168</b>	<b>6,221</b>	<b>1,000</b>	<b>-</b>
<b>Disbursements:</b>						
<b>Operating:</b>						
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
General government	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital projects	109,271	67,502	305,170	-	219,108	-
Enterprise	-	-	-	-	-	-
<b>Total disbursements</b>	<b>109,271</b>	<b>67,502</b>	<b>305,170</b>	<b>-</b>	<b>219,108</b>	<b>-</b>
Excess (deficiency) of receipts over (under) disbursements	(6,086)	10,586	(298,002)	6,221	(218,108)	-
<b>Other financing sources:</b>						
Operating transfers in	5,000	-	-	-	115,710	235
Operating transfers out	-	-	-	(133,693)	-	-
<b>Net change in cash balances</b>	<b>(1,086)</b>	<b>10,586</b>	<b>(298,002)</b>	<b>(127,472)</b>	<b>(102,398)</b>	<b>235</b>
Cash balances beginning of year	9,581	5,037	382,966	127,472	(105,962)	(235)
Cash balances end of year	\$ 8,495	15,623	84,964	-	(208,360)	-
<b>Cash Basis Fund Balances</b>						
<b>Unreserved:</b>						
Capital projects fund	\$ 8,495	15,623	84,964	-	(208,360)	-

See accompanying independent auditor's report

Trails- Platts to Wings	Sports Complex	Library Construction	Library Bond	Brownsfield Grant	Pave 7th St	2005 Bonds	Total
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
77	1,155	1,758	3,830	-	-	829	21,088
-	-	-	-	138,584	-	-	319,807
-	-	-	-	-	-	-	-
-	-	-	175,324	-	-	-	176,324
77	1,155	1,758	179,154	138,584	-	829	517,219
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	199,178	-	-	-	199,178
2,182	-	48,062	-	128,334	-	32,985	912,614
-	-	-	-	-	-	-	-
2,182	-	48,062	199,178	128,334	-	32,985	1,111,792
(2,105)	1,155	(46,304)	(20,024)	10,250	-	(32,156)	(594,573)
133,693	-	-	-	-	47,000	-	301,638
-	(235)	(59,897)	-	-	-	-	(193,825)
131,588	920	(106,201)	(20,024)	10,250	47,000	(32,156)	(486,760)
4,487	29,598	106,201	43,469	(10,455)	-	32,354	624,513
136,075	30,518	-	23,445	(205)	47,000	198	137,753
136,075	30,518	-	23,445	(205)	47,000	198	137,753

City of Oelwein

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

As of and for the year ended June 30, 2008

	Housing Authority	Landfill
<b>Receipts:</b>		
Use of money and property	\$ -	555
Charges for services	-	216,172
<b>Total receipts</b>	<b>-</b>	<b>216,727</b>
<b>Disbursements:</b>		
<b>Operating:</b>		
Enterprise	-	219,998
Debt Service		
Principal	-	-
Interest	-	-
<b>Total disbursements</b>	<b>-</b>	<b>219,998</b>
Excess (deficiency) of receipts over (under) disbursements	-	(3,271)
<b>Other financing sources:</b>		
Miscellaneous	-	-
Operating transfers in	585	-
Operating transfers out	-	-
<b>Net change in cash balances</b>	<b>585</b>	<b>(3,271)</b>
Cash balances beginning of year	(585)	19,279
Cash balances end of year	\$ -	16,008
<b>Cash Basis Fund Balances</b>		
Reserved	\$ -	-
Unreserved	-	16,008
<b>Total cash basis fund balances</b>	<b>\$ -</b>	<b>16,008</b>

