

**CITY OF APLINGTON, IOWA**

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

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2008**

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**City of Aplington, Iowa**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
	Before January 2008	
Dennis Matura	Mayor	Jan 2008
Lucy Miller	Mayor Pro Tem	Jan 2011
Jim Limburg	Council Member	Jan 2009
Laci Mulder	Council Member	Jan 2008
Duane Nevenhoven	Council Member	Jan 2009
Cory Troyna	Council Member	Jan 2008
Debra Prier	City Clerk/Treasurer	Indefinite
Greg Lievens	Attorney	Indefinite
	After January 2008	
Cory Troyna	Mayor	Jan 2010
Lucy Miller	Mayor Pro Tem	Jan 2012
Jim Limburg	Council Member	Jan 2010
Jason Mehmen	Council Member	Jan 2012
Duane Nevenhoven	Council Member	Jan 2010
Dennis Matura	Council Member	Jan 2010
Debra Prier	City Clerk/Treasurer	Indefinite
Greg Lievens	Attorney	Indefinite

## 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 Aplington, 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 Aplington'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. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2007.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2007, 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 Aplington 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 March 25, 2009 on our consideration of the City of Aplington'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 4 through 6 and 21 through 23 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied 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 Aplington's basic financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in 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.

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

March 25, 2009

## *Management Discussion and Analysis*

### *2008 Financial Highlights for the City of Aplington*

- Taxes were increased slightly bringing the revenue for property taxes to \$261,065. Total revenues, including proprietary funds totaled \$1,801,281.
- Disbursements were \$1,724,072. Excess receipts of \$77,209.

### *Annual Report*

This report gives the overview of the City's Financial Status and budgetary figures.

### *Basis of Accounting*

The City maintains its financial records on the basis of cash receipts and disbursements. 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.

#### Reporting the City's Financial Activities

#### Government-wide Financial Statements

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

- Governmental Activities include public safety, public works, culture and recreations, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include electric, water, and sewer utilities. These activities are financed with 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 (LOST, RUT, TIF) 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, including Enterprise Debt Service, Capital Projects, and TIF Capital Projects. Proprietary funds also account for Internal Service Fund – regular and TIF transfers out. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for electric, water, and sewer funds. Internal service funds account for transfers between funds.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances. These are reported on Schedule 1 and Schedule 2 of the Auditor's report. The Schedule of Indebtedness is found on Schedule 3. This includes GO bonds of \$500,000 and \$550,000 and a special assessment capital loan of \$280,000. Short-term loans of 58,000 (Snow Plow Truck) and 90,000 (ARC land purchase).

#### *INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS*

- The General Fund cash balance shows a deficit of \$283,521. City officials will consider transferring funds to eliminate this deficit.
- Special Revenue Fund, Street Assessments, cash balance shows a deficit balance of \$15,088. (Incoming taxes will eliminate this)
- Capital Projects Balance shows a deficit of \$62,225. City officials will determine options to eliminate this deficit.
- Cemetery Perpetual Care (Permanent) has a balance of \$12,775.
- Proprietary Funds of Water, Sewer continue to be a major source of revenue. Ending fund balances for proprietary funds for 2008 totaled \$472,525.

#### *TAX LEVIES*

Tax levy for the year ending June 30 was \$16,093.

#### *BUDGETARY HIGHLIGHTS*

The City amended its budget one time in the course of the year. However, due to an error in transfers the Debt Service fund exceeded the disbursements.

#### *DEBT ADMINISTRATION*

At the end of the fiscal year of June 30, 2008, the City's Debt outstanding was \$481,998.

Debt Limitation as of June 30, 2008 was \$1,987,796.

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 with the City's corporate limits. The actual valuation from January 1, 2006 of 39,755,929 was used to compute the limitation.

### *ECONOMIC FACTORS AND NEXT YEAR'S BUDGET*

Street repairs continue yearly. TIF projects will continue to help the economy of the City by issuing rebates, grant, and no interest loans.

