

CITY OF ALBIA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

Peak & Gerdes, LLP
Certified Public Accountants
1051 Office Park Road
West Des Moines, IA 50265

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City of Albia

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
	(Before January, 2008)	
Richard Clark	Mayor	January 1, 2008
Kelly Freeman	Council Member	January 1, 2008
Jan Haselhuhn	Council Member	January 1, 2008
Jeff Stoffa	Council Member	January 1, 2010
Norm Braun	Council Member	January 1, 2010
Tim Stoller	Council Member	January 1, 2010
Ron Yarkosky	Council Member	January 1, 2008
Linda Roorda	City Clerk/Treasurer	January 1, 2008
John Pabst	Attorney	January 1, 2008
	(After January, 2008)	
Richard Clark	Mayor	January 1, 2010
Tim Stoller	Council Member	January 1, 2010
Merle Regenold	Council Member	January 1, 2012
Jeff Stoffa	Council Member	January 1, 2010
Cindy See	Council Member	January 1, 2012
Ron Yarkosky	Council Member	January 1, 2012
Norm Braun	Council Member	January 1, 2010
Linda Roorda	City Clerk/Treasurer	January 1, 2010
Breckenridge & Duker	Attorney	January 1, 2010

Library Board

Lelah Marlin	Library Trustee	July 1, 2008
Lois Mick	Library Trustee	July 1, 2008
Matt Foster	Library Trustee	July 1, 2008
Marty Ryan	Library Trustee	July 1, 2008
Sharon Crall	Library Trustee	July 1, 2008
Sue Goode	Library Trustee	July 1, 2008
Joe Starcevic	Library Trustee	July 1, 2011
Dave Paxton	Library Trustee	July 1, 2012
Sally Bachman	Library Trustee	July 1, 2012

Cemetery Board

Terri Bender	Cemetery Trustee	July 1, 2008
Tim Bouseman	Cemetery Trustee	July 1, 2008
Rowland Barns	Cemetery Trustee	July 1, 2010
Ray Reeves	Cemetery Trustee	July 1, 2010
Dave Fleener	Cemetery Trustee	July 1, 2012

City of Albia

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Planning and Zoning</u>		
John Freshwater	Commissioner	February 1, 2009
Chris Yarkosly	Commissioner	February 1, 2009
Homer Renwick	Commissioner	February 1, 2010
Eric Powers	Commissioner	February 1, 2010
Chris Anderson	Commissioner	February 1, 2011
Robert Reed	Commissioner	February 1, 2011
Dan Tometich	Commissioner	February 1, 2013
<u>Board of Adjustment and Review</u>		
Kenneth Geyer	Board Member	August 3, 2008
Mike Judge	Board Member	August 3, 2009
Sue Palmer	Board Member	August 3, 2010
E.H. Scales	Board Member	August 3, 2011
Steve Goodlow	Board Member	August 3, 2012
<u>Historic Preservation Board</u>		
Michael Judge	Board Member	January 1, 2009
Camillia Williamson	Board Member	January 1, 2009
John Scieszinski	Board Member	January 1, 2009
Matt Foster	Board Member	January 1, 2010
Robert Reed	Board Member	January 1, 2010
<u>Low-Rent Housing</u>		
Dan Johnson	Board Member	May 8, 2009
Donna Flahive	Board Member	May 8, 2009
E.H. Scales	Board Member	May 8, 2009
Tim Bouseman	Board Member	May 8, 2010
Lana Kaldenberg	Board Member	May 8, 2010
<u>Albia Waterworks Board</u>		
Charlie Sinnott	Board Member	April 2, 2009
Jack Scieszinski	Board Member	April 2, 2011
John Scieszinski	Board Member	April 2, 2013
<u>Albia Parks Commission</u>		
Kristi Haas	Commissioner	October 18, 2008
Ted Banning	Commissioner	October 18, 2009
Steve Parks	Commissioner	October 18, 2009
Dan Tometich	Commissioner	October 18, 2010
Julie Baylor	Commissioner	October 18, 2010
Linda Roorda	Commissioner	Indefinite

City of Albia

PEAK & GERDES, LLP
CERTIFIED PUBLIC ACCOUNTANTS
1051 OFFICE PARK ROAD
WEST DES MOINES, IOWA 50265

(515) 277-3077

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 Albia, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Albia'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.

The financial statements referred to above include only the primary government of the City of Albia, which consists of all funds, organizations, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component unit, which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Albia as of June 30, 2008, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

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 for the primary government of the City of Albia 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 report dated August 5, 2008 on our consideration of the City of Albia'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 28 through 29 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 Albia's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the primary government financial statements for the five 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.

Peak & Gerdes, LLP
Certified Public Accountants

August 5, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2008 FINANCIAL HIGHLIGHTS

- * Receipts of the City's governmental activities increased 16.1%, or approximately \$480,000, from fiscal 2007 to fiscal 2008. Capital grants, contribution and restricted interest decreased approximately \$223,000 and bond and loan proceeds increased approximately \$787,000.
- * Disbursements of the City's governmental activities decreased 2.2%, or approximately \$66,000, in fiscal 2008 from fiscal 2007. Debt service disbursements increased approximately \$466,000, and capital projects disbursements decreased approximately \$438,000.
- * The City's total cash basis net assets increased 28.3%, or approximately \$500,000, from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities increased approximately \$601,000 and the assets of the business type activities decreased by approximately \$101,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the nonmajor 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 operation 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:

- (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 sanitary sewer system, landfill, airport, and the rural fire department. 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 Trust & Agency funds, 3) the Debt Service Fund, 4) the Capital Projects Fund and, 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the Sewer Fund, considered to be major fund of the City. The Landfill Fund, Airport Fund, and the Rural Fire Department Fund are considered to be non-major funds of the City.

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 a year ago, increasing from \$1.499 million to \$2.100 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)

	Year ended <u>June 30, 2008</u>	Year ended <u>June 30, 2007</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 176	194
Operating grants, contributions and restricted interest	387	434
Capital grants, contributions and restricted interest	30	253
General receipts:		
Property tax	1,194	1,172
Local option sales tax	705	788
Grants and contributions not restricted to specific purposes	15	14
Unrestricted investment earnings	45	13
Bond and loan proceeds	890	103
Miscellaneous	14	4
Sale of assets	<u>4</u>	<u>5</u>
Total receipts	<u>3,460</u>	<u>2,980</u>
Disbursements:		
Public safety	540	683
Public works	485	422
Culture and recreation	289	302
Community and economic development	47	3
General government	254	299
Debt service	1,087	621
Capital projects	<u>197</u>	<u>635</u>
Total disbursements	<u>2,899</u>	<u>2,965</u>
Change in cash basis net assets before transfers	561	15
Transfers, net	<u>40</u>	<u>28</u>
Change in cash basis net assets	601	43
Cash basis net assets beginning of year, as restated	<u>1,499</u>	<u>1,469</u>
Cash basis net assets end of year	<u>\$2,100</u>	<u>1,512</u>

The City's total receipts for governmental activities increased by 16.1%, or 480,000. The total cost of all programs and services decreased by approximately \$66,000, or 2.2%, with no new programs added this year. The significant increase in receipts was primarily the result of an increase in bond and loan proceeds.