See accompanying independent auditor's report

Recycling	Williams Center	Williams Center Reserve	Customer Deposits- Water	Fuel	Total
165	460	-	3,711	-	4,891
81,529	125,501	-	-	111,155	534,357
81,694	125,961	-	3,711	111,155	539,248
81,609	181,162	-	18,283	134,769	635,821
-	-	-	-	-	-
-	-	-	-	-	-
81,609	181,162	-	18,283	134,769	635,821
85	(55,201)	-	(14,572)	(23,614)	(96,573)
-	9,106	-	24,750	3,069	36,925
-	38,000	2,500	-	-	41,085
-	-	-	-	-	-
85	(8,095)	2,500	10,178	(20,545)	(18,563)
11,013	3,336	9,057	49,707	8,654	100,461
11,098	(4,759)	11,557	59,885	(11,891)	81,898
-	-	11,557	-	-	11,557
11,098	(4,759)	-	59,885	(11,891)	70,341
11,098	(4,759)	11,557	59,885	(11,891)	81,898

CITY OF OELWEIN

STATEMENT OF INDEBTEDNESS  
YEAR ENDED JUNE 30, 2008

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation corporate purpose and refunding notes	5-28-03	7.00%	1,025,000
General obligation corporate purpose and refunding notes Series 2005A	11-30-05	3.1-4.35%	3,995,000
Revenue notes:			
Sewer revenue bonds, series 2005 State Revolving Funds	5-23-05	3.00%	8,954,000
Urban renewal tax increment financing (TIF) revenue bond Regions Bank of Oelwein, IA Bertch TIF	12-23-98	6.61%	221,000
CEBA Loan Agreement For the Benefit of Transco	6-24-03	0%	117,000
			<u>Amount Available</u>
Revolving Line of Credit with Fidelity Bank of Oelwein, IA Donaldson Building	1-9-04	Variable 3.5% at 6/30/05 Due 1/9/09	600,000
Note with Fidelity Bank of Oelwein, IA-Library Loan	5-18-06	4.00%	700,000

see accompanying independent auditor's report

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
670,000	-	30,000	640,000	24,705	-
3,925,000	-	315,000	3,610,000	153,343	-
<u>\$ 4,595,000</u>	<u>-</u>	<u>345,000</u>	<u>4,250,000</u>	<u>178,048</u>	<u>-</u>
<u>\$ 8,426,363</u>	<u>189,637</u>	<u>343,000</u>	<u>8,273,000</u>	<u>253,936</u>	<u>-</u>
<u>\$ 83,615</u>	<u>-</u>	<u>26,509</u>	<u>57,106</u>	<u>5,181</u>	<u>-</u>
<u>\$ 27,300</u>	<u>-</u>	<u>25,350</u>	<u>1,950</u>	<u>-</u>	<u>-</u>
<u>\$ 143,191</u>	<u>-</u>	<u>-</u>	<u>143,191</u>	<u>13,837</u>	<u>-</u>
<u>\$ 528,000</u>	<u>-</u>	<u>178,000</u>	<u>350,000</u>	<u>21,178</u>	<u>-</u>

## CITY OF OELWEIN

BOND MATURITIES AND NOTES  
June 30, 2008

Year Ending June 30,	General & Essential Corporate Purpose Loan Agreements		General Obligation Corporate Purpose and Refunding Note			
	Interest Rates	Amount	Interest Rates	Amount		
	<u>Issued May 28, 2003</u>		<u>Issued November 30, 2005</u>			
2009	3.00%	30,000	3.40%	320,000		
2010	3.30%	30,000	3.50%	335,000		
2011	3.50%	125,000	3.60%	170,000		
2012	3.70%	125,000	3.70%	180,000		
2013	3.85%	130,000	3.80%	235,000		
2014	4.00%	200,000	3.90%	165,000		
2015			4.00%	385,000		
2016			4.10%	395,000		
2017			4.15%	455,000		
2018			4.25%	475,000		
2019			4.35%	495,000		
		<u>\$ 640,000</u>		<u>3,610,000</u>		
Urban Renewal Tax Increment Financing (TIF) Revenue Bond			CEBA Loan Agreement		Revenue Notes Sewer Revenue Bond	
<u>Issued December 23, 1998</u>			<u>Dated June 24, 2003</u>		<u>Issued May 23, 2005</u>	
Year Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2009	6.61%	27,212	0%	1,950	3.00%	354,000
2010	6.61%	29,362			3.00%	364,000
2011	6.61%	532			3.00%	375,000
2012					3.00%	386,000
2013					3.00%	398,000
2014					3.00%	410,000
2015					3.00%	422,000
2016					3.00%	435,000
2017					3.00%	448,000
2018					3.00%	461,000
2019					3.00%	475,000
2020					3.00%	490,000
2021					3.00%	504,000
2022					3.00%	519,000
2023					3.00%	535,000
2024					3.00%	551,000
2025					3.00%	567,000
2026					3.00%	579,000
		<u>\$ 57,106</u>		<u>1,950</u>		<u>8,273,000</u>