Planned Capital Projects for the next five years include: sewer joint repairs, paint and repair exterior and interior of water tower, improve pressure and begin remodeling or constructing a new water treatment plant; complete the balance of street improvements; downtown sidewalks. The Council has a continued vision to pursue recreation projects with the City of Parkersburg.

### *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 Deb Prier, City Clerk, 409 10<sup>th</sup> Street, P.O. Box 308, Aplington, Iowa 50604.

## **Basic Financial Statements**

City of Aplington, Iowa  
Statement of Activities and Net Assets - Cash Basis  
As of and for the year ended June 30, 2008

		Program Receipts		
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 203,614	99,515	-	-
Public works	146,518	57,686	90,299	-
Health and social services	1,850	-	-	-
Culture and recreation	87,416	3,469	17,641	-
Community and economic development	190,314	-	-	-
General government	107,143	813	-	-
Debt service	158,375	-	-	-
Capital projects	201,370	-	17,539	151,045
Total governmental activities	1,096,600	161,483	125,479	151,045
Business type activities:				
Electric	533,749	634,652	-	-
Water	56,529	47,961	2,400	-
Sewer	37,194	45,484	-	-
Total business type activities	627,472	728,097	2,400	-
Total	\$ 1,724,072	889,580	127,879	151,045

**General Receipts:**

Property tax levied for:

- General purposes
- Tax increment financing
- Debt service

Local option sales tax

Unrestricted interest on investments

Miscellaneous

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:

- Streets
- Debt service
- Other purposes

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
(104,099)	-	(104,099)
1,467	-	1,467
(1,850)	-	(1,850)
(66,306)	-	(66,306)
(190,314)	-	(190,314)
(106,330)	-	(106,330)
(158,375)	-	(158,375)
(32,786)	-	(32,786)
<u>(658,593)</u>	<u>-</u>	<u>(658,593)</u>
-	100,903	100,903
-	(6,168)	(6,168)
<u>-</u>	<u>8,290</u>	<u>8,290</u>
<u>-</u>	<u>103,025</u>	<u>103,025</u>
<u>(658,593)</u>	<u>103,025</u>	<u>(555,568)</u>
175,339	-	175,339
237,763	-	237,763
85,726	-	85,726
53,393	-	53,393
12,560	-	12,560
67,996	-	67,996
<u>-</u>	<u>-</u>	<u>-</u>
<u>632,777</u>	<u>-</u>	<u>632,777</u>
(25,816)	103,025	77,209
191,045	369,500	560,545
<u>\$ 165,229</u>	<u>472,525</u>	<u>637,754</u>
\$ 88,140	-	88,140
4,452	-	4,452
418,383	-	418,383
(345,746)	472,525	126,779
<u>\$ 165,229</u>	<u>472,525</u>	<u>637,754</u>

City of Aplington, Iowa  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2008

	<u>Special Revenue</u>		
	<u>General</u>	<u>Tax Increment Financing</u>	<u>Debt Service</u>
Receipts:			
Property tax	\$ 170,480	-	85,107
Tax increment financing collections	-	237,763	
Other city tax	2,874	-	619
Licenses and permits	813	-	-
Use of money and property	23,101	-	-
Intergovernmental	41,093	-	-
Charges for service	139,087	-	-
Special assessments	-	-	-
Miscellaneous	29,177	1,864	-
Total receipts	<u>406,625</u>	<u>239,627</u>	<u>85,726</u>
Disbursements:			
Operating:			
Public safety	203,614	-	-
Public works	69,406	-	-
Health and social services	1,850	-	-
Culture and recreation	87,416	-	-
Community and economic development	18,766	169,900	-
General government	107,143	-	-
Debt service	-	-	122,675
Capital projects	-	-	-
Total disbursements	<u>488,195</u>	<u>169,900</u>	<u>122,675</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(81,570)</u>	<u>69,727</u>	<u>(36,949)</u>
Other financing sources (uses):			
Operating transfers in	-	-	36,800
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>36,800</u>
Net change in cash balances	(81,570)	69,727	(149)
Cash balances beginning of year	(201,951)	307,166	4,601
Cash balances end of year	<u>\$ (283,521)</u>	<u>376,893</u>	<u>4,452</u>
<b>Cash Basis Fund Balances</b>			
Reserved:			
Debt service	\$ -	-	4,452
Unreserved:			
General fund	(283,521)	-	-
Special revenue funds	-	376,893	-
Capital projects funds	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	<u>\$ (283,521)</u>	<u>376,893</u>	<u>4,452</u>

See notes to financial statements.