The City's property tax collections increased approximately \$22,000 from fiscal 2007 to fiscal 2008. Approximately \$1,194,000 and \$1,172,000 in property taxes were collected in fiscal 2008 and 2007, respectively. Property tax receipts are budgeted to remain relatively the same in fiscal 2009.

The cost of all governmental activities this year was \$2.899 million compared to \$2.965 million last year. However, as shown on the Statement of Activities and Net Assets on page 15, the amount taxpayers ultimately financed for these activities was only \$2.306 million because some of the cost was paid by those directly benefited from the programs (\$176,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$417,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2008 from approximately \$881,000 to approximately \$593,000, principally due to less block grant monies received in fiscal 2008 compared to fiscal 2007. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$2,306,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities
(Expressed in Thousands)

	Year ended <u>June 30, 2008</u>	Year ended <u>June 30, 2007</u>
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 325	320
Landfill	16	16
Airport	8	8
Rural fire department	36	-
Capital grants, contributions and restricted interest	19	13
General receipts:		
Unrestricted interest on investments	13	9
Sale of assets	<u>2</u>	<u>-</u>
Total receipts	<u>419</u>	<u>366</u>
Disbursements:		
Sewer	405	308
Landfill	22	19
Airport	24	8
Rural fire department	<u>29</u>	<u>-</u>
Total disbursements	<u>480</u>	<u>335</u>
Change in cash basis net assets before transfers	(61)	31
Transfers, net	<u>(40)</u>	<u>(28)</u>
Change in cash basis net assets	(101)	3
Cash basis net assets beginning of year, as restated	<u>262</u>	<u>246</u>
Cash basis net assets end of year	<u>\$ 161</u>	<u>249</u>

Total business type activities receipts for the fiscal year were \$.419 million compared to \$.366 million last year. This increase was due primarily to the grants received in fiscal 2008 for an airport project, and the reclassification of the rural fire department fund to an enterprise fund. The cash balance decreased by approximately \$101,000 from the prior year because of the accelerated debt service payments made from the sewer fund. Total disbursements for the fiscal year increased by 43.3% to a total of \$.480 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Albia completed the year, its governmental funds reported a combined fund balance of \$2,099,918, an increase of more than \$600,000 above last years total of \$1,499,117. 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 \$25,618 from the prior year to \$107,722. This decrease was just due to spending more money than was received.
- * The Special Revenue, Road Use Tax Fund cash balance decreased \$28,760 to \$4,986 during the fiscal year. This decrease in cash is primarily due to an increase in the cost of utilities, vehicle and equipment fuel, and costs associated with snow and ice removal.
- * The Special Revenue, Aquatic Center Fund cash balance increased by \$579,839 during the fiscal year. This increase is due to the receipt of local option sales taxes in excess of the related costs and debt service payments. The new aquatic center opened in the summer of 2006.
- * The Special Revenue, Employee Benefits Fund cash balance increased \$66,926 to \$117,494 during the fiscal year. In the fiscal year, the City just levied more than related costs incurred in this fund.
- * The Debt Service Fund cash balance decreased by \$266,949 to (\$245,712) during the fiscal year. Bond proceeds significantly increased in fiscal 2008. The decrease in cash was due to a transfer of \$259,325 due from the Special Revenue, Aquatic Center Fund that should have been made in fiscal year 2008 but was not made until fiscal year 2009.
- * The Capital Projects, Street Paving Project Fund cash balance increased by \$315,313 during the fiscal year. Proceeds from the sale of bonds were received into this fund in fiscal 2008, and the proceeds were used to pay the costs of street repair in the City in fiscal 2008. The City plans to use this money to pay for the costs of street repair.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- * The Sewer Fund cash balance decreased by \$100,240 to \$47,433, due primarily to the fact that accelerated debt service payments were made from the Sewer Fund in the fiscal year. The Sewer Fund debt service payments will significantly decrease in fiscal year 2009.

BUDGETARY HIGHLIGHTS

During the course of the year, the City amended its budget one time. The budget was amended because of rising fuel prices, equipment purchases and bond sales which were greater than originally anticipated.

The City's receipts were \$309,795 less than budgeted. This was primarily due to the City receiving less intergovernmental and charges for service receipts than anticipated, even after the amendments.

Even with the budget amendments, the City exceeded the amounts budgeted in the culture and recreation and debt service functions. Certain functions were over budget because of classification differences between the budget and how the disbursements were classified for financial statement purposes. However, for all functions combined, total disbursements were less than budgeted disbursements.

DEBT ADMINISTRATION

At June 30, 2008, the City of Albia had approximately \$4,227,000 in bonds and other long-term debt, compared to approximately \$4,476,000 last year.

Outstanding Debt at Year-End (Expressed in Thousands)

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
General Obligation Bonds and Notes	\$4,067	4,102
Revenue Bonds	94	308
Lease – Purchase Agreement	<u>66</u>	<u>66</u>
Total	<u>\$4,227</u>	<u>4,476</u>

Debt decreased as a result of the payment of the scheduled payments, which exceeded the amount of new debt obtained in the fiscal year.

The amount of general obligation debt a political subdivision of the State of Iowa can incur is controlled by constitutional debt limit, which is an amount equal to 5% of the actual value of property within the corporate limits, taken from the last county tax list. The City's debt limit, based upon said valuation, amounts to the following:

Actual Value of Property, 2006	\$104,791,108
Debt Limit	<u>.05</u>
	<u>\$5,239,555</u>

The City's outstanding general obligation debt of \$4,067,000 is below the constitutional debt limit of \$5,239,555.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Albia's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy and the rising costs of employee benefits.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2% for fiscal year 2008 compared with the national rate of 3.4%. Inflation has been modest here due, in part, to the slowing of the residential housing market and increases in energy prices in 2008.

These indicators were taken into account when adopting the budget for fiscal year 2009. Amounts available for appropriation in the operating budget are approximately \$4.0 million, keeping in line with 2008 budget year.

CONTRACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayer, 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 Linda Heller, City Clerk, 120 South "A" Street, Albia, Iowa 52531.