See accompanying independent auditor's report

## City of Oelwein

Schedule of Receipts by Source and Disbursements by Function  
All Governmental Funds  
For the Last Four Years—Years Ended June 30

	2008	2007	2006	2005
<b>Receipts:</b>				
Property tax	1,812,366	1,828,186	1,746,846	1,653,158
Tax increment financing	136,547	138,099	161,607	155,521
Other city tax	474,004	508,516	399,905	394,643
Licenses and permits	72,053	73,689	67,977	61,375
Use of money and property	271,087	199,268	184,814	104,457
Intergovernmental	1,191,561	1,698,867	1,743,440	1,375,291
Special assessments	131,537	37,166	41,252	45,058
Charges for service	145,868	157,803	144,706	407,599
Miscellaneous	395,268	576,110	397,606	341,271
<b>Total</b>	<b>4,630,291</b>	<b>5,217,704</b>	<b>4,888,153</b>	<b>4,538,373</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	1,506,802	1,508,523	1,649,099	1,952,294
Public works	641,866	545,938	525,040	531,129
Health and social services	19,092	14,927	10,929	-
Culture and recreation	673,792	595,684	536,794	495,819
Community and economic development	673,493	387,696	207,295	155,908
General government	250,274	248,696	283,983	224,816
Debt service	754,716	1,637,853	375,937	261,230
Capital projects	1,001,904	3,334,784	4,373,910	2,056,814
Enterprise	53	-	-	-
<b>Total</b>	<b>5,521,992</b>	<b>8,274,101</b>	<b>7,962,987</b>	<b>5,678,010</b>

See accompanying independent auditor's report

Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control over compliance  
in accordance with OMB A-133

City of Oelwein  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2008

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency Pass- through Number</u>	<u>Program Expenditures</u>
<b><u>Indirect:</u></b>			
<b><u>Department of Homeland Security</u></b>			
Iowa Department of Public Defense LETTP Fusion Center	97.067	0168-LTPL-L3	\$ 232,634
<b><u>U.S. Department of Housing and Urban Development:</u></b>			
Iowa Department of Economic Development Community Development Block Grant	14.228	05-HSG-063	103,185
<b><u>U.S. Department of Justice</u></b>			
Iowa Department of Justice Stop Violence Against Women	16.588	VW-07-66B	3,343
<b><u>U.S. Department of Transportation</u></b>			
Iowa Department of Public Safety STEP 05-06	20.604	06-157, Task 125	1,985
Airport Improvement Program	20.106	3-19-0067-02-2006	33,407
Airport Improvement Program	20.106	3-19-0067-03-2007	44,631
<b><u>Environmental Protection Agency</u></b>			
Iowa Department of Natural Resources Brownsfield Grant	66.818	BF-98761301-0	48,868
Brownsfield Grant	66.818	BF-98761201-0	89,715
Capitalization Grant for Clean Water State Revolving Funds	66.458	CS192168 01	104,085
Total			<u>\$ 661,853</u>

**Basis of Presentation-**

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

See accompanying independent auditor's report

James R. Ridihalgh, C.P.A.  
Gene L. Fuelling, C.P.A.  
Donald A. Snitker, C.P.A.