<u>Capital Projects</u>	Other	
ISED Housing	Nonmajor	
<u>Grants</u>	Governmental	<u>Total</u>
	<u>Funds</u>	
	1,984	257,571
-	-	237,763
	53,393	56,886
-	-	813
-	46	23,147
151,045	90,299	282,437
-	323	139,410
-	24,177	24,177
-	17,539	48,580
<u>151,045</u>	<u>187,761</u>	<u>1,070,784</u>
-	-	203,614
-	77,112	146,518
-	-	1,850
-	-	87,416
-	1,648	190,314
-	-	107,143
	35,700	158,375
151,045	50,325	201,370
<u>151,045</u>	<u>164,785</u>	<u>1,096,600</u>
-	22,976	(25,816)
	-	36,800
-	(36,800)	(36,800)
-	(36,800)	-
-	(13,824)	(25,816)
10,499	70,730	191,045
<u>10,499</u>	<u>56,906</u>	<u>165,229</u>
-	-	4,452
-	-	(283,521)
-	106,356	483,249
10,499	(62,225)	(51,726)
-	12,775	12,775
<u>10,499</u>	<u>56,906</u>	<u>165,229</u>

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

As of and for the year ended June 30, 2008

	<u>Electric</u>	Other Nonmajor Proprietary <u>Funds</u>	<u>Total</u>
Operating receipts:			
Use of money and property	\$ -	2,400	2,400
Charges for service	<u>634,652</u>	<u>93,445</u>	<u>728,097</u>
Total operating receipts	<u>634,652</u>	<u>95,845</u>	<u>730,497</u>
 Operating disbursements:			
Business type activities	<u>533,749</u>	<u>93,723</u>	<u>627,472</u>
Total operating disbursements	<u>533,749</u>	<u>93,723</u>	<u>627,472</u>
 Excess (deficiency) of operating receipts over (under) operating disbursements	100,903	2,122	103,025
 Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
 Net change in cash balances	100,903	2,122	103,025
 Cash balances beginning of year	<u>212,543</u>	<u>156,957</u>	<u>369,500</u>
 Cash balances end of year	<u>\$ 313,446</u>	<u>159,079</u>	<u>472,525</u>
 <b>Cash Basis Fund Balances</b>			
 Unreserved	<u>\$ 313,446</u>	<u>159,079</u>	<u>472,525</u>
 Total cash basis fund balances	<u>\$ 313,446</u>	<u>159,079</u>	<u>472,525</u>

See notes to financial statements.

City of Aplington, Iowa

Notes to Financial Statements

June 30, 2008

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

The City of Aplington is a political subdivision of the State of Iowa located in Butler County. It was first incorporated in 1859 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides electric, water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Aplington 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 government. City officials are members of the Butler County Assessor's Conference Board and Butler County Emergency Management Commission.

City of Aplington, Iowa  
Notes to Financial Statements

June 30, 2008

B. Basis of Presentation

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

City of Aplington, Iowa  
Notes to Financial Statements

June 30, 2008

The City reports the following major governmental funds:

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

Special Revenue:

The Tax Increment Financing Revenues Fund is used to account for tax proceeds authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

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 IDED Housing Grant is used to account for transactions with the City's housing grant.

The City reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The City of Aplington 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.

City of Aplington, Iowa  
Notes to Financial Statements

June 30, 2008

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 the debt service function.