Basic Financial Statements

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2008

Functions / Programs	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities:							
Public safety	\$ 539,780	36,581	3,681	30,273	(469,245)	-	(469,245)
Public works	485,546	1,460	336,252	-	(147,834)	-	(147,834)
Culture and recreation	289,273	123,641	46,234	-	(119,398)	-	(119,398)
Community and economic development	46,670	-	-	-	(46,670)	-	(46,670)
General government	253,739	14,213	-	-	(239,526)	-	(239,526)
Debt service	1,086,975	-	756	-	(1,086,219)	-	(1,086,219)
Capital projects	197,074	-	-	-	(197,074)	-	(197,074)
Total governmental activities	<u>2,899,057</u>	<u>175,895</u>	<u>386,923</u>	<u>30,273</u>	<u>(2,305,966)</u>	<u>-</u>	<u>(2,305,966)</u>
Business type activities:							
Sewer	404,715	325,232	-	-	-	(79,483)	(79,483)
Landfill	22,102	15,697	-	-	-	(6,405)	(6,405)
Airport	24,165	7,625	-	19,157	-	2,617	2,617
Rural fire department	29,199	35,940	-	-	-	6,741	6,741
Total business type activities	<u>480,181</u>	<u>384,494</u>	<u>-</u>	<u>19,157</u>	<u>-</u>	<u>(76,530)</u>	<u>(76,530)</u>
Total	<u>\$ 3,379,238</u>	<u>560,389</u>	<u>386,923</u>	<u>49,430</u>	<u>(2,305,966)</u>	<u>(76,530)</u>	<u>(2,382,496)</u>
General Receipts:							
Property and other city tax levied for:							
General purposes					874,012	-	874,012
Debt service					320,223	-	320,223
Local option sales tax					704,975	-	704,975
Grants and contributions not restricted to specific purpose					15,264	-	15,264
Unrestricted interest on investments					44,427	12,830	57,257
Bond proceeds (net of \$417 discount)					889,583	-	889,583
Miscellaneous					13,810	-	13,810
Sale of assets					4,388	2,550	6,938
Transfers					40,085	(40,085)	-
Total general receipts and transfers					<u>2,906,767</u>	<u>(24,705)</u>	<u>2,882,062</u>
Change in cash basis net assets					600,801	(101,235)	499,566
Cash basis net assets beginning of year, as restated					<u>1,499,117</u>	<u>261,688</u>	<u>1,760,805</u>
Cash basis net assets end of year					<u>\$ 2,099,918</u>	<u>160,453</u>	<u>2,260,371</u>
Cash Basis Net Assets							
Restricted:							
Streets					\$ 4,986	-	4,986
Debt service					(245,712)	1,284	(244,428)
Other purposes					2,232,922	-	2,232,922
Unrestricted					<u>107,722</u>	<u>159,169</u>	<u>266,891</u>
Total cash basis net assets					<u>\$ 2,099,918</u>	<u>160,453</u>	<u>2,260,371</u>

See notes to financial statements.

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

As of and for the year ended June 30, 2008

	Special Revenue				Debt Service	Capital Projects	Nonmajor	Total
	General	Road Use Tax	Aquatic Center	Employee Benefits		Street Paving Project		
Receipts:								
Property tax	\$ 572,877	-	-	284,382	320,223	-	16,753	1,194,235
Other city tax	15,264	-	704,975	-	-	-	-	720,239
Licenses and permits	14,213	-	-	-	-	-	-	14,213
Use of money and property	12,764	-	29,075	-	757	-	7,078	49,674
Intergovernmental	77,992	317,503	-	-	-	-	4,293	399,788
Charges for service	142,031	-	-	-	-	-	-	142,031
Miscellaneous	29,094	-	-	-	-	200	16,328	45,622
Total receipts	<u>864,235</u>	<u>317,503</u>	<u>734,050</u>	<u>284,382</u>	<u>320,980</u>	<u>200</u>	<u>44,452</u>	<u>2,565,802</u>
Disbursements:								
Operating:								
Public safety	455,019	-	-	80,247	-	-	4,514	539,780
Public works	87,627	346,263	-	51,308	-	-	348	485,546
Culture and recreation	225,265	-	19,432	27,157	-	-	17,419	289,273
Community and economic development	-	-	-	-	-	-	46,670	46,670
General government	193,592	-	-	60,147	-	-	-	253,739
Debt service	-	-	-	-	1,086,975	-	-	1,086,975
Capital projects	-	-	-	-	-	197,073	1	197,074
Total disbursements	<u>961,503</u>	<u>346,263</u>	<u>19,432</u>	<u>218,859</u>	<u>1,086,975</u>	<u>197,073</u>	<u>68,952</u>	<u>2,899,057</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(97,268)</u>	<u>(28,760)</u>	<u>714,618</u>	<u>65,523</u>	<u>(765,995)</u>	<u>(196,873)</u>	<u>(24,500)</u>	<u>(333,255)</u>
Other financing sources (uses):								
Bond proceeds (net of \$417 discount)	70,000	-	-	-	320,847	498,736	-	889,583
Sale of capital assets	4,388	-	-	-	-	-	-	4,388
Operating transfers in	15,000	-	17,096	1,403	191,649	13,450	2,704	241,302
Operating transfers out	(17,738)	-	(152,325)	-	(13,450)	-	(17,704)	(201,217)
Total other financing sources (uses)	<u>71,650</u>	<u>-</u>	<u>(135,229)</u>	<u>1,403</u>	<u>499,046</u>	<u>512,186</u>	<u>(15,000)</u>	<u>934,056</u>
Net change in cash balances	(25,618)	(28,760)	579,389	66,926	(266,949)	315,313	(39,500)	600,801
Cash balances beginning of year, as restated	133,340	33,746	849,050	50,568	21,237	15,712	395,464	1,499,117
Cash balances end of year	<u>\$ 107,722</u>	<u>4,986</u>	<u>1,428,439</u>	<u>117,494</u>	<u>(245,712)</u>	<u>331,025</u>	<u>355,964</u>	<u>2,099,918</u>
Cash Basis Fund Balances								
Reserved for debt service	\$ -	-	-	-	(245,712)	-	-	(245,712)
Unreserved:								
General fund	107,722	-	-	-	-	-	-	107,722
Special revenue funds	-	4,986	1,428,439	117,494	-	-	182,334	1,733,253
Capital projects fund	-	-	-	-	-	331,025	-	331,025
Permanent funds	-	-	-	-	-	-	173,630	173,630
Total cash basis fund balances	<u>\$ 107,722</u>	<u>4,986</u>	<u>1,428,439</u>	<u>117,494</u>	<u>(245,712)</u>	<u>331,025</u>	<u>355,964</u>	<u>2,099,918</u>

See notes to financial statements.