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Oelwein, IA 50662  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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 Oelwein, 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 December 2, 2008. Our report expressed unqualified opinions on the financial statements which are 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 Oelwein'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 Oelwein's internal control over financial reporting. Accordingly, we do not express any opinion on the effectiveness of Oelwein'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.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material

misstatement of the financial statements will not be prevented or detected by Oelwein's internal control.

Our consideration of the internal control over financial reporting was for the limited purposes 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

#### Compliance and Other Matters

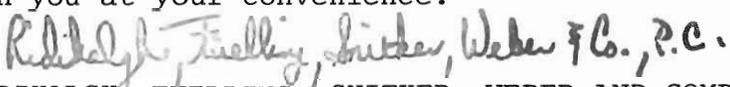
As part of obtaining reasonable assurance about whether the City of Oelwein's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Oelwein and other parties to whom the City of Oelwein 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 should like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Oelwein 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.

  
RIDIHALGH, FUELLING, SNITKER, WEBER AND COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTS

December 2, 2008

James R. Ridihaigh, C.P.A.  
Gene L. Fuelling, C.P.A.  
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Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance  
In Accordance with OMB Circular A-133

To the Honorable Mayor and  
Member of the City Council:

Compliance

We have audited the compliance of the City of Oelwein, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2008. The City of Oelwein's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Oelwein's management. Our responsibility is to express an opinion on the City of Oelwein's compliance based on our audit.

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

In our opinion, the City of Oelwein complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Oelwein is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Oelwein's internal control over compliance with requirements that could have a direct and material

effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of Oelwein's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all the deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

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

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

*Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.*

Ridihalgh, Fuelling, Snitker, Weber & Co. P.C.

December 2, 2008

CITY OF OELWEIN

SCHEDULE OF FINDINGS

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.) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- c.) The audit did not disclose any non-compliance which is material to the financial statements.
- d.) No reportable condition in internal control over the major program was disclosed by the audit of the financial statements.
- e.) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- f.) The audit did not disclose any audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- g.) The major program was CFDA Number 97.067
- h.) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i.) The City of Oelwein did qualify as a low-risk auditee.

Part II - Findings Related to the Financial Statements:

Instances of non-compliance:

No matters were noted.

Reportable Conditions:

None

Part III - Findings and Questioned Cost for Federal Awards:

Instances of non-compliance:

No matters were noted.

Reportable Conditions:

None

CITY OF OELWEIN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2008

Part IV – Other Findings Related to Statutory Reporting:

IV-A-08 Certified Budget—Disbursements during the year ended June 30, 2008 exceeded budgeted in the Public Works activities functions. Chapter 384.20 of the code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget 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.

IV-B-08 Questionable Disbursements--No expenditures were noted for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-08 Travel Expenses--No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-08 Business Transactions--No business transactions between the City and City officials or employees were noted.

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

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

IV-G-08 Deposits and Investments--We 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.

IV-H-08 Temporary Investments--The City has a systematic investment program. During the year ended June 30, 2008, the investments resulted in interest income of \$109,093.

CITY OF OELWEIN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2008

Part IV – Other Findings Related to Statutory Reporting (continued):

IV-I-08 Financial Condition--At June 30, 2008 the City had a deficit balance in the Downtown Betterment fund, the Lein3-03 fund, the Brownsfield Grant fund the Water fund, the Williams Center fund and the Fuel fund which the City considers temporary in nature.

IV-J-08 Closed Session --We noted an instance in the minutes in which the Council went into closed session, but the minutes do not document the specific exemption regarding the closed session as required by Chapter 21 of the code of Iowa, commonly known as open meeting law.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa when going into closed session.

Response – We will comply with the Code requirements for closed sessions in the future.

Conclusion – Response accepted.

None

IV-K-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.

IV-L-08 Revenue Bonds and Notes --No instances of non-compliance with the revenue bond and note resolutions were noted.

CITY OF OELWEIN

AUDIT STAFF

This audit was performed by:

Donald A. Snitker, CPA