**(2) Cash**

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

There were no investments at June 30, 2008. During the year, the City invested its excess funds in certificates of deposit and money market savings accounts.

City of Aplington, Iowa  
Notes to Financial Statements

June 30, 2008

**(3) Bonds and Notes Payable**

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

Year Ending	General Obligation Bonds and Notes		Urban Renewal Tax Increment General Obligation Notes		Special Assessment Bonds and Notes	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
June 30,						
2009	\$ 105,000	11,735	20,000	1,020	28,000	6,177
2010	65,000	6,500	---	---	28,000	4,620
2011	65,000	3,250	---	---	28,000	3,080
2012	---	---	---	---	28,000	1,540
Total	\$ 235,000	21,485	20,000	1,020	112,000	15,417
	=====	=====	=====	=====	=====	=====

Year Ending	Total	
	<u>Principal</u>	<u>Interest</u>
June 30,		
2009	\$ 153,000	18,932
2010	93,000	11,120
2011	93,000	6,330
2012	28,000	1,540
Total	\$ 367,000	37,922
	=====	=====

City of Aplington, Iowa  
Notes to Financial Statements

June 30, 2008

The resolutions providing for the issuance of the general obligation bonds and notes include the following provisions:

- (a) At the option of the City, notes due on the corporate purpose loan issue of November 1, 1999, are subject to prepayment in whole or in part, on any date on or after June 1, 2005, not less than 30 days prior to the fixed date for prepayment, at a price of par plus accrued interest, by giving proper notice.
- (b) At the option of the City, notes due on the corporate purpose loan issue of January 1, 2001, are subject to prepayment in whole or in part, on any date on or after June 1, 2007, not less than 30 days prior to the fixed date for prepayment, at a price of par plus accrued interest, by giving property notice.

The urban renewal tax increment financing general obligation note was issued for the purpose of defraying costs of carrying out urban renewal projects of the City. The notes are payable solely from the income and proceeds of the Special Revenue, Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing general obligation notes shall be expended only for purposes which are consistent with the plans of the City's urban renewal area.

On July 1, 2006, the City obtained a five-year note of \$58,000 to purchase a snow plow. The City paid \$13,027 on this note during the year ended June 30, 2008 which included \$1,890 of interest expense.

City of Aplington, Iowa  
Notes to Financial Statements

June 30, 2008

Future payments are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	11,582	1,445	13,027
2010	12,045	982	13,027
2011	<u>12,526</u>	<u>501</u>	<u>13,027</u>
Total	\$ <u>36,153</u> =====	<u>2,928</u> =====	<u>39,081</u> =====

On June 6, 2007, the City obtained a ten-year note of \$90,000 to purchase real estate. The City paid \$11,509 on this note which included \$359 in interest expense during the year ended June 30, 2008.

Future payments are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	6,976	4,534	11,510
2010	7,377	4,132	11,509
2011	7,801	3,708	11,509
2012	8,250	3,260	11,510
2013	8,725	2,786	11,511
Thereafter	<u>39,716</u>	<u>5,827</u>	<u>45,543</u>
Total	\$ <u>78,845</u> =====	<u>24,247</u> =====	<u>103,092</u> =====

**(4) Pension and Retirement Benefits**

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

City of Aplington, Iowa  
Notes to Financial Statements

June 30, 2008

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 annual covered payroll. 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 contribution to IPERS for the years ended June 30, 2008 and 2007 were \$17173 and \$15,785, equal to the required contribution for these years.

**(5) 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 liability for earned vacation termination payments payable to employees at June 30, 2008, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 17,500 =====

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

**(6) Deficit Fund Balances**

The Special Revenue Fund, Street Assessments Fund had a negative fund balance at June 30, 2008 of \$15,088. This deficit will be eliminated upon receipt of property taxes.

The Capital Projects Fund, Capital Projects Account had a negative fund balance at June 30, 2008 of \$62,225. City officials are considering alternatives to eliminate this deficit.

The General Fund had a negative balance of \$283,521 at June 30, 2008 City officials are considering alternatives to eliminate this deficit.