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

As of and for the year ended June 30, 2008

	Enterprise		
	Sewer	Nonmajor	Total
Operating receipts:			
Use of money and property	\$ -	7,625	7,625
Charges for service	325,032	51,637	376,669
Total operating receipts	<u>325,032</u>	<u>59,262</u>	<u>384,294</u>
Operating disbursements:			
Business type activities	190,903	38,535	229,438
Total operating disbursements	<u>190,903</u>	<u>38,535</u>	<u>229,438</u>
Excess of operating receipts over operating disbursements	<u>134,129</u>	<u>20,727</u>	<u>154,856</u>
Non-operating receipts (disbursements):			
Intergovernmental	-	19,157	19,157
Interest on investments	8,193	4,637	12,830
Miscellaneous	200	-	200
Debt service	(213,812)	(12,766)	(226,578)
Capital projects	-	(24,165)	(24,165)
Net non-operating receipts (disbursements)	<u>(205,419)</u>	<u>(13,137)</u>	<u>(218,556)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(71,290)</u>	<u>7,590</u>	<u>(63,700)</u>
Other financing sources (uses):			
Sale of capital assets	-	2,550	2,550
Operating transfers in	-	642	642
Operating transfers out	(28,950)	(11,777)	(40,727)
Total other financing sources (uses)	<u>(28,950)</u>	<u>(8,585)</u>	<u>(37,535)</u>
Net change in cash balances	(100,240)	(995)	(101,235)
Cash balances beginning of year, as restated	<u>147,673</u>	<u>114,015</u>	<u>261,688</u>
Cash balances end of year	<u>\$ 47,433</u>	<u>113,020</u>	<u>160,453</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	1,284	1,284
Unreserved	<u>47,433</u>	<u>111,736</u>	<u>159,169</u>
Total cash basis fund balances	<u>\$ 47,433</u>	<u>113,020</u>	<u>160,453</u>

See notes to financial statements.

City of Albia

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

Except as discussed below, for financial reporting purposes, City of Albia 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.

These financial statements present the City of Albia (the primary government) and exclude the City's component unit. The component unit discussed below is not included in the City's reporting entity although its operational or financial relationship with the City is significant.

Excluded Component Unit

The Albia Municipal Waterworks was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Municipal Waterworks is governed by a three-member board appointed by the Mayor and approved by the City Council. The Waterworks operating budget is subject to the approval of the City Council. Complete financial statements of the component unit, which will issue separate financial statements, can be obtained from the Municipal Waterworks administrative office.

Jointly Governed Organizations

The City also 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: Monroe County Assessor's Conference Board and the Monroe County Joint E-911 Service Board.

Related Organization

The City Council members are also responsible for appointing the members of the Low Rent Housing Board, but the City's accountability for this organization does not extend beyond making the appointments.

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 as separate columns in the fund financial statements. All remaining governmental funds and proprietary funds are aggregated and reported as nonmajor governmental funds and nonmajor proprietary 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 Road Use Tax Fund is used to account for road construction and maintenance.

The Aquatic Center Fund is used to account for the local option sales tax and the related costs and debt associated with the aquatic center.

The Employee Benefits Fund is used to account for the tax levy and the costs associated with providing employee benefits.

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

Capital Projects:

The Street Paving Project Fund is used to account for costs associated with major paving projects of the City.

The City reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The City of Albia 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.

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 proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

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

(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 Sate 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 the 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.

The City had no investments meeting the disclosure requirements of Government Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

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) **Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds and notes, and the revenue note are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 480,000	\$ 150,636	\$ 8,873	\$ 3,893	\$ 488,873	\$ 154,529
2010	506,000	133,156	9,239	3,527	515,239	136,683
2011	526,000	115,931	9,617	3,146	535,617	119,077
2012	515,000	97,272	10,016	2,749	525,016	100,021
2013	495,000	78,929	10,430	2,336	505,430	81,265
2014	490,000	60,542	10,860	1,906	500,860	62,448
2015	520,000	41,870	11,308	1,458	531,308	43,328
2016	485,000	21,307	11,775	992	496,775	22,299
2017	50,000	1,900	12,261	505	62,261	2,405
	<u>\$ 4,067,000</u>	<u>\$ 701,543</u>	<u>\$ 94,379</u>	<u>\$ 20,512</u>	<u>\$ 4,161,379</u>	<u>\$ 722,055</u>

Revenue Note

The City has pledged future township fire receipts, net of specified operating disbursements, to repay \$102,900 in a fire department revenue note issued in October, 2006. Proceeds from the note provided financing for the purchase of a new fire truck. The note is payable solely from township fire net receipts and is payable through fiscal year 2017. Annual principal and interest payments on the note are expected to require less than 66 percent of net receipts. The total principal and interest remaining to be paid on the note is \$114,891. For the current year, principal and interest paid and total customer net receipts were \$12,766 and \$19,507 respectively.

The note is payable to the U.S. Department of Agriculture (USDA) in annual installments of \$12,766, including interest at 4.125% per annum. During the year ended June 30, 2008, a payment of \$12,766 was made to the USDA, leaving a principal balance due at June 30, 2008 of \$94,379.

The resolution for the issuance of the fire department revenue note includes the following provisions:

- (a) The note will only be redeemed from the future earnings of the enterprise activity and the note holder holds a lien on the future earnings of the funds.
- (b) The City shall make annual payments of \$12,766 to the USDA, including interest at 4.125%, per annum, in fiscal years 2008 through 2017, inclusive.

- (c) Sufficient monthly transfers shall be made to a fire department revenue note sinking account for the purpose of making the above payments when due.
- (d) Additional monthly transfers shall be made to a fire department revenue note reserve account until a specific maximum balance has been accumulated. This account is restricted for making the annual principal and interest payments whenever there is insufficient money in the fire department revenue note sinking account.

The City has not established the sinking account and the reserve account balance is insufficient as required by the fire department revenue note resolution.

(4) Lease Purchase Obligations

The City is purchasing a street sweeper and lawn mower under capital lease contracts. Future payments in relation to these leases are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2009	\$ 25,645	\$ 3,376	\$ 29,021
2010	26,847	2,176	29,023
2011	4,252	913	5,165
2012	4,603	562	5,165
2013	4,554	182	4,736
Total	<u>\$ 65,901</u>	<u>\$ 7,209</u>	<u>\$ 73,110</u>

(5) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$40,978, \$37,430 and \$39,943 respectively, equal to the required contributions for each year.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, holiday and compensatory 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 compensated absences payable to employees at June 30, 2008 primarily relating to the General Fund, was \$22,239. The liability has been computed based on rates of pay in effect at June 30, 2008.

(7) **Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Emergency	<u>\$ 15,000</u>
Special Revenue: Aquatic Center	General	<u>17,096</u>
Special Revenue: Employee Benefits	Enterprise: Sewer	<u>1,403</u>
Debt Service	Special Revenue: Aquatic Center	152,325
	Enterprise: Sewer	27,547
	Rural Fire Department	<u>11,777</u>
		191,649
Capital Projects: Street Paving Project	Debt Service	<u>13,450</u>
Permanent: Cemetery Perpetual Care	Special Revenue: Cemetery Memorials	<u>2,106</u>
Permanent: Library Endowment	Special Revenue: Library	<u>598</u>
Enterprise: Rural Fire Department	General	<u>642</u>
	Total	<u><u>\$ 241,944</u></u>

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

(8) **Related Party Transactions**

The City had business transactions between the City and City officials, totaling \$102,049 during the year ended June 30, 2008.