City of Aplington, Iowa  
Notes to Financial Statements

June 30, 2008

**(7) Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Special Revenue: Local Option Sales Tax	<u>36,800</u>
Total		\$ 36,800 =====

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

**(8) Risk Management**

The City of Aplington 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 the past three fiscal years.

**Required Supplementary Information**

City of Aplington, Iowa

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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 257,571	-	257,571
Tax increment financing collections	237,763	-	237,763
Other city tax	56,886	-	56,886
Licenses and permits	813	-	813
Use of money and property	23,147	2,400	25,547
Intergovernmental	282,437	-	282,437
Charges for service	139,410	728,097	867,507
Special assessments	24,177	-	24,177
Miscellaneous	48,580	-	48,580
Total receipts	<u>1,070,784</u>	<u>730,497</u>	<u>1,801,281</u>
Disbursements:			
Public safety	203,614	-	203,614
Public works	146,518	-	146,518
Health and social services	1,850	-	1,850
Culture and recreation	87,416	-	87,416
Community and economic development	190,314	-	190,314
General government	107,143	-	107,143
Debt service	158,375	-	158,375
Capital projects	201,370	-	201,370
Business type activities	-	627,472	627,472
Total disbursements	<u>1,096,600</u>	<u>627,472</u>	<u>1,724,072</u>
Excess (deficiency) of receipts over (under) disbursements	(25,816)	103,025	77,209
Other financing sources (uses), net	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(25,816)	103,025	77,209
Balances beginning of year	<u>191,045</u>	<u>369,500</u>	<u>560,545</u>
Balances end of year	<u>\$ 165,229</u>	<u>472,525</u>	<u>637,754</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to
<u>Original</u>	<u>Final</u>	Net
		<u>Variance</u>
256,726	256,726	845
241,000	241,000	(3,237)
47,124	47,124	9,762
500	500	313
22,800	23,797	1,750
143,536	146,036	136,401
794,000	794,000	73,507
28,000	28,000	(3,823)
10,080	25,080	23,500
<u>1,543,766</u>	<u>1,562,263</u>	<u>239,018</u>
194,005	216,505	12,891
163,336	200,333	53,815
4,500	5,000	3,150
89,969	97,469	10,053
62,038	240,538	50,224
122,101	125,985	18,842
121,976	121,976	(36,399)
258,500	231,045	29,675
<u>592,500</u>	<u>652,500</u>	<u>25,028</u>
<u>1,608,925</u>	<u>1,891,351</u>	<u>167,279</u>
(65,159)	(329,088)	71,739
<u>322,384</u>	<u>473,429</u>	<u>(473,429)</u>
257,225	144,341	(67,132)
<u>482,864</u>	<u>482,864</u>	<u>77,681</u>
<u>740,089</u>	<u>627,205</u>	<u>10,549</u>

City of Aplington, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund 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, the permanent fund, 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, budget amendments increased budgeted revenues by \$18,497, budgeted disbursements by \$282,426 and other financing sources by \$151,045. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the debt service fund.

## **Other Supplementary Information**

City of Aplington, Iowa

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

As of and for the year ended June 30, 2008

	Special		
	Local Option Sales Tax	Street Assessments	Employee Benefits
Receipts:			
Property tax	\$ -	-	-
Other city tax	53,393	-	-
Use of money and property	-	-	-
Intergovernmental	-	-	-
Charges for service	-	-	-
Special assessments	-	23,335	-
Miscellaneous	-	-	-
Total receipts	<u>53,393</u>	<u>23,335</u>	<u>-</u>
Disbursements:			
Public works			
Community and economic development	1,648	-	-
Debt service	-	35,700	-
Capital projects	-	-	-
Total disbursements	<u>1,648</u>	<u>35,700</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>51,745</u>	<u>(12,365)</u>	<u>-</u>
Other financing uses:			
Operating transfers out	<u>(36,800)</u>	<u>-</u>	<u>-</u>
Net change in cash balances	14,945	(12,365)	-
Cash balances beginning of year	<u>6,037</u>	<u>(2,723)</u>	<u>10,338</u>
Cash balances end of year	<u>\$ 20,982</u>	<u>(15,088)</u>	<u>10,338</u>
<b>Cash Basis Fund Balances</b>			
Unreserved:			
Special revenue funds	\$ 20,982	(15,088)	10,338
Capital project fund	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	<u>\$ 20,982</u>	<u>(15,088)</u>	<u>10,338</u>

See accompanying independent auditor's report.

Schedule 1

<u>Revenue</u>		<u>Capital Projects</u>	<u>Permanent</u>	
<u>Emergency</u>	<u>Road Use</u>	<u>Capital Projects</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
1,984	-	-	-	1,984
-	-	-	-	53,393
-	-	46	-	46
-	90,299	-	-	90,299
-	-	-	323	323
-	842	-	-	24,177
-	-	17,539	-	17,539
<u>1,984</u>	<u>91,141</u>	<u>17,585</u>	<u>323</u>	<u>111,033</u>
	77,112			77,112
-	-	-	-	1,648
-	-	-	-	35,700
-	-	50,325	-	50,325
-	<u>77,112</u>	<u>50,325</u>	-	<u>127,437</u>
<u>1,984</u>	<u>14,029</u>	<u>(32,740)</u>	<u>323</u>	<u>(16,404)</u>
-	-	-	-	(36,800)
1,984	14,029	(32,740)	323	(16,404)
-	74,111	(29,485)	12,452	70,730
<u>1,984</u>	<u>88,140</u>	<u>(62,225)</u>	<u>12,775</u>	<u>56,906</u>
1,984	88,140	-	-	106,356
-	-	(62,225)	-	(62,225)
-	-	-	12,775	12,775
<u>1,984</u>	<u>88,140</u>	<u>(62,225)</u>	<u>12,775</u>	<u>56,906</u>

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

As of and for the year ended June 30, 2008

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Use of money and property	\$ 2,400	-	2,400
Charges for service	47,961	45,484	93,445
Total operating receipts	50,361	45,484	95,845
Operating disbursements:			
Business type activities	56,529	37,194	93,723
Total operating disbursements	56,529	37,194	93,723
Excess (deficiency) of operating receipts over (under) operating disbursements	(6,168)	8,290	2,122
Operating transfers out	-	-	-
Net change in cash balances	(6,168)	8,290	2,122
Cash balances beginning of year	99,231	57,726	156,957
Cash balances end of year	\$ 93,063	\$ 66,016	\$ 159,079
<b>Cash Basis Fund Balances</b>			
Unreserved	\$ 93,063	66,016	159,079
Total cash basis fund balances	\$ 93,063	66,016	159,079

See accompanying independent auditor's report.

City of Aplington, Iowa

Schedule 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 bonds:			
Corporate purpose loan	Nov 1, 1999	4.90-5.10 %	\$ 360,000
Corporate purpose loan	Jan 1, 2001	4.50-5.00 %	550,000
Total			
Urban renewal tax increment financing:			
(TIF) corporate purpose loan	Nov 1, 1999	4.90-5.10 %	\$ 140,000
Special assessment capital loan notes:			
Street improvement loan	May 15, 2002	5.50 %	\$ 280,000
Notes payable:			
Snow plow loan	Mar 20, 2006	5.25 %	\$ 58,000
Real estate loan	Jun 6, 2007	5.75 %	90,000

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>
90,000	-	45,000	45,000	4,545	-
<u>250,000</u>	<u>-</u>	<u>60,000</u>	<u>190,000</u>	<u>12,350</u>	<u>-</u>
<u>\$ 340,000</u>	<u>-</u>	<u>105,000</u>	<u>235,000</u>	<u>16,895</u>	<u>-</u>
<u>40,000</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>2,040</u>	<u>-</u>
<u>140,000</u>	<u>-</u>	<u>28,000</u>	<u>112,000</u>	<u>7,700</u>	<u>-</u>
47,291	-	11,138	36,153	1,890	-
<u>90,000</u>	<u>-</u>	<u>11,155</u>	<u>78,845</u>	<u>354</u>	<u>-</u>
<u>\$ 137,291</u>	<u>-</u>	<u>22,293</u>	<u>114,998</u>	<u>2,244</u>	<u>-</u>