(9) **Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2008 were \$64,909.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Contingency

In prior years, the City received payments in lieu of taxes from the local housing agency. However it was later determined that some of these funds should have been distributed to the other political subdivisions in the county. The City Attorney's position was that the City owed the other political subdivisions in the County for the past five years only, which would amount to approximately \$21,000. However, in fiscal year 2004, the City agreed to pay approximately \$64,000 to the other political subdivisions in settlement of the payments in lieu of taxes from the local housing agency. The City and other political subdivisions signed an agreement whereby the other political subdivisions will receive the City's share of the payments in lieu of taxes until the City's liability has been satisfied. At June 30, 2008, the City owed over \$49,000 to the other political subdivisions.

The City participates in a number of Federal and State grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources are generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

(11) Deficit Balance

The Debt Service Fund had a deficit balance of \$245,712 at June 30, 2008. This deficit was the result of a transfer not made during the fiscal year. This deficit will be eliminated when this transfer is made in fiscal year 2009.

(12) Commitments

During fiscal year 2008, the City entered into various contracts for airport improvement and street improvements. It is anticipated that these projects will be completed in fiscal year 2009, at an approximate cost of \$840,000. These projects will be paid for with federal grants and from existing cash reserves.

(13) Restatements

Fund Financial Statements:

The beginning cash balance of the General Fund was restated in order to present the Enterprise Fund - Rural Fire Department Fund as a separate fund. This reclassification was done to more appropriately reflect the nature and purpose of the funds.

	<u>General</u>	<u>Enterprise Fund - Rural Fire Department</u>
Beginning balance, at June 30, 2007 as previously reported	\$ 146,398	\$ -
Reclassification - to remove the rural fire department activity from the General Fund	<u>(13,058)</u>	<u>13,058</u>
Beginning balance, at July 1, 2007 as restated	<u>\$ 133,340</u>	<u>\$ 13,058</u>

Government – Wide Financial Statement:

The beginning cash balances of the governmental and business type activities were restated, as follows, for the effects of the above.

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Beginning balance at June 30, 2007 as previously reported	\$ 1,512,175	\$ 248,630	\$ 1,760,805
Reclassification - to remove the rural fire department activity from the Governmental Activities and to report it as an Enterprise Fund	(13,058)	13,058	-
Beginning balance at July 1, 2007 as restated	<u>\$ 1,499,117</u>	<u>\$ 261,688</u>	<u>\$ 1,760,805</u>

Required Supplementary Information

City of Albia

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

	Budgeted Amounts				Final to Total Variance
	Governmental Funds Actual	Proprietary Funds Actual	Total	Original	
Receipts:					
Property tax	1,194,235	-	1,194,235	1,170,464	23,771
Other city tax	720,239	-	720,239	321,292	110,034
Licenses and permits	14,213	-	14,213	8,900	5,213
Use of money and property	49,674	20,455	70,129	10,600	42,227
Intergovernmental	399,788	19,157	418,945	907,920	(173,475)
Charges for service	142,031	376,669	518,700	513,000	(125,264)
Miscellaneous	45,622	200	45,822	46,050	(192,301)
Total receipts	2,565,802	416,481	2,982,283	2,978,226	(309,795)
Disbursements:					
Public safety	539,780	-	539,780	587,862	60,413
Public works	485,546	-	485,546	372,896	738,870
Culture and recreation	289,273	-	289,273	265,253	253,324
Community and economic development	46,670	-	46,670	60,000	(20,414)
General government	253,739	-	253,739	239,717	32,830
Debt service	1,086,975	-	1,086,975	324,141	5,662
Capital projects	197,074	-	197,074	850,000	(126,144)
Business type activities	-	480,181	480,181	541,991	3,426
Total disbursements	2,899,057	480,181	3,379,238	3,241,860	82,356
Excess (deficiency) of receipts over (under) disbursements	(333,255)	(63,700)	(396,955)	(263,634)	(18,342)
Other financing sources, net	934,056	(37,535)	896,521	250,000	888,736
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	600,801	(101,235)	499,566	(13,634)	7,785
Balances beginning of year, as restated	1,499,117	261,688	1,760,805	2,066,820	(10,557)
Balances end of year	2,099,918	160,453	2,260,371	2,053,186	(334,221)
				2,605,149	(344,778)

See accompanying independent auditor's report.

City of Albia

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 Funds 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 \$428,831. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the culture and recreation and debt service activities functions.

Other Supplementary Information

City of Albia

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

As of and for the year ended June 30, 2008

	Special				
	Special Assessment	Historical Preservation Board	Police Department	Emergency	Library
Receipts:					
Property tax	\$ -	-	-	16,753	-
Use of money and property	-	1,309	-	-	289
Intergovernmental	-	-	-	-	4,293
Miscellaneous	-	-	3,646	-	10,381
Total receipts	-	1,309	3,646	16,753	14,963
Disbursements:					
Operating:					
Public safety	-	-	4,514	-	-
Public works	348	-	-	-	-
Culture and recreation	-	-	-	-	17,419
Community and economic development	-	41,015	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	348	41,015	4,514	-	17,419
Excess (deficiency) of receipts over (under) disbursements	(348)	(39,706)	(868)	16,753	(2,456)
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	(15,000)	(598)
Total other financing sources (uses)	-	-	-	(15,000)	(598)
Net change in cash balances	(348)	(39,706)	(868)	1,753	(3,054)
Cash balances beginning of year	1,174	52,085	23,236	-	9,619
Cash balances end of year	\$ 826	12,379	22,368	1,753	6,565
Cash Basis Fund Balances					
Unreserved:					
Special revenue funds	\$ 826	12,379	22,368	1,753	6,565
Permanent funds	-	-	-	-	-
Total cash basis fund balances	\$ 826	12,379	22,368	1,753	6,565

See accompanying independent auditor's report.