## Bond and Note Maturities

June 30, 2008

General Obligation Bonds						
Year Ending <u>June 30,</u>	<u>Corporate Purpose Loan</u> Issued Nov 1, 1999			<u>Corporate Purpose Loan</u> Issued Jan 1, 2001		<u>Total</u>
	Interest			Interest		
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>		
2009	5.10 %	\$ 45,000	4.90 %	\$ 60,000		105,000
2010		-	5.00	65,000		65,000
2011		-	5.00	65,000		65,000
Total		<u>\$ 45,000</u>		<u>\$ 190,000</u>		<u>235,000</u>

  

Year Ending <u>June 30,</u>	<u>Urban Renewal TIF</u> (TIF) Corporate Purpose Issued Nov 1, 1999			<u>Special Assessment</u> Street Improvement Loan Issued May 15, 2002		<u>Total</u>
	Interest			Interest		
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>		
2009	5.10 %	\$ 20,000	5.50 %	\$ 28,000		48,000
2010		-	5.50	28,000		28,000
2011		-	5.50	28,000		28,000
2012		-	5.50	28,000		28,000
Total		<u>\$ 20,000</u>		<u>\$ 112,000</u>		<u>132,000</u>

See accompanying independent auditor's report.

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

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 Aplington, 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 March 25, 2009. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Aplington'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 Aplington's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Aplington'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 the 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 and other 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 the City of Aplington's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Aplington's financial statements that is more than inconsequential will not be prevented or detected by the City of Aplington'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 the City of Aplington's internal control.

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Aplington'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 on the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Aplington's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Aplington'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 Aplington and other parties to whom the City of Aplington may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Aplington 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.

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

March 25, 2009

City of Aplington, Iowa

Schedule of Findings

Year ended June 30, 2008

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

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 cash receipts listing, bank deposits, posting of the cash revenues and expenditures and preparation of the bank reconciliation are all done by the same individual.

Recommendation - We realize that 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 review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. The City could 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-A-08 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The City of Aplington does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those in charge with governance.

City of Aplington, Iowa

Schedule of Findings

Year Ended June 30, 2008

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with the cash basis of accounting can be considered costly and ineffective. However, it is the responsibility of the City’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources necessary to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

City of Aplington, Iowa

Schedule of Findings

Year ended June 30, 2008

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

II-A-08 Certified Budget - Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in sufficient amounts in the future, if applicable.

Conclusion – Response accepted.

II-B-08 Questionable Disbursements - No disbursements were noted 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 – No business transactions between the City and City officials or employees were noted.

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

City of Aplington, Iowa

Schedule of Findings

Year ended June 30, 2008

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 were noted.

II-H-08 Financial Condition – The Special Revenue Fund, had a deficit balance of \$15,088 and the Capital Projects Fund, Capital Projects accounts had a deficit balance at June 30, 2008, of \$62,225. Also, the General Fund had a deficit balance of \$283,521 at June 30, 2008.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial position.

Response – The deficit balances will be investigated and the funds will be returned to a sound financial position. See note number 6 to the financial statements for further detail.

Conclusion – Response accepted.

II-I-08 Excess Balances – The balance in the Enterprise Fund, Water account at June 30, 2008, was in excess of disbursements for the year. The balance in the Special Revenue Fund, Street Assessments was also in excess of disbursements for the year.

Recommendation – The City should review the balances in these accounts.

Response – We will review the Enterprise Funds for needed capital improvements. We also have some ongoing projects for which TIF funds are needed. After these projects are completed we will review our balance in the TIF account.

Conclusion – Response accepted.