Revenue		Capital Projects		Permanent		
Cooper Estate Bequest	Cemetery Memorials	Waterworks Main	Cemetery Perpetual Care	Library Endowment		Total
-	-	-	-	-	-	16,753
5,480	-	-	-	-	-	7,078
-	-	-	-	-	-	4,293
-	-	-	2,301	-	-	16,328
5,480	-	-	2,301	-	-	44,452
-	-	-	-	-	-	4,514
-	-	-	-	-	-	348
-	-	-	-	-	-	17,419
5,655	-	-	-	-	-	46,670
-	-	1	-	-	-	1
5,655	-	1	-	-	-	68,952
(175)	-	(1)	2,301	-	-	(24,500)
-	-	-	2,106	598	-	2,704
-	(2,106)	-	-	-	-	(17,704)
-	(2,106)	-	2,106	598	-	(15,000)
(175)	(2,106)	(1)	4,407	598	-	(39,500)
138,618	2,106	1	76,557	92,068	-	395,464
138,443	-	-	80,964	92,666	-	355,964
138,443	-	-	-	-	-	182,334
-	-	-	80,964	92,666	-	173,630
138,443	-	-	80,964	92,666	-	355,964

City of Albia

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

Schedule 2

As of and for the year ended June 30, 2008

	Enterprise			
	Landfill	Airport	Rural Fire Department	Total
Operating receipts:				
Use of money and property	\$ -	7,625	-	7,625
Charges for service	15,697	-	35,940	51,637
Total operating receipts	15,697	7,625	35,940	59,262
Operating disbursements:				
Business type activities	22,102	-	16,433	38,535
Total operating disbursements	22,102	-	16,433	38,535
Excess (deficiency) of operating receipts over (under) operating disbursements	(6,405)	7,625	19,507	20,727
Non-operating receipts (disbursements):				
Intergovernmental	-	19,157	-	19,157
Interest on investments	3,482	729	426	4,637
Debt service	-	-	(12,766)	(12,766)
Capital projects	-	(24,165)	-	(24,165)
Net non-operating receipts (disbursements)	3,482	(4,279)	(12,340)	(13,137)
Excess (deficiency) of receipts over (under) disbursements	(2,923)	3,346	7,167	7,590
Other financing sources (uses):				
Sale of capital assets	-	-	2,550	2,550
Operating transfers in	-	-	642	642
Operating transfers out	-	-	(11,777)	(11,777)
Total other financing sources (uses)	-	-	(8,585)	(8,585)
Net change in cash balances	(2,923)	3,346	(1,418)	(995)
Cash balances beginning of year, as restated	76,629	24,328	13,058	114,015
Cash balances end of year	\$ 73,706	27,674	11,640	113,020
Cash Basis Fund Balances				
Reserved for debt service	\$ -	-	1,284	1,284
Unreserved	73,706	27,674	10,356	111,736
Total cash basis fund balances	\$ 73,706	27,674	11,640	113,020

See accompanying independent auditor's report.

City of Albia

Schedule of Indebtedness

Schedule 3

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 Bonds and Notes-									
Street Improvement Bonds	July 1, 1998	4.20 to 4.70%	\$ 775,000	375,000	-	375,000	-	17,457	-
Fire Equipment Note	May 4, 1999	4.23%	108,000	42,000	-	10,000	32,000	1,777	-
Corporate Purpose Bonds	December 1, 2002	1.90 to 4.35%	520,000	390,000	-	40,000	350,000	15,095	-
Swimming Pool Bonds	December 1, 2003	2.25 to 4.00%	2,000,000	1,955,000	-	190,000	1,765,000	67,000	-
Swimming Pool Bonds	June 1, 2005	2.85 to 3.10%	500,000	150,000	-	150,000	-	4,650	-
Corporate Purpose Bonds	May 25, 2006	3.70 to 4.05%	1,345,000	1,190,000	-	115,000	1,075,000	46,072	-
Street Improvement Bonds	September 1, 2007	3.75 to 4.10%	250,000	-	250,000	45,000	205,000	7,330	-
Corporate Purpose Bonds	May 1, 2008	3.10 to 3.80%	640,000	-	640,000	-	640,000	-	-
Total			\$ 4,102,000	\$ 4,102,000	\$ 890,000	\$ 925,000	\$ 4,067,000	\$ 159,381	\$ -
Revenue Bonds-									
Sewer Revenue Refunding	June 1, 1999	3.60 to 4.25%	\$ 595,000	205,000	-	205,000	-	8,713	-
Revenue Note- Fire Department	October 30, 2006	4.125%	\$ 102,900	102,900	-	8,521	94,379	4,245	-
Lease Purchase Agreement-									
Equipment	September 29, 2004	4.10%	\$ 105,919	66,085	-	21,150	44,935	2,709	-
Equipment	June 3, 2008	7.95%	21,396	-	21,396	430	20,966	-	-
				66,085	21,396	21,580	65,901	2,709	-

See accompanying independent auditor's report.

City of Albia

Bond and Note Maturities

Schedule 4

June 30, 2008

Year Ending June 30,	General Obligation Bonds and Notes												
	Fire Equipment Note Issued May 4, 1999		Corporate Purpose Bonds Issued December 1, 2002		Swimming Pool Bonds Issued December 1, 2003		Corporate Purpose Bonds Issued May 25, 2006		Street Improvement Bonds Issued September 1, 2007		Corporate Purpose Bonds Issued May 1, 2008		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
2009	4.23%	\$ 10,000	3.45%	\$ 40,000	2.85%	\$ 195,000	3.75%	\$ 115,000	3.80%	\$ 25,000	3.20%	\$ 95,000	\$ 480,000
2010	4.23%	11,000	3.55%	50,000	3.10%	200,000	3.75%	125,000	3.85%	25,000	3.30%	95,000	506,000
2011	4.23%	11,000	3.80%	50,000	3.35%	210,000	3.80%	130,000	3.88%	25,000	3.35%	100,000	526,000
2012	-	-	4.00%	50,000	3.45%	215,000	3.85%	130,000	3.90%	25,000	3.10%	95,000	515,000
2013	-	-	4.05%	50,000	3.60%	225,000	3.90%	135,000	3.95%	25,000	3.35%	60,000	495,000
2014	-	-	4.25%	50,000	3.70%	230,000	3.95%	140,000	4.00%	25,000	3.35%	45,000	490,000
2015	-	-	4.35%	60,000	3.85%	240,000	4.00%	145,000	4.05%	25,000	3.80%	50,000	520,000
2016	-	-	-	-	4.00%	250,000	4.05%	155,000	4.10%	30,000	3.80%	50,000	485,000
2017	-	-	-	-	-	-	-	-	-	-	3.80%	50,000	50,000
		<u>\$ 32,000</u>		<u>\$ 350,000</u>		<u>\$ 1,765,000</u>		<u>\$ 1,075,000</u>		<u>\$ 205,000</u>		<u>\$ 640,000</u>	<u>\$ 4,067,000</u>

Revenue Note		
Fire Department		
Year Ending June 30,	Interest Rates	Amount
2009	4.125%	\$ 8,873
2010	4.125%	9,239
2011	4.125%	9,617
2012	4.125%	10,016
2013	4.125%	10,430
2014	4.125%	10,860
2015	4.125%	11,308
2016	4.125%	11,775
2017	4.125%	12,261
		<u>\$ 94,379</u>

See accompanying independent auditor's report.

City of Albia

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

Schedule 5

For the Last Six Years

	2008	2007	2006	2005	2004	2003
Receipts:						
Property tax	\$ 1,194,235	1,171,575	1,083,508	946,940	950,378	946,568
Other city tax	720,239	802,383	592,594	395,200	132,780	12,229
Licenses and permits	14,213	10,027	12,467	12,251	10,933	10,435
Use of money and property	49,674	34,441	18,817	50,775	51,900	37,023
Intergovernmental	399,788	552,749	815,230	491,131	403,254	628,196
Charges for service	142,031	152,345	78,802	23,630	6,588	38,705
Special assessments	-	-	-	-	5,269	-
Miscellaneous	45,622	147,615	113,930	46,933	123,574	144,809
Total	\$ 2,565,802	2,871,135	2,715,348	1,966,860	1,684,676	1,817,965
Disbursements:						
Operating:						
Public safety	\$ 539,780	682,761	504,928	523,795	452,930	445,431
Public works	485,546	421,834	369,213	362,559	352,137	305,101
Culture and recreation	289,273	302,258	233,024	152,510	193,891	268,111
Community and economic development	46,670	2,477	11,714	32,956	47,637	18,382
General government	253,739	299,152	301,257	228,492	289,948	309,765
Debt service	1,086,975	620,756	1,478,044	417,219	387,104	474,038
Capital projects	197,074	635,254	1,275,365	1,867,844	235,007	176,612
Total	\$ 2,899,057	2,964,492	4,173,545	3,585,375	1,958,654	1,997,440

See accompanying independent auditor's report.

PEAK & GERDES, LLP
CERTIFIED PUBLIC ACCOUNTANTS
1051 OFFICE PARK ROAD
WEST DES MOINES, IOWA 50265

(515) 277-3077

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 primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Albia, 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 issue our report thereon dated August 5, 2008. Our report expressed unqualified opinions on the primary government financial statement 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 Albia'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 Albia's internal control over financial reporting. Accordingly, we do not express our opinion on the effectiveness of the City of Albia'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 a combination of control deficiencies, that adversely affects City of Albia'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 City of Albia's financial statements that is more than inconsequential will not be prevented or detected by City of Albia's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

City of Albia'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 City of Albia's responses and, accordingly, we do not express an 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 Albia and other parties to whom the City of Albia may report. 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 Albia 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.

Peak & Gerdes, LLP
Certified Public Accountants

August 5, 2008

City of Albia
Schedule of Findings
Year ended June 30, 2008

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-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. The issuance of receipt slips, bank deposits and the posting of the cash receipts to the accounting records are sometimes all done by the same person.

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

Response – We will consider this.

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

I-B-08 Payroll Procedures – An instance was noted where an employee I-9 was incomplete. A few instances were noted where employee rates of pay were inaccurate or written documentation was not available to support the rates of pay.

Recommendation - Properly completed I-9's should also be on file for all applicable employees. Procedures should be implemented to ensure employee rates of pay are accurate and agree to written documentation.

Response - We will implement these recommendations to the best of our ability.

Conclusion - Response accepted.

I-C-08 Records of Account - The Albia Police Department maintains the accounting records and bank statements pertaining to two different bank accounts. These transactions and the resulting balances are not recorded in the Clerk's records. Chapter 384.20 of the Code of Iowa states in part "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." In addition, a certificate of deposit held by the City is not recorded on the City's accounting system either manually or on the computer.

Recommendation - For better accountability, financial and budgetary control, the financial activity and balances of all city accounts should be recorded on the Clerk's records. In addition, the City should record all funds on its computer system.

Response – We will review this situation.

Conclusion - Response accepted.

City of Albia

Schedule of Findings

Year ended June 30, 2008

I-D-08 Financial Reporting – Instances were noted where receipts and disbursements were not always properly classified in the general ledger. Also, the City's general ledger account structure does not consistently follow the requirements as outlined by the City Finance Committee.

Recommendation – The City should implement procedures to ensure all receipts and disbursements are properly classified in the general ledger, and that the account structure follows the requirements as outlined by the City Finance Committee.

Response – We will also work on the proper classification of receipts and disbursements, and ensure compliance with the requirements as outlined by the City Finance Committee.

Conclusion – Response accepted.

I-E-08 Library Procedures – Pre-numbered receipt slips are not issued for Library memorial and donation monies. Library monies are not timely deposited, currently the monies are normally deposited approximately once per month. In addition, Library monies on hand are taken home at night by the Librarian for safekeeping. Also, an adequate written record is not maintained which documents the amount of unspent Library memorial monies, by memorial, at any one time.

Recommendation – The Library issue pre-numbered receipts slips for memorial and donation monies. Library monies should be deposited when cash and checks on hand exceed \$100. In addition, Library monies should not be taken home at night by the Librarian. Also, written records need to be maintained documenting the amount of unspent Library memorial monies, by memorial, at any one time.

Response – We will implement the above to the best of our ability.

Conclusion – Response accepted.

I-F-08 Firefighter Grant – The City received a grant from the U.S. Department of Homeland Security. Federal regulations require that procedures be in place to ensure minimal time elapses between the date of receipt of the federal funds and the related disbursement of those funds. For this grant, approximately six weeks elapsed between the date of receipt of those funds and the related disbursement of those funds.

Recommendation – The City implement procedures to ensure federal funds received are spent in a timely manner.

Response – We will implement this recommendation.

Conclusion – Response accepted.

City of Albia

Schedule of Findings

Year ended June 30, 2008

I-G-08 Receipts – Accounting for pool receipts is weak. Currently there is no reconciliation between gift certificates issued and redeemed. Season tickets and punch passes are not pre-numbered. In addition, there is no documented reconciliation between monies deposited to the bank, with monies recorded on the cash registers. There is no formal analysis of gross margin on the concession activity at the pool.

Recommendation – For the pool, procedures should be implemented to reconcile gift certificates, season tickets and punch passes sold with monies deposited. In addition, there should be a documented reconciliation of monies deposited with monies recorded on the cash registers. There should also be a formal analysis of gross margin in relation to the concession activity at the pool.

Response – We will implement these to the best of our ability

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Albia

Schedule of Findings

Year ended June 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

II-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the culture and recreation and debt service activities functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation. The beginning budget numbers on the amended budget do not agree to the ending budget numbers on the original budget.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. In addition, procedures should be implemented to ensure the beginning budget numbers on the amended budget agree to the ending budget numbers on the original budget.

Response – The budget will be amended in the future, if applicable. Also, procedures will be implemented to ensure the amended budget reconciles to the original budget

Conclusion – Response accepted.

II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

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

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

<u>Name, Title, and Business Connection</u>	<u>Transaction/Description</u>	<u>Amount</u>
Robert Reed, Planning and Zoning Commissioner and Historic Preservation Board; Owner, R & H Construction	Construction Work and Hauling	\$99,557
Jan Haselhuhn, Council Member; Owner R & H Construction		
Warren Woolums, Volunteer Fireman	Service Trucks and Equipment	\$2,459
Ray Vitko, Jr. Volunteer Fireman, Owner, Vitko’s	Service Truck	\$33

In accordance with Chapter 362.5(8) of the Code of Iowa, the above transactions with the Volunteer Fireman do not appear to represent conflicts of interest. However, the transactions with R&H Construction may represent a conflict of interest pursuant to Chapter 362.5(10) of the Code of Iowa since total transactions, which were not competitively bid, were more than \$1,500 during the fiscal year.

City of Albia

Schedule of Findings

Year ended June 30, 2008

Recommendation – To determine the proper disposition of this matter, the City should consult with their Attorney regarding the above potential conflict of interest issue.

Response – We will discuss this issue with the City Attorney.

Conclusion – Response accepted.

II-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 that the coverage is adequate for current operations

II-F-08 Council Minutes - Transactions were found that we believe should have been approved in the Council minutes but were not. These same minutes were not published in the newspaper as required by Chapter 372.13(6) of the Code of Iowa.

A summary of all receipts was not published in the newspaper. Some Council minutes, and related claims, were not published within fifteen days in the newspaper. All of this is required by Chapter 372.13(6) of the Code of Iowa. An affirmative roll call vote for entering into a closed session was not documented in the Council minutes as required by Chapter 21.5 of the Code of Iowa. The City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978. The City Clerk did not sign the official record of the Council minutes as required by Chapter 380.7 of the Code of Iowa.

Recommendation - The City should implement procedures to ensure that all invoices are approved by the City Council. The City should also implement procedures to ensure that all invoices, a summary of all receipts and all Council minutes are published in the newspaper as required by the Code of Iowa. In addition, procedures should be implemented to ensure compliance with Chapter 21.5 of the Code of Iowa. The individual salaries should be published as required. Also, the City Clerk should sign the official record of the council minutes as required by the Code of Iowa.

Response - We will implement these recommendations.

Conclusion - Response accepted.

II-G-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy was noted. Interest income earned from the proceeds of debt were not credited to the project fund as required by the Code of Iowa.

Recommendation – Interest income earned on the proceeds of debt should be credited to the project fund.

Response – We will implement this recommendation.

Conclusion – Response accepted.

II-H-08 Revenue Note - The City has not complied with the revenue note resolutions.

The City has not established a fire department revenue note sinking account. The fire department revenue note reserve account balance is insufficient. As a result, it does not appear the city is in compliance with the requirements as established by the U.S. Department of Agriculture.

City of Albia

Schedule of Findings

Year ended June 30, 2008

Recommendation – The City establish a fire department revenue note sinking account and properly fund the fire department revenue note reserve account, as required by the U.S. Department of Agriculture.

Response – We will implement this recommendation.

Conclusion – Response accepted.

II-I-08 Financial Condition – The balance in the Proprietary Funds, Landfill appears to be excessive. The Debt Service Fund had a deficit balance at June 30, 2008 of \$245,712.

Recommendation – Procedures should be implemented to reduce the fund with excessive balances, and increase the fund with a deficit balance.

Response - We will continue to monitor the Property Funds, Landfill and take action accordingly. The balance in the Debt Service Fund will be positive once a transfer is made in fiscal year 2009.

Conclusion - Response accepted.

II-J-08 Transfers – At June 30, 2008, \$299 was due from the Capital Projects, Street Paving Project Fund to the Debt Service Fund, \$259,325 was due from the Special Revenue, Aquatic Center Fund to the Debt Service Fund, and \$2,955 was due from the Enterprise, Sewer Fund to the Special Revenue, Employee Benefits Fund.

Recommendation – The City make the above transfers.

Response – We will implement this recommendation.

Conclusion – Response accepted.

II-K-08 Disbursements – There was not always documented receipt of merchandise or service prior to payment of the invoices. The City paid sales tax on one invoice.

Recommendation – We recommend the City implement procedures to ensure receipt of merchandise and services is documented prior to the payment of the invoices. Also, the City should not pay sales tax on invoices.

Response – We will implement these recommendations.

Conclusion – Response accepted.

II-L-08 Compliance Issues – Some general obligation bond principal and interest payments were not paid from the Debt Service Fund, as required by Chapter 384.4 of the Code of Iowa. Adjustments were subsequently made so that all general obligation bond principal and interest payments were charged to the Debt Service Fund.

An instance was noted in which an IRS 1099-Misc. form was not issued as required. Personal use of a City vehicle is not taxed to the employees as a taxable fringe benefit.

City of Albia

Schedule of Findings

Year ended June 30, 2008

Recommendation – The City should ensure that all general obligation bond principal and interest payments are paid from the Debt Service Fund. Also, procedures should be implemented to ensure IRS 1099-Misc. forms are issued as required. In addition, personal use of City owned vehicles should be treated as a taxable fringe benefit in accordance with Internal Revenue Service guidelines.

Response – We will implement these recommendations.

Conclusion – Response accepted.

II-M-08 Receipts – Our review noted where individuals did not pay the City \$750 in rent for airplane hangers. At times during fiscal year 2008, the City averaged over \$1,000,000 in its NOW bank account which earned .5% bank interest. During fiscal year 2008, interest rates on liquid funds invested in the Iowa Public Agency Investment Trust were significantly higher. If City monies were invested in the Iowa Public Agency Investment Trust, the City could have earned at least an additional \$20,000 bank interest in fiscal year 2008. The City of Melrose has not paid its Library fee to the City for fiscal year 2007.

Recommendation – The City implement procedures to ensure all monies due to them are received and deposited to the bank account, including monies from the rental of airplane hangars and Library fees from the City of Melrose. In addition, in order to earn more bank interest, the City should also invest its excess funds in higher yielding investments.

Response – We will review this and take appropriate action.

Conclusion – Response accepted.

II-N-08 Sales and Gas Tax – It does not appear the City received all the money due to them in relation to the sales tax refund on the completed pool construction project, which could amount to several thousand dollars. On swimming pool admissions, it appears the City overpaid sales tax by approximately \$1,500 to the State of Iowa. The City hasn't filed a claim for its gasoline tax refund with the State of Iowa since March, 2007.

Recommendation – The City should apply for sales tax refunds on completed construction projects. The City should also file an amended sales tax return for the approximate \$1,500 overpayment to the State of Iowa. The City should also timely file for its gasoline tax refunds with the State of Iowa.

Response – We will implement these recommendations.

Conclusion – Response accepted.

II-O-08 Lease - Purchase – The City entered into an agreement for the lease-purchase of a mower. The City did not publish a notice or hold a public hearing for the lease-purchase of the mower, even though this is required pursuant to Chapter 364.4, 384.25, and 362.3 of the Code of Iowa.

Recommendation – The City should comply with the Code of Iowa when entering into lease-purchase agreements.

Response – We will implement this recommendation on future lease-purchases.

Conclusion – Response accepted.